

Voleon Capital Management LP

Form ADV - Part 2A

Firm Brochure

March 30, 2020

2484 Shattuck Avenue, Suite 300
Berkeley, CA 94704
(341) 333-2059
<http://voleon.com>

This brochure provides information about the qualifications and business practices of Voleon Capital Management LP. If you have any questions about the contents of this brochure, please contact us by phone at (341) 333-2059 or by email at legal-notices@voleon.com. The 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.

Additional information about Voleon Capital Management LP is available on the SEC’s website at www.adviserinfo.sec.gov.

Voleon Capital Management LP is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Registration with the SEC or any state securities authority does not imply any level of skill or training.

Item 2 – Material Changes

This brochure, dated March 30, 2020, is an annual update. The material changes since our last annual updated brochure, dated March 29, 2019, include:

- The Cover Page reflects the change in Voleon’s business address and phone number;
- Item 8: updated disclosures to reflect updated language in offering memoranda for funds advised by Voleon and to disclose additional risks; and
- Item 10: Voleon is now registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission under the Commodity Exchange Act and is a member of the National Futures Association.

No other changes deemed material are reflected in this brochure, but investors are encouraged to review this updated brochure in its entirety.

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Item 4 – Advisory Business

Structure; Ownership

Voleon Capital Management LP is an investment advisory firm that has been in business since 2008. Its principal place of business is located in Berkeley, California. Voleon Capital Management LP may be referred to in this brochure as “**Voleon**,” the “**Investment Adviser**,” “**we**,” or the “**Firm**.”

Voleon Capital Management LP is a Delaware limited partnership. The firm was founded by Michael Kharitonov, PhD, our Chief Executive Officer, and Jon McAuliffe, PhD, our Chief Investment Officer. Mr. Kharitonov is a limited partner in Voleon and is a member of the company that serves as Voleon’s general partner. Mr. Kharitonov’s aggregate ownership interest in Voleon exceeds 25% of the total capital of Voleon.

Types of Advisory Services

Voleon provides advisory services on a discretionary basis to its clients, all of which are pooled investment vehicles (specifically, private investment funds). Each private investment fund that we manage is generally referred to throughout this brochure as a “**Fund**” and are collectively referred to throughout this brochure as the “**Funds**.” Certain Funds invest all or substantially all of their assets in other Funds in a master-feeder structure. As such, reference to a “Fund” or the “Funds” may include reference to the aggregate master-feeder structure, as the context requires.

Voleon provides investment advisory services to the Funds based on the investment objectives and strategies described in the Funds’ offering memoranda and governing documents (collectively, the “**Offering Documents**”). We implement one or more quantitative-based strategies utilizing a variety of asset classes and financial instruments.

Voleon selects all of the investments and strategies for the Funds. We do not tailor our investment strategies to the needs of any particular investor in our Funds (each, an “**Investor**” and collectively, “**Investors**”). Accordingly, Investors have no opportunity to select particular investments or strategies for the Funds.

Assets Under Management

As of December 31, 2019, Voleon managed, on a discretionary basis, approximately \$8,708,634,255 in regulatory assets under management. Voleon does not manage any client assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Management Fee and Performance-Based Compensation

The fees charged by Voleon and certain of its affiliates are set forth in each Fund's Offering Documents. We are generally compensated for our advisory services through the receipt of a monthly management fee calculated as an amount equal to 1/12th of 2.00% (0.167% per month) of the net asset value of a Fund as of the first day of each month. Management fees are payable monthly in advance as of the first business day of each month.

In addition, certain affiliates of Voleon are generally entitled to receive, as of the end of each calendar quarter, performance-based compensation, calculated as an amount equal to 20% of any net profits of a Fund above a high water mark. Performance-based compensation is computed and paid quarterly in arrears.

The Investment Adviser (or its affiliates, as applicable) has in the past waived, reduced, and/or modified management fees and performance-based compensation for certain of Voleon's partners, employees, affiliates, and friends and family, and may do so in the future. The Investment Adviser (or its affiliates, as applicable) is not required to offer any such waiver, reduction, and/or modification arrangement to any other Investor or prospective investor.

Voleon deducts fees directly from the assets of the Funds.

Other Fees and Expenses

The Funds incur expenses in connection with custodial and brokerage services. In addition, the Funds incur operating costs and expenses that are set forth in each Fund's Offering Documents. Certain expenses are subject to an Expense Cap (defined below) and other expenses are not. Each Investor will bear its proportionate share of all such expenses based on such Investor's ownership of the applicable Fund.

The Expense Cap (the “**Expense Cap**”) is generally equal to a maximum of 0.04% per month of the net asset value of a Fund as of the first calendar day of each month, subject to certain adjustments. For example, if a Fund does not use the full amount of its monthly Expense Cap, such excess amounts may be carried forward and applied to certain future months.

In addition to the fees and expenses enumerated above, Voleon may invest a portion of a Fund's assets in investment vehicles managed by third parties (e.g., money market funds, exchange-traded funds, and other instruments). When any such investments are made, a Fund (and indirectly, its Investors) will pay, in addition to the compensation payable to Voleon, any

management or other fees charged by the manager of such money market fund, exchange-traded fund, or other instrument.

Voleon also pays an annual licensing fee (payable in monthly installments) to its affiliate, Voleon Financial Strategies LP (together with its wholly owned subsidiary, the “**IP Company**”), for the use of the IP Company’s trading and risk management software, which Voleon employs to implement the Funds’ investment strategies. The Funds (and indirectly, the Investors) reimburse Voleon for such licensing fees. The licensing fees are subject to the Expense Cap and are further described in each Fund’s Offering Documents. Please refer to Item 10 for additional discussion of this licensing arrangement with the IP Company.

Neither the Investment Adviser nor any of its supervised persons receive any compensation from the sale of securities or other investment products.

Please refer to the Offering Documents for further details on the treatment of fees and expenses.

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

As discussed in Item 5, Voleon is entitled to receive a management fee and certain affiliates of Voleon are entitled to receive performance-based compensation from the Funds.

Such performance-based compensation creates certain inherent conflicts of interest with respect to the management of assets. Specifically, our affiliates' entitlement to performance-based compensation may create an incentive for such affiliates to take risks in managing assets that they would not otherwise take in the absence of such arrangements. Currently, Voleon's advisory services are provided solely to the Funds, which invest through a master-feeder structure. However, Voleon may advise individual clients through managed accounts or otherwise in the future, which may have the same or different fee structures as the Funds. It is possible that our affiliates may have an incentive to favor such accounts over those that have only fixed asset-based fees with respect to allocation of investment opportunities.

Conflicts Relating to Investment Opportunities and Trading

As a registered investment adviser and a fiduciary, Voleon exercises due care to ensure that investment opportunities are allocated equitably among its clients and to identify, resolve, and mitigate conflicts of interest or potential conflicts in a timely manner. Voleon allocates investment opportunities and trades fairly over time. "Fair" treatment does not mean identical treatment across clients. Rather, it means that Voleon does not discriminate on an impermissible basis against one client or group of clients. If Voleon were to transact in investments for more than one account, the investment opportunities and trades would be allocated in a manner consistent with its fiduciary duties.

It is not anticipated that the Investment Adviser will need to use discretion to allocate investment opportunities between the Funds and any other investment vehicles that Voleon and its principals manage or advise due to the nature of the Funds' investment activities.

Voleon's investment strategies are mainly effected through the use of synthetic and derivative instruments with Trading Systems operating independently from one another. As a consequence, orders are typically not aggregated across clients when trading in such investment opportunities. Trades by the Funds and any other master-feeder fund structure managed or advised by Voleon are executed independently, and each Fund or other structure has its own accounts at its respective prime brokers. Trades initiated by each Fund and any other structure will be for such Fund's or other structure's own account. Accordingly, there is generally no need for the Investment Adviser to determine the post-trade allocation of trades between Funds or other structures.

However, there may be limited circumstances where Voleon may aggregate the securities to be purchased or sold in order to obtain superior execution and/or lower expenses. In such events,

allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among clients by applying such considerations as Voleon and its affiliates deem appropriate, including amount of available capital, size of existing positions in the same or similar securities, impact of leverage, tax considerations, and other factors Voleon deems reasonable. No client will be entitled to investment priority over other accounts and clients may not necessarily participate in every investment opportunity.

Because the algorithmic programs executing trades on behalf of the Funds operate independently and do not interact with one another, situations in which supervised persons have an incentive to favor one or more funds or accounts are typically not expected to arise. Notwithstanding the previous sentence, to mitigate the risk of favoring certain clients over others, Voleon has implemented policies and procedures to seek to ensure fair and equitable treatment of clients over time.

In the limited circumstances in which intervention is required by Voleon in determining the allocation of trades due to shortages in available securities, Voleon will use its best judgment and act in a manner which it considers fair and reasonable in allocating such shortages among the funds and accounts which it manages or advises. Other than in such limited circumstances, the algorithmic programs of the Funds will execute the equity trading of the Funds, and the prime brokers will allocate the trades, by treating the Funds as completely separate client accounts. In spite of the independent algorithmic programs employed by the Funds advised by the Investment Adviser, situations may occur where one or more of the Funds could be disadvantaged because of the investment activities conducted by the Investment Adviser for other affiliated funds. The Investment Adviser is not obligated to accord exclusivity or priority to one or more of the Funds in the limited circumstances where brokerage shortfalls require trade allocation decisions to be made.

In the future, the Investment Adviser may determine that it would be advantageous for the Funds and one or more other affiliated funds to transfer a security from one account to another (each such transfer, a “**Cross Trade**”) for a variety of reasons, including, without limitation, liquidity purposes, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of both the applicable Funds involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts.

Item 7 – Types of Clients

We only provide investment advice to the Funds, which are private pooled investment vehicles. The Funds are organized as Delaware limited partnerships, Cayman Islands exempted companies, or similar structures in such jurisdictions. The structure of any Fund is described in further detail in such Fund's Offering Documents.

Investors in the Funds are generally required to make a minimum initial investment of \$1,000,000, and generally must maintain a minimum investment of at least \$50,000. Certain of the Investment Adviser's affiliates are authorized to waive, reduce and/or modify such subscription minimums, subject to certain limitations in accordance with applicable law or regulation.

Onshore Feeder Funds

Investors in the onshore Funds generally are persons who are U.S. Persons and must qualify as (i) "accredited investors" as defined in Rule 501 under Regulation D under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (ii) "qualified purchasers" as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and meet other eligibility criteria established by Voleon and its affiliates.

Offshore Feeder Funds

Investors in the offshore Funds generally are persons who are Non-U.S. Persons (as defined under Regulation S under the Securities Act) pursuant to the exemption offered by Regulation S, or are certain tax-exempt U.S. Persons pursuant to the exemption offered by Regulation D under the Securities Act, and meet other eligibility criteria established by Voleon and its affiliates.

Investors in certain offshore Funds may be required to qualify as "accredited investors" and "qualified purchasers."

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

Methods of Analysis and Investment Strategies

Voleon utilizes a variety of methods of analysis and investment strategies to formulate investment advice and manage assets. We may implement one or more strategies, including quantitative-based strategies based on proprietary quantitative research employed by Voleon. While Voleon’s past trading strategies have been based on a subset of quantitative strategies commonly referred to as “statistical arbitrage” trading strategies, we have, and at any time, may implement additional quantitative strategies beyond the subset of “statistical arbitrage” strategies.

We utilize a variety of asset classes and financial instruments, such as equity securities and/or related equity derivative products (collectively, “**Equity Instruments**”) and fixed income securities, fixed income derivatives, including credit default swaps, and other instruments selected by the Investment Adviser in its sole discretion (collectively, “**Fixed Income Instruments**”). The specific strategies utilized on behalf of any Fund are described in greater detail in such Fund’s Offering Documents.

We use a range of quantitative tools to seek to identify profit opportunities, to construct portfolios in a cost-efficient manner, and to manage the overall risk of the Funds’ portfolios. By analyzing the behavior of asset prices and other available asset-related and security-related information, as well as other information that we believe may have predictive value, and by testing relationships between these data sets in what we believe to be a statistically sound framework, we seek to make economically significant predictions about future asset price moves, absolute or relative to other similar assets or tradable indices, net of transaction costs.

We employ trading models (the “**Trading Models**”) that are implemented through our computerized trading system (the “**Trading System**”), which may comprise a combination of third-party and proprietary developed software components. The Trading System tracks multiple data sources and, using the Trading Models, regularly updates risk models and forecasts of asset price moves to determine target asset portfolios and trading programs with the aim of optimizing returns relative to risk. For Equity Instruments, the Trading System incorporates order management and other trading related components. For Fixed Income Instruments, certain trading related components, including trade execution, are generally implemented by the trading staff.

The trading strategies employed by Voleon are proprietary, confidential, and subject to change. The foregoing description is therefore intentionally general in nature and is not a complete description of the strategies summarized or of all of the strategies that may be utilized by Voleon over time or from time to time.

The Funds are not in any way limited in the strategies, investments, asset classes, or markets they may trade or the manner in which they may implement trading strategies that, in the Investment Adviser's opinion, may deliver attractive returns with acceptable risk and accomplish the Funds' investment objectives. Similarly, the Investment Adviser is not otherwise limited in the construction of the Funds' portfolios. The Investment Adviser will decide in its sole discretion the mix and relative proportion of strategies deployed in the Funds' portfolios at any time. The Investment Adviser frequently reviews market conditions, reviews and revises its investment strategies and policies from time to time, and allocates the Funds' assets to any strategies, markets, or instruments (including ones not disclosed herein) it identifies as being capable of delivering robust performance. The Investment Adviser may pursue and allocate the Funds' assets to other investment strategies not described herein on behalf of the Funds without providing advance notice thereof to Investors.

All of the investment methods and strategies used by the Investment Adviser involve the risk of loss that the Funds and Investors in the Funds should be prepared to bear.

Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies

The following is a summary of material risks for Voleon's investment strategies and methods of analysis. This summary does not describe every risk, and not all of the risks described are equally relevant for each Fund. There is no guarantee or representation that a Fund's investment objective will be achieved. Investors should carefully review the offering materials of the relevant Fund for additional information on the risks associated with an investment in such Fund and be prepared to bear any and all such risks.

Speculative Nature of the Investment Program. Each Fund's investment program is speculative and involves a high degree of risk. There is no assurance that the risk management and portfolio optimization techniques utilized by the Investment Adviser, as well as the investment decisions made by the Investment Adviser, its automated trading systems, and its trading staff, will not expose a Fund to risk of significant losses. In addition, the analytical techniques used by the Investment Adviser cannot provide any assurance that a Fund will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by the Investment Adviser, and which provide the basis for its statistical models, change in ways not anticipated by the Investment Adviser.

Trading Model Risks. The strategies employed by the Investment Adviser are highly dependent on quantitatively-based pricing theories and valuation Trading Models that generally have not been independently tested or otherwise reviewed, which the Investment Adviser uses to evaluate trading opportunities. Trading Models employ assumptions that abstract a limited number of variables from complex financial markets or instruments which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. For example, Trading Models may postulate, or their efficacy may depend

on, assumptions regarding the existence of relationships that appear to hold true, or in fact held true in the past, but that may not exist or hold true in the future. Inputs into various Trading Models may be composed of or derived from facts or data, the accuracy of which have not been independently verified by the Investment Adviser or any third-party. In particular, if material factors are not incorporated into Trading Models, or are incorporated inaccurately, substantial losses could result, including on the basis of theoretical Trading Models (that later prove incorrect) that identify positions that appear to have minimal risk. The outputs of Trading Models may differ substantially from the reality of the markets, resulting in major losses. Additionally, there is no assurance that the Investment Adviser has appropriately incorporated the Trading Models into its strategies.

Risks Associated with Automated Trading Systems. While the Investment Adviser's principals and/or employees set key parameters for the Trading Models, the Trading System generally executes trades on a non-intervention basis for Equity Instruments. With respect to such instruments, no person will typically review individual orders or programs of such trades before they are carried out by the Trading System, except in unusual circumstances. The Trading System executes trades directly via electronic links to a Fund's brokers. However, some trades of Equity Instruments may be executed, and most trades of Fixed Income Instruments will be executed, by a principal or employee of the Investment Adviser. During trading hours, a principal or employee of the Investment Adviser may monitor instrumentation of aggregate characteristics of the Trading System, and that person or another principal or employee may intervene, typically to halt trading, limit trading, or liquidate holdings in one or more securities should unusual circumstances arise, such as a company becoming the subject of merger speculation, or under adverse market conditions. There can be no assurance that such human intervention will be taken in all cases where it may be desirable, or that any given human intervention action will have the intended effect. In fact, human intervention could result in substantial loss or greater loss for the Fund than would otherwise have been the case.

A Fund's trading of Fixed Income Instruments will be subject to significantly greater human intervention than a Fund's trading of Equity Instruments due to the limited availability of electronic trading platforms for fixed-income securities. Accordingly, a Fund's trading of Fixed Income Instruments is exposed to operational risks arising from a number of factors, such as processing errors, communication errors, and other failed or inadequate processes.

In the future the Investment Adviser, based on its judgment of which techniques are likely to be most effective for carrying out current and any future trading strategies, may further automate the Trading System and thus reduce the level of human oversight and/or intervention, or may increase the level of human oversight and/or intervention.

Trading Errors. Due to coding or programming errors in software, hardware, and modes of transmission, as well as erroneous or inaccurate pricing or other information provided by third parties or downtime or delays in the feeds of pricing or other information ("**Technical Errors**"),

trades may be placed or executed in error. Trades may also be incorrectly executed due to keystroke, typographic, or inadvertent drafting errors, or other human error at the time of execution of a trade (“**Execution Errors**”). Many exchanges have adopted “obvious error” rules that prevent the entry and execution of trades more than a specified amount away from the current best bid and offer on the exchange. However, such rules may not be in place on the exchanges or markets where the Investment Adviser trades on behalf of a Fund, and may not be enforced even if in effect. Moreover, such rules would likely not prevent the entry and execution of a trade entered close to the market price, but at an erroneous size. In addition, Technical Errors, Execution Errors, and other trading errors may lead to the failure by the Investment Adviser to enter or to execute trades that would have generated profits or avoided losses for a Fund. Technical Errors, Execution Errors, and other trading errors may also lead to the execution of undesirable trades that would not otherwise have been executed, potentially generating losses for a Fund that would otherwise not have been incurred.

Any trading errors due to Technical Errors, Execution Errors, or otherwise that are not due to fraud, gross negligence, reckless or intentional misconduct, or criminal wrongdoing will be for the account of a Fund, which will accept the profits or suffer the losses from such trading errors. The Investment Adviser believes that trading errors are a known cost of doing business. The Investment Adviser has obvious incentives to avoid trading errors for reputational reasons, as well as the fact that the Investment Adviser will indirectly suffer the consequences of trading errors through the performance compensation payable to the Investment Adviser’s affiliates, which are under common control with the Investment Adviser. Nevertheless, given the large volume of transactions executed by the Investment Adviser on behalf of a Fund, Investors should assume that trading errors will occur and that a Fund will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Investment Adviser’s personnel.

Dependence on Historical Data. The Trading Models and software systems employed by the Investment Adviser rely on prior period securities market and other data (“**Historical Data**”) to develop and implement statistical models used to direct a Fund’s trading, including hedging against market risk and other risk factors. A Fund’s performance and hedging are likely to be impaired to the extent that the Investment Adviser uses erroneous, incomplete, or otherwise inadequate Historical Data, which could happen for various reasons. The Investment Adviser may not have access to or be aware of all of the Historical Data that would ideally be used to compute appropriate hedges or target portfolios, some of which may be available to, and may be used by, a Fund’s competitors.

Although the Investment Adviser takes measures to properly archive and maintain electronic files containing Historical Data, where appropriate, it is possible that these data management techniques may be insufficient to prevent the loss or corruption of portions of the Historical Data. As well, many, if not all, commercial and other sources of Historical Data (including those that supply data to the Investment Adviser) are known to contain errors and omissions, and while

the Investment Adviser takes steps to identify and correct such errors and omissions, it is likely that certain of these errors and omissions will go undetected and may negatively impact the Investment Adviser's trading and hedging on behalf of a Fund.

Computer Hardware and Software; Computer Networks. Many components of the Investment Adviser's and the IP Company's critical computer hardware, networks, hosting facilities, and software may have flaws, may not be redundant or reliable, may be leased rather than owned, or may be provided in whole or in part by another party. The Investment Adviser also relies on its own internal computer networks, as well as third-party computer networks, including the Internet, for critical aspects of its operations. These third-party computer networks are subject to various risks of disruption or performance degradation, including but not limited to accidental cuts to data cables, equipment failure, as well as systemic problems such as distributed denial of service attacks. Should any of these computer hardware and software or computer networks or network components fail or be inaccessible, there is no certainty that the Investment Adviser will be able to recover promptly, and a Fund's trading performance may suffer materially as a result.

Cybersecurity Breaches. The Investment Adviser's cybersecurity measures may not detect or prevent all attempts to compromise its systems (including the systems relating to the Funds), including denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches, or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by the Investment Adviser's systems. Breaches of the Investment Adviser's cybersecurity measures could result in any of the following: unauthorized access to the Investment Adviser's systems; unauthorized access to and misappropriation of information or data, including confidential or proprietary information about the Funds or its Investors, third parties with whom the Investment Adviser does business, or the Investment Adviser's proprietary systems; viruses, worms, spyware, or other malware being placed in the Investment Adviser's systems; deletion or modification of client information; or a denial-of-service or other interruptions to the Investment Adviser's business operations. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be known until launched against the Investment Adviser, the Funds, or the Investment Adviser's third-party service providers, the Investment Adviser may be unable to anticipate these attacks or to implement adequate preventive measures. While neither the Investment Adviser nor the Funds, to the best of their knowledge, have suffered any material breach of cybersecurity as of the date hereof, any actual or perceived breach of the Investment Adviser's cybersecurity could expose the Investment Adviser to a risk of loss or litigation and possible liability, require the Investment Adviser to expend significant capital and other resources to alleviate problems caused by such breaches, and otherwise have a material adverse effect on the Investment Adviser's business, financial condition, results of operations, and cash flows and consequently have a negative impact on the returns earned by Investors.

Risks Relating to Open Source Software. The use of open source software may expose the Funds

to additional risks. The Investment Adviser and the IP Company use software development tools covered by open source licenses and may incorporate such open source software into the Investment Adviser's and the IP Company's proprietary software from time to time. Open source software refers to any code, shareware, or other software that is made generally available to the public without requiring payment of fees or royalties and/or that may require disclosure or licensing of any software that incorporates such source code, shareware, or other software. Although the Investment Adviser and the IP Company have strict confidentiality measures in place, should either of the Investment Adviser's or the IP Company's source code become known in some way, third parties might assert contractual or copyright and other intellectual property-related claims against the Investment Adviser and/or the IP Company based on the Investment Adviser's and/or the IP Company's use of such tools and software programs or might seek to compel the disclosure of the source code of the software or other proprietary information. If any such claims materialize, the Investment Adviser and/or the IP Company could be required to: (i) seek licenses from third parties in order to continue to use such tools and software or to continue to operate certain elements of its technology, (ii) release certain proprietary software code comprising the Investment Adviser's and/or the IP Company's modifications to such open source software, (iii) make the software available under the terms of an open source license, or (iv) re-engineer all, or a portion of, that software, any of which could materially and adversely affect the Investment Adviser's business and the returns earned by a Fund. If a third-party software provider has incorporated certain types of open source software into software that the Investment Adviser and/or the IP Company licenses from such third party, the Investment Adviser and/or the IP Company could, under certain circumstances, be required to disclose the source code. In addition to risks related to license requirements, usage of open software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could potentially have a material adverse effect on the Funds.

Relative Value Strategy Risks. The Investment Adviser's current trading strategies can be characterized as "relative value" trading strategies. In its "relative value" trading activities, the Investment Adviser attempts to exploit relative mis-pricings among interrelated instruments. Mis-pricings, even if correctly identified, may not be corrected by the market within the time frame over which the Fund can maintain its positions.

Even "pure" relative value arbitrage can result in significant losses if the trading positions comprising the arbitrage are not able to be sustained (if, for example, a Fund were required by one or more of its prime brokers to reduce its use of leverage; or if limited leverage were available for illiquid securities) until the arbitrage can be realized. Notwithstanding, a Fund's activities involve considerably greater risks than "pure" relative value arbitrage.

A Fund, in implementing its “relative value” strategies, has reduced exposure to the risk of overall market price movements, but is fully subject to the risks of disruptions in historical price relationships, the restricted availability of credit, and the obsolescence of the Investment Adviser’s valuation models. These risks are different in nature, but perhaps no less severe in magnitude, than directional market risks.

No True Arbitrage. The Investment Adviser’s strategies do not primarily involve true arbitrage — in which profits will necessarily be realized if a position can be maintained until maturity. On the contrary, the Investment Adviser’s strategies generally involve taking what are evaluated to be only partially offsetting positions in instruments whose true price and correlations to other instruments are uncertain and whose liquidity may be limited. What the Investment Adviser analyzes as a mis-pricing may be evaluated quite differently by other market participants who may, in fact, use pricing models materially different from those used by the Investment Adviser. No representation can be made that the Investment Adviser will correctly identify any “true arbitrage” in any market. Even if a true arbitrage is identified, there can be no assurance that a Fund will be able to maintain an arbitrage position until the inherent profit is recognized. In addition, all arbitrage strategies are subject to the risks that increasing market liquidity, technological innovation, and new theoretical constructs or refinements will reduce or eliminate the arbitrage opportunity and/or the profitability of its exploitation.

High Turnover and Short Holding Periods. The Investment Adviser’s Trading Systems and Trading Models are designed to hold securities for varying lengths of time. High turnover increases the brokerage commissions, bid-ask spreads, fees, and other transaction costs, which directly decrease a Fund’s trading profits.

Leverage; Financing Arrangements. Each Fund trades at a high degree of leverage in an effort to generate a satisfactory rate of return. Leverage may take the form of trading on margin, derivative securities, and instruments (such as swaps, futures, and options) that are inherently leveraged, selling securities short, and other forms of direct and indirect borrowings. The amount of leverage or borrowings which a Fund may have outstanding at any time may therefore be large in relation to its capital. While the Funds’ trading activities are not subject to any express limitations on the degree of leverage that the Funds may employ, the Investment Adviser currently does not expect each Fund’s leverage to exceed fifteen times the net asset value of such Fund. Consequently, as a result of this amount of leverage, the level of interest rates generally, and the rates and terms at which a Fund can borrow in particular, will affect a Fund’s operating results.

Trades executed through derivative swap agreements typically do not give rise to beneficial ownership of the underlying securities. Such synthetic trading may reduce prime brokerage and custody risk, but it significantly increases derivative counterparty risk. Each Fund utilizes one or more Derivative Counterparties to execute its swap transactions; each Fund may utilize different Derivative Counterparties from time to time. If any such Derivative Counterparty were to enter

insolvency proceedings, a Fund would be an unsecured creditor in such insolvency proceedings. See “Derivative Counterparty Risk” below for a detailed description of this derivative counterparty risk.

Possible losses incurred on a Fund’s leveraged investments is likely to increase in direct proportion to the degree of leverage employed. Such leverage could also result in a Fund being forced to liquidate positions prematurely in order to meet margin calls, thereby causing otherwise partially-hedged positions to incur major losses. A Fund also incurs interest expenses on the financings used to leverage its positions. As a general matter, the banks and dealers that provide financing to a Fund can apply essentially discretionary margin, haircut, financing, and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing, and forced liquidations of positions at disadvantageous prices. There can be no assurance that a Fund will be able to secure or maintain adequate financing, without which a Fund may not be a viable investment.

Securities and instruments borrowed by a Fund may not carry any rights to receive any interest or dividends. Cash, securities, and instruments borrowed may be secured by a pledge of assets or otherwise. If any loans to a Fund are collateralized with portfolio securities and instruments which decrease in value, a Fund may be obligated to pledge additional collateral to the lender in the form of cash or assets to avoid liquidation of the pledged assets.

The rights of any lenders to a Fund to receive payments of interest on, and any repayments of principal of, the borrowings are senior to those of a Fund’s Investors and the terms of borrowings may contain provisions which limit certain activities of a Fund. Share payments and fees incurred in connection with borrowings reduce the amount of the net income available for reinvestment.

Systemic Risks Affecting Quantitative Hedge Funds Such As the Funds. Past events, such as those in August 2007 and May 2010, suggest that there may be substantial and previously unrecognized systemic risks to funds such as the Funds that use quantitative models to trade equities (the “**Quantitative Funds**”). These risks may include an increased likelihood of the spread of financial shocks from other hedge fund segments focusing on less liquid investments into the Quantitative Fund segment, and the possibility of future recurrences of the apparently self-reinforcing cycle of losses and liquidations that afflicted the Quantitative Fund segment in August 2007 or the flash crash that impacted the Quantitative Fund segment in May 2010.

With respect to the events of 2007, some analysts have suggested that the Quantitative Fund losses of August 2007 started in July. At that time, the subprime credit crisis was becoming widely recognized, and among other significant events in the hedge fund industry, two large structured credit hedge funds run by a large investment bank collapsed and later filed for bankruptcy. Some observers have reported that certain Quantitative Funds in the U.S. began to experience losses in late July 2007. These losses continued to grow and spread to many different

Quantitative Funds in the U.S. and then overseas as well. Prominent Quantitative Funds, both independent and within large investment banks, reported losses through August 9, 2007 from 10% to 30% or more, and press reports indicate that such losses were widespread across funds employing quantitative strategies. Until August 9, 2007, these losses were not accompanied by any significant drop in broader market indices. Numerous accounts confirm that broadly diversified, and in many cases market neutral, portfolios held by Quantitative Funds saw significant simultaneous losses across large numbers of short and long positions. Some funds did recover much of their prior losses during and after the rebound reported to have begun on August 10, 2007, while others recovered only partly, and certain funds that liquidated portfolios or substantially de-levered before such date locked in substantial losses and did not participate in the rebound beginning on August 10, 2007.

With respect to the events surrounding the “flash crash” of May 6, 2010, the reasons for the flash crash are not yet fully understood. The joint 2010 report issued by the SEC and the CFTC detailed how a large fundamental trader firm sold an unusually large number of E-Mini S&P contracts which exhausted available buyers. As a result, high-frequency traders (“HFTs”) started aggressively selling, accelerating the effect of the large firm’s selling, and contributing to the sharp price declines that day. The SEC and CFTC joint 2010 report itself says that “May 6 started as an unusually turbulent day for the markets”¹ and that by the early afternoon, “broadly negative market sentiment was already affecting an increase in the price volatility of some individual securities.”² At 2:32 p.m. (EDT), against a “backdrop of unusually high volatility and thinning liquidity” that day, “a large fundamental trader (a mutual fund complex) initiated a sell program to sell a total of 75,000 E-Mini S&P contracts (valued at approximately U.S. \$4.1 billion) as a hedge to an existing equity position.”³ The report says that this was an unusually large position and that the computer algorithm the trader used to trade the position was set to “target an execution rate set to 9% of the trading volume calculated over the previous minute, but without regard to price or time.”⁴

As the large seller’s trades were executed in the futures market, buyers included high-frequency trading firms — trading firms that specialize in high-speed trading and rarely hold on to any given position for very long — and within minutes these high-frequency trading firms also started aggressively selling the long futures positions they first accumulated mainly from the mutual fund. The “HFTs then began to quickly buy and then resell contracts to each other — generating a ‘hot-potato’ volume effect as the same positions were passed rapidly back and forth.”⁵ The combined sales by the large seller and high-frequency trading firms quickly drove

¹ See “Findings Regarding the Market Events of May 6, 2010: Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues” (September 30, 2010) at p. 1.

² Id.

³ Id. at p. 2

⁴ Id.

⁵ Id. at p. 3

“the E-Mini price down 3% in just four minutes”⁶ which started at 2:32 p.m. (EST) and lasted for approximately 36 minutes. Stock indexes, such as the S&P 500, Dow Jones Industrial Average, and Nasdaq 100, collapsed but rebounded very rapidly.

These events highlight a new and poorly understood risk or set of risks associated with investments in funds such as the Funds. Analysts have pointed to a number of contributing factors, and some have suggested that the events point to a previously unreported, or underreported, systemic risk facing Quantitative Funds. Some accounts have suggested that the precipitating event was the decision by a large multi-strategy fund or institution to liquidate its Quantitative Fund rapidly. If this is the case, it would reflect a common underlying risk facing the Quantitative Fund segment: these funds invest in highly liquid instruments, and when such a fund is part of a larger institution that faces margin calls in illiquid strategies (as may have been the case for certain credit-oriented funds in July and August of 2007), the rapid liquidation of the institution’s Quantitative Fund may be chosen as the most expedient means to meeting the capital needs of those illiquid strategies. Rapid growth in the number of Quantitative Funds and the number of multi-strategy funds and large institutions that maintain Quantitative Funds alongside less liquid strategies may create significant risk that substantial losses in other hedge fund strategies may in the future be likely to lead to a recurrence of events similar to those of August 2007 and May 2010 as Quantitative Funds are tapped as sources of liquidity for these larger institutions. Additionally, many Quantitative Funds rely on the same or similar risk modeling schemes, meaning that it may be likely that negative movements in certain risk factors will be interpreted simultaneously by many Quantitative Funds as signals to reduce leverage, producing a mass liquidation that could lead to a self-reinforcing cycle of losses and further mass liquidations.

Once a Quantitative Fund mass liquidation has begun, there are strong forces that can sustain and spread that mass liquidation. Many Quantitative Funds employ high levels of leverage. In the face of a Quantitative Fund mass liquidation, increasing numbers of Quantitative Funds may face margin calls or simply choose to lower their risk by liquidating parts of their portfolio to reduce leverage and their exposure to further losses. Also, while each Quantitative Fund may endeavor to use unique elements in its trading strategy, as does the Investment Adviser on behalf of the Funds, there are certain common features of many or most such strategies. In a simple example, the statistical techniques underlying many Quantitative Funds tend in part to favor mean-reversion trades, creating the likelihood that many different types of statistical models will lead to certain commonalities in trading patterns. As well, these data-driven models in part tend to respond somewhat similarly to certain fundamental financial indicators such as price-to-book ratios. With large increases in the number and size of Quantitative Funds, there is an increasing likelihood of commonalities between one Quantitative Fund’s portfolio and those of other funds, especially those of affiliated funds, such as those currently advised by the Investment Adviser.

⁶ Id.

The high leverage employed by Quantitative Funds can amplify losses driven by even small overlaps among their portfolios; and in the face of a mass liquidation by Quantitative Funds, a single fund may see losses due to small overlaps with many different portfolios held by a number of Quantitative Funds that all make the decision to reduce the size of their holdings.

While the Investment Adviser has made and continues to make substantial investments to develop new and different statistical and quantitative techniques in its trading models, there can be no guarantee that this will be sufficient to protect the Funds from the impact of a Quantitative Fund mass liquidation. There can be no certainty that other Quantitative Funds are not employing the same or very similar techniques as the Investment Adviser leading to overlapping portfolios, and it is likely that across the many Quantitative Funds in operation, there will be many with at least a small degree of overlap, which in and of themselves and particularly as part of a mass liquidation may substantially negatively impact the Funds. In addition, there have been some reports that in August 2007, certain Quantitative Funds with the most highly differentiated strategies suffered among the worst losses because they did not begin to experience significant losses until the Quantitative Fund mass liquidation had significantly accelerated around August 7, 2007. By that time, those funds faced much higher levels of market impact as they liquidated or de-levered because most of the providers of liquidity (including many other Quantitative Funds) had moved to the sidelines or were actively liquidating their own positions.

The high levels of leverage that the Funds will employ could contribute substantially to the losses generated by any possible future event similar to that of August 2007 or May 2010. Even in a circumstance in which the Investment Adviser correctly determined that the Funds would be best served by maintaining its holdings in the face of short-term losses, margin calls or the threat of margin calls could lead the Investment Adviser to liquidate or to reduce leverage, locking in and possibly increasing the losses to the Funds. There can be no guarantee that the Investment Adviser would properly time such liquidations or that the Investment Adviser would correctly anticipate any rebound in prices. Quantitative Funds that liquidated at a loss and did not return to the market in time to participate in the rebound that began August 10, 2007 or May 2010 faced particularly substantial losses, and there can be no assurance that the Investment Adviser could avoid a similar outcome on behalf of the Fund in a possible future recurrence of similar events.

The lack of transparency of the hedge fund industry makes it difficult for academics, journalists, and regulators, as well as the Investment Adviser, to gain a thorough understanding of the factors that contributed to the Quantitative Fund losses of August 2007 or May 2010. The preceding analysis is speculative and subject to a high degree of uncertainty. There can be no assurance that the Investment Adviser will successfully implement preventative measures to address any possible future recurrence of similar events, and such efforts by the Investment Adviser and managers of other Quantitative Funds could even accelerate any possible future Quantitative Fund mass liquidation.

Concentrated Investment Approach. Each Fund has focused on a particular investment approach. Although the range of different investment opportunities within that approach is broad, structural, economic, and regulatory changes could adversely affect a Fund's investment approach as a whole, as could certain general market conditions. The concentrated focus of a Fund's portfolio may cause its performance to be more volatile than that of a more diversified portfolio.

Each Fund endeavors to maintain a portfolio that is market neutral, controlling both the net long exposure and the net short exposure to the market as a whole, and to groups of securities having common characteristics such as similar levels of market capitalization, the same or related industry grouping, similar price-to-earnings or other valuation multiples, and other factors. There can be no assurance that, in the future, the Funds or the Investment Adviser will continue to attempt to do so or will be successful in maintaining such a portfolio.

Trade Execution Risk. Many of the trading techniques used by the Funds require the rapid and efficient execution of transactions. Inefficient execution by the Investment Adviser or by the brokers and agents engaged to execute trades can eliminate the small pricing differentials which the Investment Adviser attempts to exploit. While the Investment Adviser seeks to deploy efficient trading systems and selects brokers and agents that it believes have the capability to efficiently execute trades, certain inefficiencies in execution will not be avoidable.

Foreign Currency Exposure. The Funds expect to make foreign investments denominated in currencies other than the U.S. Dollar, meaning the Funds will be subject to exchange-rate risk between the U.S. Dollar and the functional currency of such investments. The Funds may or may not attempt to hedge such risk.

Other Accounts and Funds. The Investment Adviser may manage other accounts or funds in the future, some or all of which may create the opportunity for greater profit potential to the Investment Adviser than the Funds. Such advising could draw the Investment Adviser's attention away from the Funds, and may compete with the Funds for limited trading and investment opportunities. In addition, investors in other accounts or funds for which the Investment Adviser may employ the same models and strategies used for the Funds may also have greater information regarding the holdings, risk, and performance of those models and strategies, and may have more favorable liquidity terms. If the greater transparency and liquidity available to these other investors were to enable them to redeem funds more quickly than the Investors, this could have a material adverse impact on the value of the interests in a Fund.

Possible Adverse Effects of Substantial Redemptions. In the event that there are substantial redemptions from the Funds within a limited period of time, the Investment Adviser may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay redemptions, affiliates of the Investment Adviser might be required to liquidate a Fund's

positions at an inappropriate time or on unfavorable terms, resulting in a lower net asset value of a Fund (and in turn a lower value of the interests held by the Investors). On an on-going basis, irrespective of the period over which substantial redemptions occur, it may be more difficult for a Fund to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to fund redemptions, a Fund may be left with a much less liquid portfolio. Affiliates of the Investment Adviser may elect to require redemption of all interests in a Fund and liquidate a Fund in the event that the amount of assets under management declines to such an extent that, in its view, continued operation of such Fund would be impracticable or imprudent.

Additionally, any managed accounts that the Investment Adviser may manage in the future may hold positions in the same securities as the Funds. Substantial withdrawals of capital by the owners of the managed accounts over a short time period could also necessitate the liquidation of securities positions at a time and in a manner which does not provide the most economic advantage to the Funds and which therefore could adversely affect the value of the Funds' assets.

Diversification Limitations. Although the Investment Adviser applies general diversification principles to the assets of a Fund, it is not restricted as to the percentage of a Fund's assets that may from time to time be invested in any particular issuer, industry, instrument, market, or strategy. A Fund may invest in Equity Instruments, Fixed Income Instruments, any other instruments selected by the Investment Adviser, or any combination of the foregoing. Additionally, a Fund may be heavily invested in one country or have diversified holdings in a variety of countries. In determining what it regards to be appropriate diversification levels, the Investment Adviser will apply net risk exposure measures using its proprietary trading, risk management, and Trading Models. The effectiveness of such measures is dependent upon the Trading Models and the expertise of the Investment Adviser and its principals and may not achieve the anticipated limited risk exposures due to a variety of different factors, including but not limited to those identified within this Item 8.

Side Letter Risk. Additional Investors may be admitted to each Fund, and each Fund may enter into side letters with such Investors that include additional and/or preferential substantive rights or terms than those described in the applicable Fund's Offering Documents. The operation or exercise of any such preferential rights or terms may enable the applicable Investor to, among other things, better evaluate the risks of its investment in a Fund, make more timely decisions with respect to its investment in a Fund, and/or redeem capital from (or otherwise reduce its exposure to) a Fund on more advantageous terms, in each case as compared to Investors that have not received such preferential rights or terms. The operation or exercise of any such preferential rights or terms by an Investor could have a material adverse effect on a Fund and/or on Investors who have not received such preferential rights or terms.

Each Fund is not required to notify its respective Investors or any prospective investor of any provision of any such side letters, nor is a Fund required to offer any such provision to any other Investor or any prospective investor.

In determining to enter into such side letters, affiliates of the Investment Adviser will comply with their general and fiduciary duties to the Funds. However, some regulators, including the SEC, are taking, or are contemplating to take, regulatory action in respect of the use of such side letters. As a result, the Funds or Voleon's affiliates may be subject to regulatory action in connection with entering into side letters, or may be forced to rescind some of the side letters or certain provisions thereof, affecting the Investors having entered into such side letters.

Cross-Class Liability. Although the assets and liabilities of each of the Fund's classes that have been or may, in the future, be created may be accounted for separately, Investors should be aware of the special risk that the assets of any class may be applied to meet any claims by creditors of a Fund in circumstances in which the liabilities of a class exceed its assets. Thus, the assets of a solvent class may be at risk with respect to, and may be used to satisfy, the liabilities of an insolvent class.

Increased Government or Market Regulation. In July of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was passed, which imposed many new requirements and restrictions on the hedge fund industry that affect the business, operations, and performance of hedge funds, such as increased reporting requirements, limitations on certain trading activity (including limits to the size of positions that a speculative investor may hold in the aggregate through futures, swaps, and certain contracts entered into through a foreign board of trade), and regulatory oversight by different agencies, such as the newly created Financial Stability Oversight Counsel. Regulations in the European Union, such as MiFID II, may also negatively impact the hedge fund industry.

The implications of the passage of the regulations for the hedge fund industry as a whole still remain somewhat unclear because many rules have not been finally promulgated. The hedge fund industry may continue to be adversely affected by legal, regulatory, or governmental action and developments in such financial markets, and the broader U.S. economy could have an adverse effect on the Funds' business, operations, and performance.

It is difficult to predict the impact of increased regulations on the Funds, the Investment Adviser, and the markets in which they trade and invest. These regulations could result in certain investment strategies in which the Funds engage or may have otherwise engaged becoming non-viable or non-economic to implement. These regulations could have a material adverse impact on the profit potential of the Funds.

Regulation of Swaps and Swap Participants. Amendments under the Dodd-Frank Act to the Commodity Exchange Act of 1936 (the "**Commodity Exchange Act**") (1) requires swaps accepted for clearing by a derivatives clearing organization (a "**DCO**") or for trading through a designated contract market or swaps-execution facility to be so cleared and traded, (2) requires margin for almost all swap transactions, (3) subjects traders with a "substantial position" in swaps to registration and regulation requirements as a "major swap participant" or "swap

dealer”, and (4) imposes position limits on swaps either individually or in the aggregate with respect to positions in commodity-futures contracts.

Additionally under the European Market Infrastructure Regulation (“**EMIR**”), similar requirements apply to swap agreements with Derivative Counterparties in the European Union subject to EMIR. Certain financial institutions subject to European regulatory requirements who are Derivative Counterparties to a Fund will require a Fund to agree to a “bail in” reduction determined by the relevant regulators in amounts that may be due to a Fund. Additionally, regulatory requirements in the United States and Europe require a Fund to wait a specified period of time before liquidating its derivative positions with an insolvent financial institution, which may cause further losses for a Fund.

Furthermore, new variation margin regulations relating to uncleared swaps adopted in the European Union, Switzerland, Canada, and Japan (but postponed in the U.S.) will significantly increase the margin requirements imposed on a Fund. Margin requirements for cleared swaps are set by the swap execution facilities or DCOs and may also significantly increase the margin costs of utilizing such swaps. These increased margin requirements will likely increase the costs charged by financial institutions to a Fund in trading its investment portfolio through the use of equity swaps.

Due to regulations imposed under the Dodd-Frank Act and EMIR, a Fund may experience increased transaction costs to pay for the clearing, execution, and segregation obligations. In addition, margin requirements may increase once margin is set by DCOs with input from the relevant regulators, which may limit a Fund’s ability to engage in leverage and limit a Fund’s returns. The application of position limits to swap contracts may also limit a Fund’s ability to concentrate in any particular contract or exposure to an underlying commodity or security and may negatively impact a Fund’s ability to take advantage of market trends or conditions.

Reliance on Corporate Management and Financial Reporting. The strategies implemented by a Fund rely on the financial and other information made available by the issuers in which a Fund invests. The Investment Adviser has no ability to independently verify the information disseminated by these issuers and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors such as a Fund can incur as a result of corporate mismanagement, fraud, and accounting irregularities.

Importance of Market Judgment. The Investment Adviser uses quantitative mathematical models in evaluating the economic components of prospective trades. However, the process by which the Investment Adviser develops these quantitative mathematical models is by no means always fully systematic; the Investment Adviser may be unable to employ fully systematic mechanisms to implement trading strategies based on these models; and the market judgment and discretion of the principals may be integral to the development and implementation of a Fund’s strategies.

At the same time, certain aspects of the trading strategies implemented by the Investment Adviser will be highly systematic and human oversight over these strategies may, in itself, not be sufficient to ensure the successful implementation of the strategies.

Investment Capacity. The trading strategies pursued by the Investment Adviser on behalf of a Fund may have limited capacity. Marginal capital dedicated to certain strategies may generate a significantly lower return than earlier capital dedicated to the same strategy. The Investment Adviser may dynamically allocate capital among investment strategies in its sole discretion and may choose, by accident or design, to allocate additional capital to certain strategies, even though the addition of capital will generate overall lower returns for the strategy.

Assets Under Management. There are no restrictions on the level of a Fund's assets under management. It is the intention of the Investment Adviser and its affiliates to significantly expand the Fund's assets under management. Increasing assets under management may lead to a decline in the rates of return for a Fund. Although the Investment Adviser intends to exercise reasonable care in assessing the capacity of its strategies as it and its affiliates consider the acceptance of new investments, there can be no assurance that the future performance of a Fund will not be adversely affected by the level of assets under management.

Deployment of New Capital. It may be necessary to deploy new capital at a gradual pace. To the extent that any substantial new capital contribution is deployed more slowly than is desired, there may be a negative impact on the overall returns of a Fund until that capital contribution is fully invested.

Intellectual Property Will be Owned by an Affiliated Third Party and Licensed to the Funds. The algorithms, software code, techniques, processes, systems, and trade secrets (the “**Intellectual Property**”) developed by the Investment Adviser to implement the Funds' investment strategy were transferred in October 2014 to the IP Company, which was formed by the Investment Adviser and whose ownership was distributed to the owners of the Investment Adviser. Certain affiliate(s) of the Investment Adviser entered into a long-term contract to develop additional Intellectual Property on behalf of the IP Company. The Investment Adviser entered into two Licensing Agreements with the IP Company to maintain access to the Intellectual Property. Without this access, the Investment Adviser would be unable to implement the Funds' investment objectives. One Licensing Agreement is for trading and risk management software, and the other Licensing Agreement is for the remainder of the Intellectual Property, including the predictive models employed by the Investment Adviser to implement the Funds' investment objectives. Under each Licensing Agreement, the Investment Adviser is required to pay an annual fee to the IP Company, payable in monthly installments for the use of the Intellectual Property. As described in Item 5 (Fees and Expenses), the Investment Adviser is reimbursed by the Funds for the licensing fees payable under the Licensing Agreement attributable to trading and risk management expenses which are otherwise payable by the Funds and are subject to the Expense Cap (as further described in each Fund's Offering Documents). However, the licensing

fee for the Licensing Agreement relating to the remainder of the Intellectual Property, including the prediction models that are employed by the Investment Adviser to implement the Fund's investment strategy, will not be reimbursed by the Funds. The Funds will have no control over the amount of the monthly fee.

Although the Investment Adviser does not expect to lose access to the Intellectual Property, either party will also have the right to cancel either license in the event of insolvency, breach of the Licensing Agreement, and in certain other limited circumstances unless the breach is caused by a force majeure that lasts for at least 30 calendar days. Additionally, each Licensing Agreement provides that either the IP Company or the Investment Adviser may terminate the Licensing Agreement upon giving notice to the other party 60 calendar days in advance of the annual renewal date. In this case the Investment Adviser and the Funds would no longer be able to utilize some or all of the trading strategies employed on behalf of the Funds up to that point. Unless the Investment Adviser or the Funds were able to negotiate a new agreement granting a license to use the Intellectual Property, the most likely result would be a significant decline in the returns on the Funds' trading activities or the cessation of all trading activities and the winding down of the Funds. Investors may face a period of unsatisfactory returns during the winding down process, which may take a significant amount of time and may result in an Investor's investment in a Fund being unavailable during such wind-down process.

Additionally, since the IP Company may license the Intellectual Property to unaffiliated persons in the future, returns to Investors may also be adversely impacted since the Investors do not or will no longer have exclusive access to the Intellectual Property and the strategies based on the Intellectual Property are or may be subject to capacity limits.

Changes in Investment Approach and Instruments Traded. The Investment Adviser's investment approach and strategies can be expected to be dynamic, changing over time as the Investment Adviser develops new, and discards old, methods. Thus, the Investment Adviser may not use the same investment approach and strategy in the future that it currently uses or plans to use to manage the Funds' trading and investing. The specific details of the Investment Adviser's investment approach are proprietary; consequently, Investors will not be able to determine the full details of that approach, or whether that approach has changed or is being followed. The Investment Adviser may also change the range of instruments and jurisdictions traded, which Investors may also not be able to determine, and such changes may have a negative effect on the investment performance of the Funds.

General Risks Relating to Investment Strategies

General Market and Regulatory Developments. The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented 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, these interventions have typically 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.

These events and their cumulative effect have led to concerns that regulatory and legislative bodies may impose new and burdensome regulations on hedge funds and their managers. Indeed, recent developments in the U.S. financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty for the hedge fund industry. See “Increased Government or Market Regulation” above.

Additionally, geopolitical events, the continued threat of terrorism both within the United States and abroad, the ongoing military and other actions and heightened security measures in response to these threats, international tensions between the United States and other nations, and instability in the credit and sub-prime markets may cause disruptions to commerce, reduced economic activity, and continued volatility in markets throughout the world. Such systemic risks may have an adverse impact on the assets in a Fund’s portfolio in the event that such risks result in a decline in the securities markets and economic activity. The Investment Adviser cannot predict the extent and timing of any decreased commercial and economic activity resulting from the above factors, or how any such decrease might affect the value of securities and other assets held by a Fund. These factors could also result in incidents or circumstances that could disrupt the normal operations of the Investment Adviser and its affiliates, the brokers, and a Fund’s third-party administrator (the “**Administrator**”), or any of the trading counterparties utilized by a Fund, which could also have negative effects on the investment performance of a Fund.

A 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 a Fund from its trading counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to a Fund. Market disruptions may cause dramatic losses for a Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

COVID-19. Towards the end of 2019, an outbreak of a new strain of Coronavirus, COVID-19, first appeared in Wuhan, China. Within months, despite substantial containment efforts, the number of those infected and related deaths grew significantly and beyond China’s borders. As of the end of the first quarter of 2020, concerns about the increasing spread of the COVID-19 pandemic have created enormous and unprecedented economic and social uncertainty throughout the world, and have adversely impacted global financial markets and international commerce. Many governments around the world have imposed restrictive measures (including “shelter-in-

place” or “lock-down” directives) on its residents, “social distancing” practices, travel restrictions, and similar measures.

COVID-19’s unprecedented impact has affected Voleon’s business operations, including due to local government directives for employees to work from home. Such effects on Voleon’s business operations may continue for an unspecified length of time in the future. Response measures to curtail the virus spread, including remote working conditions, limited access to facilities, business closures, restrictions on large gatherings, and similar obstructions beyond Voleon’s control could significantly alter Voleon’s normal business operations. Our affiliates, counterparties, and the markets in which we trade may also experience similar disruptions.

The pandemic may also impact the investment activities of the Funds. In March 2020, certain European and Asian countries implemented temporary prohibitions on the short selling of certain financial instruments in response to the increased market volatility. Each Fund routinely sells securities short in implementing its trading and risk management strategies (see “Short Sale Risks” below), and the imposition of these short selling prohibitions will hinder each Fund’s affected trading strategies.

While the United States federal government and various governments around the globe have implemented economic stimulus measures and other legislative responses to address the negative effects of COVID-19, it is unclear how successful these actions will be. Because the outbreak is not yet meaningfully contained, it remains to be seen what impacts such measures will have on the securities markets, investor confidence, and overall economic conditions. Any of these effects could materially and adversely affect the Funds’ portfolios.

Force Majeure. Widespread natural disasters (including earthquakes, hurricanes, flooding, and wildfires), climate change, acts of war or other armed conflicts, cyber-attacks, terrorist activity, social unrest, pandemics (such as the COVID-19 outbreak described above), large scale infrastructure failure, and other “Acts of God” can materially and negatively impact asset prices, trading activities, and business operations (including our own operations and those of our counterparties). Any such “Acts of God” could materially and adversely affect our clients’ portfolios, both over the near and long term.

Risks of Investing Globally. Issuers are generally subject to different accounting, auditing, and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices, and the liquidity of issuers may vary in the markets of different countries. Hours of business, customs, and access to these markets by outside investors may also vary. In addition, the level of government supervision and regulation of securities exchanges, securities dealers, and listed and unlisted companies is different throughout the world. In addition, there may be a lack of adequate legal recourse for the redress of disputes, and in some countries, the pursuit of such disputes may be subject to a highly prejudiced legal system. Additional risks may

include lack of transparency in financial markets, inefficient execution of transactions, reduced ability to sell securities short, and high transaction costs.

Different markets also have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of a Fund are uninvested and no return is earned thereon. The inability of a Fund to make intended security purchases due to settlement problems could cause a Fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to a Fund due to subsequent changes in value of the portfolio security or, if a Fund has entered into a contract to sell the security, could result in possible liability to the purchaser.

In certain markets, there may be limited availability of historical data to support the research and development of effective trading strategies. Real-time data may also be unavailable or unreliable, thereby introducing trading delays and errors that could impair returns. There may be limited or no availability of borrowable securities to enable short-selling, reducing the range of trading opportunities and making it harder to develop hedged portfolios; “short squeezes” may also be more likely in such circumstances, which raises the risk of sudden large losses on any short positions held. Execution quality may be lower in certain markets; bid-ask spreads may be wide, and it may be difficult to execute at posted market prices.

With respect to certain countries, there is a possibility of expropriation or confiscatory taxation; imposition of withholding taxes on dividends or interest payments, capital gains, or other income; limitations on the removal of funds or other assets of a Fund, potentially imposed after a Fund has made its investment in a given country and without sufficient notice to allow withdrawals or redemptions under the pre-existing terms; managed or manipulated exchange-rates, volatility of exchange rates, the cost of currency hedging if employed, direct currency conversion costs, and other issues affecting currency conversion; political, economic or social instability or diplomatic developments that could affect investments in those countries; or government policies that may restrict a Fund’s investment opportunities. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, may change independently of each other.

These risks may be greater in emerging markets. A Fund may trade in emerging markets in the future.

Foreign Investment. The Funds will make investments in issuers organized or based in non-U.S. countries. These investments may be subject to a variety of risks and other special considerations not affecting investments in domestic issuers. Many foreign investment markets are not as developed or efficient as those in the United States. Investments in some foreign issuers are less liquid and more volatile than investments in comparable U.S. issuers. Similarly, volume and liquidity in many foreign markets are less than in the United States and, at times, volatility of

price can be greater than in the United States. The issuers may be subject to less stringent financial reporting and informational disclosure standards, practices, and requirements than those applicable to U.S. issuers. Since transactions in foreign investments often are denominated in currencies of foreign countries, a Fund may incur currency exchange costs when effecting these transactions and the value of these investments as measured in U.S. dollars may be affected favorably or unfavorably by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time. A Fund will be permitted, but will not be required, to engage in currency hedging transactions (using forward, futures, or options contracts) to protect against adverse changes in currency rates, and it is possible that such hedging transactions could be unsuccessful.

Foreign Exchanges. The Funds may trade on exchanges located outside the United States, where the protections provided by U.S. regulations do not apply. In the case of trading on foreign exchanges, the Funds will be subject to the risk of the inability of or refusal by its trading counterparties to perform with respect to their contracts with the Funds. The Funds also may not have the same access to certain trades as do various other participants in foreign markets.

European Investment Risk. Because a Fund's investment strategies include trading in European countries, a Fund's performance will be impacted by the political, social, and economic environment within Europe. Most European countries are members of the Economic and Monetary Union of the European Union (the "EU"), which faces major issues involving its membership, structure, procedures, and policies. The EU also requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels, and fiscal and monetary controls, each of which may significantly affect EU member countries, as well as other European countries. Decreasing imports or exports, changes in governmental regulations on trade, changes in the exchange rate of the Euro, and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trading partners, including non-member European countries. It is possible that the timing and substance of these EU directives and regulations may not address the needs of all EU member countries. There is also continued concern over member state-level support for the Euro, which could lead to certain countries leaving the EU, the implementation of currency controls, or potentially the dissolution of the Euro. The dissolution of the Euro could have significant negative effects on European financial markets. Additionally, Eastern European markets remain relatively undeveloped and may be particularly sensitive to political and economic developments. The Funds' foreign investments may be adversely affected by political and social instability, changes in economic or taxation policies, difficulty in enforcing obligations, decreased liquidity, or increased volatility.

The European financial markets have in the past experienced volatility and adverse trends due to concerns about economic downturns or rising government debt levels in several European countries, including Greece, Ireland, Italy, Portugal, and Spain. These events have adversely affected the exchange rate of the Euro and may continue to significantly affect every country in Europe, including countries that do not use the Euro. A Fund's performance will be affected by

political, social, and economic conditions in Europe, such as growth of the economic output (the gross national product), the rate of inflation, the rate at which capital is reinvested into European economies, the success of governmental actions to reduce budget deficits, the resource self-sufficiency of European countries, and interest and monetary exchange rates between European countries. European financial markets may experience volatility due to concerns about high government debt levels, credit rating downgrades, rising unemployment, the future of the Euro as a common currency, possible restructuring of government debt, and other government measures responding to those concerns, and fiscal and monetary controls imposed on EU member countries. In addition, if one or more countries were to abandon the use of the Euro as a currency, the value of investments tied to those countries or the Euro could decline significantly and unpredictably.

In January 2020, the United Kingdom withdrew as a member of the EU. Significant uncertainty exists regarding the effects of the withdrawal and its impact on the United Kingdom, other EU countries, and the global economy. Such effects could be significant and potentially result in increased volatility and illiquidity and lower economic growth. The resulting developments from the United Kingdom's withdrawal may adversely impact the Funds' performance.

Risks Relating to China Trading

China Trading Considerations. In general, the Funds intend to trade in China through equity swaps, but they may also trade through any other instruments selected by the Investment Adviser. The underlying equity securities are typically A-shares issued by companies incorporated in China which are denominated and traded in Chinese yuan ("CNY") on the Shanghai and Shenzhen Stock Exchanges. Under current regulations in the People's Republic of China (the "PRC"), foreign investors may invest in domestic PRC securities through certain restricted market-access programs. The A-share market is made available to certain foreign investors, including those foreign investors that have been approved as Renminbi Qualified Foreign Institutional Investors ("RQFII") or as Qualified Foreign Institutional Investors ("QFII"). A RQFII or QFII license may be obtained by submitting an application and receiving a license from the China Securities Regulatory Commission. QFII and RQFII investors have also been granted a specific aggregate dollar amount investment quota by China's State Administration of Foreign Exchange ("SAFE") to invest foreign freely convertible currencies (in the case of a QFII) and CNY (in the case of an RQFII) in the PRC for the purpose of investing in the PRC's domestic securities markets. The Funds may engage derivative counterparties with licenses in these programs to access the A-shares selected by the Trading Models. The derivative counterparties may invest in A-shares and other permitted China securities listed on the Shanghai and Shenzhen Stock Exchanges up to the specified quota amount and provide synthetic exposure to a Fund. Investment companies, such as a Fund, are not currently within the types of entities that are eligible for a RQFII or QFII license, so a Fund will not have direct access to the A-share market.

The Funds also intend to invest in equity swaps for which the underlying equity securities are known as in A-shares listed and traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange through the Shanghai–Hong Kong and Shenzhen–Hong Kong Stock Connect programs (collectively, “**Stock Connect**”). Stock Connect is a securities trading and clearing program between either the Shanghai Stock Exchange or the Shenzhen Stock Exchange and any of the Stock Exchanges of Hong Kong Limited, China Securities Depository, or Clearing Corporation Limited and Hong Kong Securities Clearing Company Limited. Stock Connect is designed to permit institutional stock market access between China and Hong Kong by allowing investors to trade and settle shares on each market via their local exchanges. Trading through Stock Connect is subject to daily quotas that limit the maximum daily net purchases on any particular day. Accordingly, a Fund’s indirect investments in A-shares available through Stock Connect will be limited by the quota allocated to its derivative counterparties or allocated via Stock Connect, and by the daily quotas that limit total purchases and/or sales through Stock Connect. The efficiency and speed at which a Fund’s Trading Systems are able to access the A-shares market is likely to be slower than those of other countries due to these stringent regulatory restrictions imposed by the PRC. The Investment Adviser anticipates that more human intervention will be needed for trades executed in the PRC due to these regulatory restrictions on foreign access.

Risks described below are also applicable to a Fund’s counterparties that transact directly in A-shares.

China Investing Risk. A Fund is subject to certain risks applicable to investing in A-shares in the PRC that are unique to the PRC. China may be subject to considerable degrees of economic, political, and social instability. China is an emerging market and demonstrates significantly higher volatility from time to time in comparison to developed markets. Over the last few decades, the Chinese government has undertaken reform of economic and market practices and has expanded the sphere of private ownership of property in China. In addition, the Chinese economy is export-driven and highly reliant on trade. Adverse changes to the economic conditions of its primary trading partners, such as the United States, Japan, and South Korea, could adversely impact the Chinese economy.

Chinese markets generally continue to experience inefficiency, volatility, and pricing anomalies resulting from governmental influence, a lack of publicly available information, and/or political and social instability. Internal social unrest or confrontations with other neighboring countries, including military conflicts in response to such events, may also disrupt economic development in China and result in a greater risk of currency fluctuations, currency non-convertibility, interest rate fluctuations, and higher rates of inflation. China has experienced security concerns, such as terrorism and strained international relations. Incidents involving China’s or the region’s security may cause uncertainty in Chinese markets and may adversely affect the Chinese economy and a Fund’s investments. Export growth continues to be a major driver of China’s rapid economic growth. Reduction in spending on Chinese products and services, institution of tariffs or other

trade barriers, or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy. While policy implications remain uncertain, new regulations or trade barriers could lead to a decrease in trade activity between China and the U.S., which could have an adverse impact on the Chinese economy.

China Securities Risk. Investing in securities of Chinese companies, including investments that provide exposure to A-shares, involves certain risks and considerations not typically associated with investing in securities of U.S. or Western European issuers, including, among others: (i) the small size of the market for Chinese securities and low trading volume, resulting in a lack of liquidity and in price volatility; (ii) currency devaluations and other currency exchange rate fluctuations or blockages; (iii) the nature and extent of intervention by the PRC government in the Chinese securities markets, whether such intervention will continue, and the impact of such intervention or its discontinuation; (iv) the risk of nationalization or expropriation of assets; (v) the risk that the PRC government may decide not to continue to support economic reform programs; (vi) the limitation on the use of brokers; (vii) higher rates of inflation; (viii) greater political, economic, and social uncertainty; (ix) market volatility caused by potential regional or territorial conflicts or natural disasters; and (x) the risk of increased trade tariffs, embargoes, and other trade limitations. These factors can directly affect A-shares. The economy of China differs, often unfavorably, from the U.S. economy in such respects as structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, interest rates, and allocation of resources and capital reinvestment. The PRC central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership and actions of the PRC central and local government authorities continue to have a substantial effect on economic conditions in China.

In addition, the PRC government has from time to time taken actions that influence the prices at which certain goods may be sold; encouraged companies to invest or concentrate in particular industries; induced mergers between companies in certain industries; induced private companies to publicly offer their securities to increase or continue the rate of economic growth; and controlled the rate of inflation or otherwise regulated economic expansion. It may do so in the future as well, potentially having a significant adverse effect on economic conditions in China. The Chinese securities markets are emerging markets with limited operating history characterized by relatively low trading volume, resulting in substantially less liquidity and greater price volatility. Liquidity risks may be more pronounced for the A-share market than for Chinese securities markets in general because the A-share market is subject to greater government restrictions and control, including trading suspensions. Price fluctuations of A-shares have been limited to either 5% or 10% per trading day. In addition, there is less regulation and monitoring of Chinese securities markets and the activities of investors, brokers, and other participants than in the United States. Accounting, auditing, and financial reporting standards in China are different from U.S. standards and, therefore, disclosure of certain material information may not be made. There is also less information available than would be the case if Investments

were restricted to securities of U.S. or Western European issuers. There is also generally less governmental regulation of the securities industry in China, and less enforcement of regulatory provisions, than in the United States. Additionally, it may be more difficult to obtain a judgment in a court outside of the United States.

China Currency and Expropriation Risk. The PRC government strictly and heavily regulates the payment of foreign currency denominated obligations and sets monetary policy. Chinese law requires that all domestic transactions must be settled in CNY, places significant restrictions on the remittance of foreign currencies, and strictly regulates currency exchange from CNY. Emerging markets such as China can experience high rates of inflation, deflation, and currency devaluation. The value of the CNY may be subject to a high degree of fluctuation due to, among other factors, changes in interest rates, the effects of monetary policies issued by the PRC, the United States, foreign governments, central banks, or supranational entities, the imposition of currency controls, or other national or global political or economic developments. The Funds' exposure to the CNY and changes in value of the CNY versus the U.S. Dollar may result in reduced returns of the Funds and result in volatility. The CNY is currently not a freely convertible currency. The PRC government places strict regulations on CNY and sets the value of CNY to levels dependent on the value of the U.S. Dollar, but the PRC government has been under pressure to manage the currency in a less restrictive fashion so that it is less correlated to the U.S. Dollar. The PRC government's imposition of restrictions on the repatriation of CNY out of China may limit the depth of the offshore CNY market and may reduce the liquidity of Chinese investments.

Repatriations by RQFIIs, such as a Fund's derivative counterparties, are currently permitted daily and are not subject to repatriation restrictions or prior regulatory approval. However, there is no assurance that Chinese rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the Chinese rules and regulations may be applied retroactively. Any restrictions on repatriation of a Fund's investments in China may have an adverse effect on a Fund's returns or its ability to meet redemption requests.

Special Risk Considerations Relating to the RQFII. A reduction in or elimination of the RQFII quota available to licensed participants to trade in A-shares may adversely affect the willingness of derivative counterparties to engage in swaps on A-shares with a Fund. These risks are compounded by the fact that at present there are only a limited number of firms and counterparties that have QFII or RQFII status or are otherwise able to obtain the A-shares quota. In addition, the RQFII quota may be reduced or revoked by Chinese regulators if, among other things, the RQFII fails to observe SAFE and other applicable Chinese regulations, which could also lead to other adverse consequences, including the requirement that the Funds dispose of its A-shares holdings. There can be no guarantee that a Fund will be able to invest in appropriate futures contracts, swaps, and other derivative instruments, and the PRC government may at times restrict the ability of firms regulated in the PRC to make such instruments available.

Risks of Investing Through Stock Connect. The Funds anticipate trading derivatives of A-shares through Stock Connect. Trading through Stock Connect is subject to a number of restrictions that may affect a Fund's investments and returns. For example, trading through Stock Connect is subject to daily quotas that limit the maximum daily net purchases on any particular day, which may restrict or preclude a Fund's ability to invest in Stock Connect A-shares. In addition, investments made through Stock Connect are subject to trading, clearance, and settlement procedures that are relatively untested in the PRC, which could pose new and unknown risks to a Fund. Moreover, Stock Connect A-shares generally may not be sold, purchased, or otherwise transferred other than through Stock Connect in accordance with applicable rules. A primary feature of Stock Connect is the application of the home market's laws and rules applicable to investors in A-shares. Therefore, a Fund's investments in Stock Connect A-shares are generally subject to PRC securities regulations and listing rules, among other restrictions. Finally, while overseas investors currently are exempted from paying capital gains or business taxes on income and gains from investments in Stock Connect A-shares, these PRC tax rules could be changed, which could result in unexpected tax liabilities for a Fund. The Stock Connect program is a relatively new program. Further developments are likely and there can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect a Fund's investments or returns. In addition, the application and interpretation of the laws and regulations of Hong Kong and the PRC, and the rules, policies, or guidelines published or applied by relevant regulators and exchanges in respect of the Stock Connect program are uncertain, and may have a detrimental effect on a Fund's investments and returns.

A-shares Tax Risk. Uncertainties in PRC tax rules governing taxation of income and gains from investments in A-shares could result in unexpected tax liabilities for a Fund. China generally imposes withholding tax at a rate of 10% on dividends and interest derived by nonresident enterprises (including QFIIs and RQFIIs) from issuers resident in China. China also imposes withholding tax at a rate of 10% on capital gains derived by nonresident enterprises from investments in an issuer resident in China, subject to an exemption or reduction pursuant to domestic law or a double taxation agreement or arrangement.

A Fund may also be liable to its derivative counterparties for any tax that is imposed on such derivative counterparty by the PRC. The current PRC tax laws and regulations and interpretations thereof may be revised or amended in the future, including with respect to the possible liability of a Fund for obligations of its derivative counterparties. The withholding taxes on dividends, interest, and capital gains may in principle be subject to a reduced rate under an applicable tax treaty, but the application of such treaties in the case of a RQFII acting for a foreign investor such as a Fund is also uncertain. Finally, it is also unclear whether a RQFII would also be eligible for PRC Business Tax ("BT") exemption, which has been granted to QFIIs with respect to gains derived prior to May 1, 2016. In practice, the BT has not been collected. However, the imposition of such taxes could have a material adverse effect on a

Fund's returns. Since May 1, 2016, RQFIIs are exempt from PRC Value-Added Tax, which replaced the BT with respect to gains realized from the disposal of securities, including A-shares.

The PRC rules for taxation of RQFIIs (and QFIIs) are evolving and tax regulations issued by the PRC State Administration of Taxation and/or PRC Ministry of Finance to clarify the subject matter may apply retrospectively, even if such rules are adverse to a Fund. China has implemented a number of tax reforms in recent years, and may amend or revise its existing tax laws and/or procedures in the future, possibly with retroactive effect. Changes in applicable Chinese tax law could reduce the after-tax profits of a Fund, directly or indirectly, including by reducing the after-tax profits of companies in China in which a Fund invests. Uncertainties in Chinese tax rules could result in unexpected tax liabilities for a Fund.

If the PRC begins applying tax rules regarding the taxation of income from A-shares investments to RQFIIs and/or begins collecting capital gains taxes on such investments, a Fund could be subject to withholding tax liability in excess of the amount reserved (if any). The impact of any such tax liability on a Fund's return may be material. A Fund will be liable to its derivative counterparties for any Chinese tax that is imposed on the derivative counterparty with respect to a Fund's investments.

In addition, to the extent a Fund invests in swaps and other derivative instruments, such investments may be subject to more tax compared to a direct investment in A-shares and may be subject to special U.S. federal income tax rules that could adversely affect a Fund. A Fund may also be required to periodically adjust its positions in those instruments to comply with certain regulatory requirements which may further cause these investments to be less efficient than a direct investment in A-shares.

Emerging Markets Risk. Certain Non-U.S. countries are considered emerging markets. Emerging markets (also referred to as developing markets) are generally subject to greater market volatility, political, social, and economic instability, uncertain trading markets, and more governmental limitations on foreign investment than more developed markets. In addition, companies operating in emerging markets may be subject to lower trading volume and greater price fluctuations than companies in more developed markets. Securities law and the enforcement of systems of taxation in many emerging market countries may change quickly and unpredictably. In addition, investments in emerging markets securities may also be subject to additional transaction costs, delays in settlement procedures, and lack of timely information. Emerging market investments also involve the risk of the possible seizure, nationalization, or expropriation of the issuer or foreign deposits (in which a Fund could lose its entire investment in a certain market) and the possible adoption of foreign governmental restrictions such as exchange controls.

Concentration Risk. The Investment Adviser may choose to invest a substantial amount of its assets in a single country or a limited number of countries. While the Investment Adviser

anticipates maintaining a diversified portfolio of countries in which it invests, it is not required to do so. At any time, a Fund's portfolio may be broadly diversified or it may be concentrated in one country or a limited group of countries. As a result, a Fund's performance may be subject to greater volatility than a more geographically diversified fund. If a Fund concentrates its investments in this manner, it assumes the risk that economic, political, and social conditions in those countries will have a significant impact on its investment performance. The Investment Adviser will have sole discretion to pursue a concentrated investment strategy or a diversified trading strategy. There are no limits on the Investment Adviser's investment discretion in this regard. If the Investment Adviser chooses to focus on a particular geographic region or country, or Equity Instruments or Fixed Income Instruments therein, a Fund will have increased exposure to currency, political, regulatory, and other risks. To the extent a Fund invests a significant portion of its assets in a particular geographic region or country, economic, political, social, and environmental conditions in that region or country will have a greater effect on Fund performance than they would in a more geographically diversified fund and a Fund's performance may be more volatile than the performance of a more geographically diversified fund. This potentially limited diversity could expose a Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Because a Fund may invest at least a significant portion of its assets in a specific region, a Fund is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social, or economic disruptions in the region, even in countries in which a Fund is not invested, may adversely affect the value of securities values held by a Fund.

In addition, a Fund may face other types of concentration risk. For example, it may invest a substantial portion of its assets in particular types of instruments, such as Equity Instruments or Fixed Income Instruments, or it may have substantial counterparty exposure to a single counterparty or a small group of counterparties. The Investment Adviser will make such decisions in its sole discretion. A Fund would be subject to greater risk if adverse events occurred in areas in which a Fund is concentrated.

Foreign Currency Risk. Non-U.S. country securities will be denominated in foreign currencies. The value of a Fund's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates. Changes in foreign currency exchange rates will affect the value of a Fund's securities and the returns to investors. Generally, when the value of the U.S. dollar rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth fewer U.S. dollars. Devaluation of a currency by a country's government or banking authority also will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

Unless a Fund has hedged its foreign currency risk, foreign securities risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which a Fund has exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. Even if currency hedging strategies are utilized by a Fund, such hedging strategies are not always successful. The Investment Adviser may or may not hedge foreign currency risk and therefore a Fund may suffer losses on its foreign investments due to adverse currency moves, even if the investments increase in value.

The Investment Adviser, in its sole discretion, may or may not hedge any foreign currency exposure, and it may choose to do so fully or partially. Even if the Investment Adviser chooses to hedge foreign currency exposure, currency hedging strategies are not always successful. Changes in currency exchange rates may affect the value of a Fund's investments and the returns to investors. A Fund's returns may go down if the value of the local currency of the Non-U.S. Country markets in which a Fund invests depreciates against the U.S. dollar, even if the local currency value of securities in a Fund's holdings goes up. Furthermore, a Fund's use of forward currency contracts may eliminate some or all of the benefit of an increase in the value of a foreign currency versus the U.S. dollar. The value of the U.S. dollar measured against other currencies is influenced by a variety of factors. These factors include: interest rates, national debt levels and trade deficits, changes in balances of payments and trade, domestic and foreign interest and inflation rates, global or regional political, economic, or financial events, monetary policies of governments, actual or potential government intervention, global energy prices, political instability, government monetary policies, and the buying or selling of currency by a country's government.

Volatility Risks. The prices of some instruments traded by the Investment Adviser have been highly volatile during certain periods in the past (including notably the period of mid-2007 through 2009 and the fall of 2011), and such periods may recur. The price movements of these instruments are caused by many unpredictable factors, including but not limited to market sentiment, inflation rates, interest rate movements, and general economic and political conditions.

Volatility creates the specific risk, in the case of the Investment Adviser, that historical or theoretical pricing relationships will be disrupted, causing what would otherwise be a comparatively low-risk "relative value" position to incur major losses. Past returns of a Fund will not necessarily be indicative of its future performance.

Risks Associated with Trading Activities

The Funds also face the following risks associated with its trading activities and investments.

Counterparty Risks. A Fund will be a party to derivative contracts with third-party brokers or dealers under which such brokers or dealers will have unsecured obligations to pay amounts due

to a Fund while a Fund secures its obligations to such parties with the assets of a Fund. Default by derivative counterparties under an unsecured derivative contract with a Fund will cause a Fund to become an unsecured creditor in such derivative counterparty's insolvency proceedings and may cause a Fund to lose all or significantly all of its assets. A Fund may also enter into tripartite agreements that allow collateral for swap transactions to be posted to independent custodians. A Fund may also be a party to prime brokerage securities lending agreements under which it lends specified types of securities to the relevant counterparty, which counterparty in turn is obligated to return the lent securities to a Fund on an agreed upon future date. The default of any counterparty on any such obligation could have a material adverse effect on a Fund in that any securities borrowed may not be timely returned. In such event, a Fund may be subject to the risk that any lent securities will increase in value before it is able to replace them using any cash collateral (or the proceeds of any securities collateral) it holds, or that any securities it holds subject to repurchase by the third-party will decline in value before a Fund is able to resell them. In addition, if, in the event of such a counterparty default, a Fund is delayed or prevented from exercising its rights to dispose of any securities collateral, it will be subject to the additional risk of a possible decline in the value of such collateral during the period in which it seeks to assert these rights. Moreover, such counterparty may have a lien on some or all of the assets of a Fund, and will be allowed to liquidate such assets in certain circumstances, which liquidation could be at losses. While the Investment Adviser will select trading counterparties that it believes are creditworthy, a Fund generally does not perform extensive credit analyses on its trading counterparties. Furthermore, any misconduct on behalf of the trading counterparties, including, without limitation, fraudulent activities, will increase a Fund's possible risk exposure.

Prime Brokers. Each Fund has one or more prime brokers with custody of almost all of a Fund's assets, and/or the prime brokers' affiliates are the derivative counterparties for a substantial portion of a Fund's swaps. Voleon and its affiliates may engage in relationships with additional brokers from time to time or may terminate relationships with existing prime brokers in its discretion. If a prime broker were to enter insolvency proceedings, the assets of a Fund held by such prime broker may not be recouped. When a Fund executes trades synthetically through swap agreements, it does not typically have beneficial ownership of the underlying securities. However, a Fund may, and currently does, engage in cash trading from time to time and securities purchased with cash will be held in custody with one or more of the prime brokers. Additionally, a Fund may choose to execute its trades synthetically and with cash trading as the Investment Adviser's affiliate deems appropriate. Even with synthetic trading, investors should consider trading counterparty risk as more fully described under "General Trading Counterparty Risk," "Derivative Instrument Risks," and "Derivative Counterparty Risk" in this Section 8.

The Investment Adviser may receive in the future consulting services from one or more prime brokers and/or Trading Counterparties, such as consulting assistance with third-party service providers. Receipt by the Investment Adviser of such consulting services may give rise to an

actual or potential conflict of interest for the Investment Adviser to favor the prime brokers and/or Trading Counterparties providing such services.

Leverage. The Offering Documents of a Fund do not impose any limits on the degree of leverage that a Fund may employ. Nonetheless, the Investment Adviser currently expects that the total average borrowings of a Fund will not exceed fifteen times the latest available net asset value of a Fund at the time of such borrowings. The use of leverage will magnify both the potential for gains and the potential for losses in the value of a Fund's assets. This use of leverage places increased importance on the Investment Adviser's ability to hedge against moves in prices among related securities or within a market as a whole.

Valuation Risk. The Investment Adviser (or a Fund's valuation agent) will value a Fund's positions, and such valuation will be the basis for the net asset value calculation. A Fund's asset values will generally be based on quotes provided by brokers and other competent third-party pricing sources. However, certain of a Fund's positions may be valued based on theoretical models developed by the Investment Adviser. While these models will from time to time be corroborated by quotes obtained from third-party dealers, these valuations will generally be within the control of the Investment Adviser (which has a conflict of interest in valuing a Fund's positions because the performance compensation paid to the Investment Adviser's affiliates, which are under common control with the Investment Adviser, and the management fee paid to the Investment Adviser, are both directly affected by such valuation). The fair market value of those investments for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by the Investment Adviser in its good faith judgment.

Certain Fixed Income Instruments may be valued on the basis of factors other than market quotations. This may occur more often in times of market turmoil or reduced liquidity. There are multiple methods that can be used to value a Fixed Income Instrument when market quotations are not readily available. The value established for any Fixed Income Instrument at a point in time might differ from what would be produced using a different methodology or if it had been priced using market quotations. Fixed Income Instruments that are valued using techniques other than market quotations may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. In addition, there is no assurance that a Fund could close out a fixed income position for the value established for it at any time, and it is possible that a Fund could incur a loss because a portfolio position is, in the case of a long position, closed out at a discount to the valuation established by a Fund or, in the case of a short position, closed out at a premium to the valuation established by a Fund. None of the Funds, the Investment Adviser, or the principals of any of them shall be liable if a price, reasonably believed by any of them to be an accurate valuation of a particular investment of a Fund, is subsequently found to be inaccurate.

General Trading Counterparty Risk. When a Fund invests in options, swaps, contracts for differences, derivative and other synthetic instruments, forward contracts, or other OTC

transactions and instruments or interests underlying them that may include securities, securities indices, interest rates, commodities, and commodities indices, a Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default.

All financing transactions, such as those involving the borrowing or lending of funds or securities, will carry counterparty risks until such borrowing or lending has terminated and the relevant collateral is returned. All deposits of securities or cash with a custodian bank or financial institution will carry counterparty risk. On default by a trading counterparty, a Fund may be forced to unwind certain transactions and a Fund may encounter delays and difficulties with respect to court procedures in seeking recovery of a Fund's assets. Collapses of large derivative dealers during the financial crisis illustrate the risks of such trading. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries.

In addition, there are risks involved in dealing with the custodians or brokers who settle trades on behalf of a Fund. Securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of a Fund, and therefore a Fund may be exposed to a credit risk with regard to such parties. A Fund may also enter into tri-partite agreements that allow collateral for swap transactions to be posted to independent custodians. In some jurisdictions, a Fund may only be an unsecured creditor of its broker in the event of the bankruptcy or administration of such broker. Further, there may be practical or time problems associated with the delay that can be involved in enforcing a Fund's rights to its assets in the case of an insolvency of any such party. The significant losses incurred by many hedge funds in relation to the bankruptcy and/or administration of Lehman Brothers Holdings and its affiliates illustrate the risks that can arise in both derivatives trading and custody/brokerage arrangements.

Confidential Information Conflicts. While unlikely due to the nature of each Fund's trading strategy, it is possible that in the course of its investment activities, the Investment Adviser and a Fund may from time to time come into possession of confidential information which the Investment Adviser and a Fund are prohibited from using for the benefit of a Fund, and which would have caused a Fund to take or omit to take certain actions had the Investment Adviser and a Fund been permitted to do so.

Custody Risk. When a Fund executes trades synthetically through swap agreements, it does not typically have beneficial ownership of the underlying securities. However, a Fund may, and currently does, engage in cash trading from time to time. At times when a Fund engages in cash trading, a Fund will not control the custodianship of all of its securities. Instead, such securities will be held by the banks or brokerage firms with whom a Fund executes trades. Consequently, if the banks or brokerage firms selected to act as custodians become insolvent, a Fund may lose all or a portion of the funds or securities held by those custodians. A Fund has one or more prime brokers, which each also act as custodian of most or all of a Fund's assets and their affiliates act

as derivative counterparties for almost all or all of its swaps. A Fund may also enter into tri-partite agreements that allow collateral for swap transactions to be posted to independent custodians. However, if any such derivative counterparty were to enter insolvency or bankruptcy proceedings, the full value of a Fund's assets would be at risk even if such tri-partite agreements were in place if the bankruptcy occurred during the business day or if the derivative counterparty failed to sweep the assets to the custodian.

Short Sale Risks. Each Fund routinely sells securities short in implementing its trading and risk management strategies. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the market price of these securities will result in a loss. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by a Fund. In addition, purchasing securities to close out the short position can itself cause their market price to rise further, increasing losses. Furthermore, a Fund may be prematurely forced to close out a short position if a trading counterparty from which a Fund borrowed such security demands its return, as trading counterparties may do in their discretion, resulting in a loss on what otherwise could have been a profitable position.

Under certain circumstances, including any U.S. or non-U.S. governmental or regulatory action which impacts short selling, a Fund may be prematurely forced to close out a short position. The lender of a security used to cover a short position generally has the right to demand the return of the security that has been loaned at any time. In such event, a Fund would be required to replace the borrowed securities by borrowing the securities from another lender. If a Fund were unable to replace the borrowed securities, it would be required to close out the short position by buying the security in the market to make delivery. In such event, a Fund could incur a significant loss if the security sold short had increased in value.

Provisions of the Dodd-Frank Act and rules promulgated by the SEC may increase the costs of short selling, make interactions with the issuers of securities being sold short more difficult, and alter the prices or timing of short sales. The Dodd-Frank Act requires broker-dealers to provide notices to their customers that inform them of their right to opt out of allowing broker-dealers to use their fully paid securities for short sales. In the event that many broker-dealer customers opt out of allowing their fully paid shares to be used in short selling, locating shares for pre-borrowing may become more expensive.

Additionally, the SEC "Circuit Breaker Uptick Rule," limits a Fund's ability to sell securities short during the day a stock has declined 10% on its listing market and the following day, except for transactions that are at a price that is above the last national best bid. Due to the SEC rule, a Fund may not be able to sell securities short at planned times or at prices. The SEC may adopt further restrictions on short sales during periods of market turbulence as in the fall of 2008 when it restricted the short sale of securities issued by certain financial institutions.

Finally, the SEC has adopted regulations regarding security-based swaps, such as the equity derivatives swaps utilized by the Funds. These regulations may significantly increase the costs of utilizing these swaps as well as increasing the compliance obligations and costs incurred by the Funds. Moreover, the margin requirements on these types of swaps may increase significantly in the future which will increase the costs incurred by the Funds of utilizing these swaps.

Risks Associated with Types of Securities that are Primarily Recommended (including Significant or Unusual Risks)

Risks of Fixed Income Securities. Economic and other market developments can adversely affect fixed income securities markets. At times, participants in these markets may develop concerns about the ability of certain issuers of debt instruments to make timely principal and interest payments, or they may develop concerns about the ability of financial institutions that make markets in certain debt instruments to facilitate an orderly market. Those concerns could cause increased volatility and reduced liquidity in particular securities or in the overall fixed income markets and the related derivatives markets. A lack of liquidity or other adverse credit market conditions may hamper a Fund's ability to trade the debt instruments in which it invests and could have a substantial impact on the ability of a Fund to meet redemption requests from Investors. Debt securities are generally not exchange traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and typically has wider bid/ask spreads than exchange-traded marketplaces.

Interest Rate Risks. Prices of Fixed Income Instruments held by a Fund may be affected by changes in interest rates. A rise in interest rates typically causes the price of a fixed rate debt instrument to fall and its yield to rise. A Fund strives, but is not obligated, to reduce overall interest rate risk by maintaining a portfolio of both long and short positions. However, an increase in interest rates may cause the value of securities held by a Fund to decline, may lead to heightened volatility in the fixed-income markets, and may adversely affect the liquidity of certain fixed-income investments in a Fund's portfolio. Conversely, a decline in interest rates typically causes the price of a fixed rate debt instrument to rise and the yield to fall. Generally, securities with longer maturities or durations, and funds with longer weighted average maturities or durations, carry greater interest rate risk because a longer maturity or duration is typically associated with an increased sensitivity to interest rates changes. A Fund may face a heightened level of interest rate risk that the long period of historically low interest rates may end. While a rise in interest rates is the principal source of interest rate risk for bond funds, falling rates bring the possibility that a bond may be "called," or redeemed before maturity, and that the proceeds may be reinvested in lower-yielding securities.

Credit Risks. Credit risk is the chance that a bond or loan issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the market price of that bond or loan to decline. An issuer of a debt instrument could suffer an adverse change in financial condition that results in a payment

default, rating downgrade, or inability to meet other financial obligations. In addition, issuers may be domiciled in countries that are affected by broad economic, political, security, or other conditions, and such conditions may also affect the prospects of such issuers.

High-Yield Securities Risks. Securities that are rated below investment-grade (commonly referred to as “speculative grade bonds,” including those bonds rated lower than “BBB-” by S&P Global Ratings and Fitch or “Baa3” by Moody’s) may be deemed speculative, involve greater levels of risk than higher-rated securities of similar maturity, and may be more likely to default. A Fund is exposed to greater credit risk and volatility to the extent that a Fund’s portfolio is invested in high-yield securities or other fixed-income securities that are “higher yielding” (including non-investment grade). High-yield securities face ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. A Fund may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. A Fund may invest in corporate debt instruments paying fixed rates of interest. Corporate debt instruments may be subject to credit ratings downgrades. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline. Other instruments may have the lowest quality ratings or may be unrated. In addition, a Fund may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to a Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, a Fund may experience substantial losses.

Sovereign Debt. A Fund may invest in U.S. Treasury obligations, and it may also invest in obligations of other sovereign issuers. Several factors may affect (i) the ability of a government, its agencies, instrumentalities, or its central bank to make payments on the debt it has issued (“**Sovereign Debt**”), including securities that are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt, and (iii) the inclusion of Sovereign Debt in future restructurings. Such factors may include the issuer’s (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer’s ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Liquidity Risk. A Fund may not be able to trade a holding in a timely manner at a desired price. Reduced liquidity in the debt markets can result from a number of events, such as limited trading activity, reductions in inventory, and rapid or unexpected changes in interest rates or economic conditions. Less liquid markets could lead to greater price volatility. This can reduce a Fund’s returns because a Fund may be unable to transact at advantageous times or prices or at the prices assumed by the Trading Models and Trading Systems. Illiquidity of a Fund’s holdings may limit the ability of a Fund to obtain cash to meet redemptions on a timely basis. In addition, a Fund, due to limitations on investments in any illiquid securities and/or the difficulty in purchasing and selling such investments, may be unable to achieve its desired level of exposure to a certain market or sector.

Call Risk. Call risk is the chance that during periods of falling interest rates, issuers of callable bonds may exercise their right to call (i.e., redeem) securities at a scheduled time before their maturity. A Fund would then lose any price appreciation above the bond’s call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in a Fund’s income.

Coupon Reinvestment Risk. A Fund’s income may decline when interest rates fall. This decline can occur because a Fund may subsequently invest in lower-yielding bonds as bonds in its portfolio mature, are near maturity, or a Fund otherwise needs to purchase additional bonds. A Fund strives, but is not obligated, to reduce overall interest rate risk by maintaining a portfolio of both long and short positions.

Derivative Instrument Risks. Derivative instruments, or “derivatives,” include futures, options, swaps, structured investments, and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying investments, financial benchmarks, currencies, or indices. Derivatives allow an investor to hedge or speculate upon the price movements of particular investments 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.

A Fund's use of credit default swaps exposes a Fund to additional volatility in comparison to investing directly in bonds and other debt instruments. These instruments can experience reduced liquidity and become difficult to value, and any of these instruments not traded on an exchange are subject to the risk that a counterparty to the transaction will fail to meet its obligations under the derivatives contract. The use of these instruments involves the risks that anticipated changes in the creditworthiness of an issuer or appreciation in an underlying security will not be accurately predicted.

Additionally, because many derivatives are "leveraged" (including the derivatives utilized by the Funds) 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 can not only result in the loss of the entire investment, but may also expose the Funds 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, and to derivative counterparty risk. The derivative counterparty risk lies with each derivative counterparty with whom a Fund contracts for the purpose of making derivative investments. In the event of the counterparty's default, a Fund will only rank as unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

Forms of swap agreements also include equity swaps, in which one party agrees to pay to (or receive from) the other party an amount equal to the percentage gain (or loss) realized by a specific equity security or group of equity securities in proportion to an agreed-upon notional amount; interest rate "caps," under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or "cap"; interest rate "floors," under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates fall below a specified level or "floor"; and interest rate "collars," under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

A Fund will make use of various derivative instruments such as equity swaps and which may also include warrants, options, futures, convertible securities, and interest-rate and currency swaps. The use of derivatives involves a variety of material risks, including the high degree of leverage often embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult, as well as costly, to liquidate positions in order to realize gains or limit losses.

Many derivatives are valued on the basis of dealers' equivalents. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such derivative may be materially different. Such differences can result in an overstatement of the net asset value of a Fund, and may have a materially adverse effect on a Fund in situations in which a Fund is required to liquidate positions in order to raise funds.

A Fund may be obligated to indemnify various trading counterparties against certain liabilities such parties may incur in connection with derivative instruments used by a Fund. Such indemnification obligations may survive long after the derivative instrument has been unwound or terminated. Should a Fund or a party which a Fund has agreed to indemnify be named as a defendant in a lawsuit or regulatory action stemming from a derivative instrument to which a Fund is a party, a Fund would bear the additional costs of defending and indemnifying against such action and would be at further risk if a Fund or the indemnified party failed to prevail in the litigation.

Derivative Counterparty Risk. Some of the markets in which a Fund may effect its derivatives transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight, unlike members of "exchange-based" markets. This exposes a 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 a Fund to suffer a loss. Such "derivative counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of derivative counterparties. In the event of the derivative counterparty's default, a Fund will only rank as an unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

A Fund is not restricted from dealing with any particular derivative counterparty or from concentrating any or all of its transactions with a single derivative counterparty. Moreover, a Fund has no internal credit function that evaluates the creditworthiness of its derivative counterparties. The ability of a Fund to transact business with any one or number of derivative counterparties, the lack of any meaningful and independent valuation of such derivative counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

Many swap agreements entered into by a Fund require the calculation of the obligations of the parties to the agreements on a "net basis." Consequently, the current obligations (or rights) of a Fund under a swap agreement generally would be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement. The risk of loss to a derivative counterparty with respect to such swaps should be limited to the net amount of interest or other payments that a Fund is contractually obligated to

make. If the other party to a swap defaults, the risk of loss of a Fund consists of the net amount of payments that a Fund contractually is entitled to receive.

Certain financial institutions subject to European regulatory requirements who are derivative counterparties to a Fund will require such Fund to agree to a “bail-in” of the financial institution were it to become insolvent. Such a “bail-in” may result in a reduction in the amounts that are due to a Fund to be made by the relevant regulators. Additionally, regulatory requirements in the United States and Europe require a Fund to wait a specified period of time before liquidating its derivative positions with an insolvent financial institution, which may cause further losses for a Fund.

Risks Related to ETFs. A Fund may also invest in ETFs, which are subject to additional risks.

- *Market Risk.* ETF investments, in general, are subject to market risks that may cause their prices, and therefore a Fund’s net asset value, to fluctuate over time. Markets are subject to political, regulatory, economic, and financial market risks.
- *Non-Diversification Risk.* An ETF is considered a non-diversified investment and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the net asset value of a Fund than would occur in a diversified fund.
- *Passive Investment Risk.* An ETF has an investment strategy that is not actively managed. An ETF will purchase, hold, or sell securities when an actively managed fund would not do so. Therefore, an ETF may be subject to greater losses in a declining market than a fund that is actively managed.
- *Correlation and Tracking Error Risk.* A number of factors may affect an ETF’s ability to track its benchmark index or achieve a high degree of correlation with its benchmark, either on a single trading day or for a longer time period. Factors such as ETF expenses, imperfect correlation between the ETF’s investments and those of its underlying index, rounding of share prices, regulatory policies, high portfolio turnover rate, and the use of leverage all contribute to tracking error or correlation risk. There can be no guarantee that an ETF will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent the ETF, and consequently a Fund, from achieving its investment objective.
- *ETF Shares Trading Risk.* An unanticipated early closing of the exchange on which an ETF is traded (the “**Exchange**”) may result in an inability to buy or sell shares of the ETF on that day. Trading in ETF shares similarly may be halted by the Exchange because of market conditions or other reasons. If a trading halt occurs, a Fund may temporarily be unable to purchase or sell shares of the ETF. Shares also may trade on the Exchange at prices that differ from (and can be below) their net asset value. The net asset value of

ETF shares will fluctuate with changes in the market value of the ETF's holdings and the exchange-traded prices may not reflect these market values.

- *Investment in Investment Companies Risk.* A Fund may invest in ETFs that invest in other investment companies. Investing in other investment companies, including money market funds, subjects the ETF to those risks affecting the investment company, including the possibility that the value of the underlying securities held by the investment company could decrease. Moreover, the ETF, and consequently a Fund, will incur its pro rata share of the underlying investment company's expenses.
- *Liquidity and Valuation Risk.* In certain circumstances, it may be difficult for an ETF to purchase and sell particular investments within a reasonable time at a fair price, or the price at which it has been valued by the Investment Adviser for purposes of a Fund's net asset value, causing a Fund to be less liquid and unable to realize what the Investment Adviser believes should be the price of the investment.
- *Short Sales Risk.* Inverse ETFs generally involve short selling a security. Short selling a security involves selling a borrowed security with the expectation that the value of the security will decline, so that the security may be purchased at a lower price when returning the borrowed security. The risk for loss on short selling is greater than the original value of the securities sold short because the price of the borrowed security may rise, thereby increasing the price at which the security must be purchased. Government actions also may affect the ETF's ability to engage in short selling.
- *Correlation and Compounding Risk.* Leveraged ETFs utilize significant leverage to enhance returns, but leverage may also result in a high degree of loss. Additionally, a number of factors may affect a leveraged ETF's ability to achieve a high degree of correlation with its benchmark, and there can be no guarantee that a leveraged ETF will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent a leveraged ETF from achieving its investment objective. In addition, leveraged ETFs utilize compounding. Compounding affects all investments, but has a more significant impact on a leveraged fund. In general, particularly during periods of higher volatility, compounding will cause longer term results to be more or less than the inverse of the return of the benchmark. This effect becomes more pronounced as volatility increases.

Option Risks. A Fund may engage in purchase and sell ("write") options on securities, on national and international exchanges, and in the domestic and international over-the-counter markets, both for speculative and for hedging purposes. The seller ("writer") of an uncovered put option assumes the risk of a decline in the market price of the underlying security or currency below the exercise price of the option. The seller of a put option which is covered (e.g., the writer has a short position in the underlying security or currency) assumes the risk of an increase

in the market price of the underlying security or currency above the sales price (in establishing the short position) of the underlying security or currency, plus the premium received, and gives up the opportunity for gain on the underlying security or currency below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. The writer of a call option which is covered (e.g., the writer holds the underlying security or currency) assumes the risk of a decline in the market price of the underlying security or currency less the premium received, and gives up the opportunity for gain on the underlying security or currency above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Options trading involves certain risks which trading in the underlying securities, stock indices, and/or stock index futures listed on a national securities exchange or traded in an over-the-counter market alone does not. For example, interest rates and market volatility directly impact option values, and options have limited life spans and so may expire and be worthless, despite the underlying position becoming profitable soon thereafter. The effectiveness of engaging in stock index options as a hedging technique will depend on the extent to which price movements in assets that are hedged correlate with price movements of the stock index selected. Successful use of options on stock indices may depend on the ability of the Investment Adviser to correctly predict movements in the direction of the stock market generally or of a particular industry or market segment. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

Should a Fund write options, it could sustain major marked-to-market losses – even if the options sold are never “in-the-money” – as a result of increases in market volatility and/or market movements towards the strike prices of such options. Because volatility is directly reflected in the market value of options, the extreme volatility of market prices increases both the costs and the risks of options trading.

Forward Contract Risks. A Fund may trade forward contracts as a means to hedge currency exposure for future international trading strategies, for other risk management purposes, or to implement new trading strategies. Forward trading is a “zero-sum” economic activity in which for every gain there is an equal and offsetting loss (without considering transaction costs). An investment in forwards is in this respect very different from a typical securities investment in which there is an expectation of some consistency of yield (in the case of debt) or participation over time in general economic growth (in the case of equity).

Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Consequently, in respect of any forward trading activity, a Fund will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the principals or agents with or through which a Fund trades. Any failure or refusal to discharge their

contractual obligations by the counterparties with which a Fund deals on the forward markets, whether due to insolvency, bankruptcy, or other causes, could subject a Fund to substantial losses. A Fund will not be excused from performance under any forward contracts into which it has entered due to defaults under other forward contracts which were to have substantially “covered” the former. There is also the risk that a counterparty which loses money on a contract with a Fund may seek to avoid its obligations on legal grounds.

Because a Fund’s currency trading may take place in the forward markets, prospective investors must recognize that such trading activity takes place in unregulated markets rather than on futures exchanges subject to the jurisdiction of the CFTC or other regulatory bodies. While the forward markets are well established, it is impossible to predict how, given certain unusual market scenarios, the unregulated nature of these markets might affect a Fund.

Futures Contract Risks. A Fund may trade futures contracts for risk management purposes or as a means of implementing cash-futures arbitrage and other strategies. Futures trading, which is highly leveraged, can result in significant losses.

Futures trading is subject to many of the risks associated with forward contracts. In addition, futures trading is subject to the risk of failure of brokerage firms to the extent that the assets of customers at the brokerage firm are not fully protected by account segregation. The Commodity Exchange Act requires a U.S. clearing broker to segregate all funds received from such broker’s customers in respect of futures (but not forward) transactions from such broker’s proprietary funds. If any commodity brokers were not to do so to the full extent required by law, or in the event of a substantial default by one or more of such broker’s other customers or of a broker not subject to the Commodity Exchange Act and its segregation requirements, the assets of a Fund might not be fully protected in the event of the bankruptcy of such broker. Furthermore, in the event of such a bankruptcy, a Fund would be limited to recovering only a pro rata share of all available funds segregated on behalf of the affected commodity broker’s combined customer accounts, even though certain property specifically traceable to a Fund (for example, U.S. Treasury bills or cash deposited by a Fund with such broker) was held by such broker. Commodity broker bankruptcies have occurred in which customers were not able to recover from the broker’s estate the full amount of their funds on deposit with such broker and owing to them. Customer funds on deposit with commodity brokers are not insured by any governmental agency, and investors would not have the benefit of any protection such as that afforded customers of bankrupt U.S. securities broker-dealers by the Securities Investors Protection Corporation.

In addition, a Fund will, through its futures trading, be subject to regulation by the CFTC, which can make special calls for information from a Fund regarding its beneficial owners, and, if such information is not forthcoming, require the liquidation of all open futures positions held by a Fund.

Furthermore, futures contracts, unlike forward contracts, may be subject to daily price fluctuation limits, as well as to speculative position limits. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating unfavorable positions and subject a Fund to substantial losses. Also, the CFTC or exchanges may suspend or limit trading, to the same effect.

Futures positions may also be illiquid because, for example, most U.S. 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. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating unfavorable positions and subject a Fund to substantial losses. In addition, a Fund may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the CFTC) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

A Fund may also trade on futures exchanges outside the United States. Trading on such exchanges is not regulated by any United States government agency and may involve certain risks not applicable to trading on United States exchanges. In trading on foreign exchanges, a Fund may be subject to rules and regulations administered by foreign regulatory bodies and also subject to the risk of changes in the exchange rates between the United States dollar and the currencies in which the foreign contracts are settled.

Equity Risks. A Fund may invest in equity securities of U.S. issuers, American Depositary Receipts (“**ADRs**”) of non-U.S. issuers listed and traded on organized U.S. exchanges, equity securities of issuers based in Non-U.S. countries, and Global Depositary Receipts of U.S. issuers listed and traded on organized exchanges in Non-U.S. countries (“**GDRs**”). The value of these securities generally varies with the performance of the issuers and movements in the equity

markets. As a result, a Fund may suffer losses if it invests in equity securities of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets overall or equities comprising a particular industry sector, capitalization level, or other grouping generally move in a single direction and a Fund has not adequately hedged against such a general move.

ADRs and GDRs carry additional risks. Investing in an ADR or GDR is not the same as investing directly in the underlying foreign security. The ADR or GDR may be less liquid than the underlying foreign security, increasing the potential cost, or increasing the time required, to close a position in an ADR or GDR. The price of the ADR or GDR also may not move in tandem with the underlying foreign security and indeed may diverge significantly at times. These risks may cause a Fund to realize potentially significant losses that would not have been incurred if a Fund had invested directly in the underlying foreign security.

Foreign Exchange Transaction Risks. A Fund may trade in the currency markets. Although generally highly liquid, currency markets can experience periods of illiquidity, sometimes of significant duration. For example, none of the participants in the currency forward markets are required to maintain a market in any particular currency or to maintain a reasonable spread between the "bid" and "asked" prices which they quote. Disruptions can occur in any market traded by a Fund due to unusually high trading volume, political intervention, or other factors. Market illiquidity or disruption could result in major losses. Currency forward contract prices are highly volatile. In the past, sudden and major reversals in these markets have resulted in major losses for speculative traders similar to a Fund.

Currency contract prices are determined by relationships that are primarily interest-rate related; consequently, a substantial portion of a Fund's open positions could move against a Fund at or about the same time.

Risks from Hedging Activities. The Investment Adviser may (or may not) from time to time utilize ETFs, stock index futures, government securities, or other instruments for the purpose of reducing any net long or short exposure to the performance of the securities market as a whole or to individual sectors or industries. There remains a substantial risk, however, that hedging techniques may not always be effective in limiting losses. If the Investment Adviser's trading methodology or risk models analyze market conditions or risk incorrectly, the Investment Adviser's hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. In addition, hedging activities often will reduce the overall return of the portfolio.

Smaller and Medium Capitalization Company Risks. A Fund may invest a significant percentage of its assets in small to medium capitalization companies; for example, companies that are too small to be included in the relevant stock indices in the United States or Non-U.S. countries. These companies have less ability to withstand adverse market conditions than larger issuers, and their securities are more thinly traded and volatile in price. While small to medium capitalization companies may have good growth potential, there is no guarantee they will experience such

growth, and they typically involve higher risks because they may lack the management experience, financial resources, product diversification, and personnel available to their larger competitors.

Alternative Investment Fund Managers Directive. The Alternative Investment Fund Managers Directive (the “**AIFM Directive**”) of the European Union (“**EU**”) took effect across the EU and European Economic Area (“**EEA**”) on July 22, 2013, albeit allowing EEA countries to rely on transitional provisions until July 21, 2014. The AIFM Directive regulates (i) alternative investment fund managers (“**AIFM**”) based in the EEA, (ii) the management of any alternative investment fund (“**AIF**”) established in the EEA (irrespective of where an AIF’s AIFM is based), and (iii) the marketing in the EEA of the securities of any AIF, such as a Fund, whether conducted by an EEA AIFM, a non-EEA AIFM, or a third-party. In order to obtain authorization to market a Fund in the EEA, an AIFM is required to comply with numerous obligations in relation to its own operations and in relation to the AIFs that it manages, which may create significant compliance costs and burdens.

Pursuant to the AIFM Directive, a non-EEA AIFM marketing a non-EEA AIF (i.e., a Fund) to persons within the EEA, is required to, among other things: (i) confirm that U.S. and Cayman Islands regulatory authorities have entered into a cooperation-and-information-sharing agreement with the regulator of each EEA country into which a Fund is to be marketed; (ii) confirm that the Cayman Islands is not listed as a non-cooperative country for the purposes of the Financial Action Task Force; and (iii) provide EEA investors and the regulators of such investors’ EEA countries with a Fund’s annual financial report and certain additional information about a Fund.

A fund managed by a non-EEA AIFM will only be able “to market” to investors in certain countries within the EEA in accordance with applicable national private placement rules. It should be noted that each EEA country has its own definition of what it means “to market” an AIF and each EEA country has implemented its own national private placement rules. The requirements for additional service functions, notification, and registration, as well as ongoing and annual reporting, vary significantly from jurisdiction to jurisdiction. Further, each EEA country has the authority to change its rules or enact new rules that may require AIFs to become registered with the local regulator before securities can be offered in that country. It should also be noted that although “reverse solicitation”, where an EEA investor approaches a non-EEA AIFM regarding shares or interests, as applicable, in a non-EEA AIF, is outside the scope of the AIFM Directive and, accordingly, remains permissible in EEA jurisdictions, because each EEA country has a different definition of “marketing”, “reverse solicitation” is also interpreted differently across the various EEA jurisdictions.

It is possible that the Funds or the managers of the Funds may, in the future, be required to take significant measures to comply with national rules implementing the AIFM Directive in those countries of the EEA where a Fund is to be marketed. Compliance with the requirements of the AIFM Directive and marketing rules in the EEA may be costly (e.g., if numerous EEA

registrations are required) or could require significant amendments to be made to the structure of a Fund (such as redomiciling a Fund, if EEA investors were to become the principal target for fundraising). It should be noted that such costs may be prohibitive and, accordingly, may impair the ability of a Fund manager to market a Fund in the EEA in the future, which may have a material adverse effect on a Fund's ability to achieve its investment objective.

Enforcement of Judgments with Respect to Certain European Investors. Certain of the Funds are domiciled in the Cayman Islands while certain of the Funds are domiciled in the State of Delaware in the United States. The Funds and all or substantially all of their respective directors, officers, managing members, and other persons acting for the Funds are expected to be located outside of the EEA and, as a result, it may not be possible for an investor located in the EEA to effect service of process within the EEA upon the Funds or such persons. All or a substantial portion of the assets of the Funds and such other persons will be located outside of the EEA, and as a result, it may not be possible to satisfy a judgment against the Funds or such persons in the EEA or to enforce a judgment obtained from a court within the EEA against the Funds or persons outside of the EEA.

Judgments rendered in a court within the EEA may be enforced in the Cayman Islands by action at common law. Although there is currently no statutory enforcement in the Cayman Islands of judgments obtained in the EEA, a judgment issued in an EU Member State will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- (a) is given by a foreign court of competent jurisdiction;
- (b) is final and conclusive;
- (c) is not in respect of tax, fine, or other penalty;
- (d) was not obtained by fraud;
- (e) is not of a kind where the enforcement of which is contrary to the public policy of the Cayman Islands;
- (f) was not obtained in proceedings contrary to natural justice;
- (g) is not inconsistent with a Cayman Islands judgment or order in respect of the same matter;
- (h) is not for multiple or punitive damages; and
- (i) enforcement is sought in the Cayman Islands within six years after the date of judgment.

The Grand Court of the Cayman Islands will apply the rules of Cayman private international law to determine whether the foreign court is a court of competent jurisdiction. Subject to these limitations, the Cayman Islands courts will recognize and enforce a foreign judgment for a liquidated sum. The Grand Court of the Cayman Islands also has the discretion to recognize and enforce non-money orders by way of equitable remedies, such as declaratory orders, orders for performance of contracts, and injunctions if the principle of comity requires it. In exercising its discretion in relation to non-money orders, the Cayman Islands Court will have regard to general considerations of fairness and ensure that domestic law is not extended to suit foreign litigants; such discretion will be exercised in accordance with the facts of each case.

General Risk Factors Relating to Types of Securities that are Primarily Recommended

Risk of Loss. An Investor could incur substantial, or even total, losses on an investment in a Fund. An investment in a Fund is only suitable for persons willing and able to accept this high level of risk.

Possible Correlation with Stocks and Bonds. One of the goals in acquiring a non-traditional investment such as interests in a Fund is to provide a potentially valuable element of diversification to an overall portfolio of investments. However, there can be no assurance, particularly during periods of market disruption and stress, when the risk control benefits of diversification may be most important, that a Fund's returns will, in fact, be positively or negatively correlated or uncorrelated with a traditional portfolio of stocks and bonds.

Master-Feeder Fund Structure. A feeder Fund invests, together with certain other entities, the majority of its assets through a "master-feeder" fund structure in the master Fund. A "master-feeder" fund structure (and in particular, the existence of multiple investment vehicles investing in the same portfolio) presents certain unique risks to Investors. Additional feeder funds may be established in the future. Smaller investment vehicles investing in a master Fund may be materially affected by the actions of larger investment vehicles investing in a master Fund. For example, if a larger investment vehicle redeems from a master Fund, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Substantial redemptions of capital by investors in a master Fund, including a feeder Fund, over a short time period could necessitate the liquidation of securities positions at a time and in a manner which do not provide the most economic advantage to a master Fund and which therefore could adversely affect the value of a master Fund's assets.

Dependence on the Master Fund. The assets of a feeder Fund consist almost exclusively of shares of a master Fund. Accordingly, the financial results of a feeder Fund are almost entirely dependent on the performance of a master Fund.

Lack of Liquidity of Shares; Redemptions/Withdrawals. There is not now, and there is not likely to be in the future, a secondary market for interests in a Fund, and consequently, Investors may only be able to dispose of their interests by means of redemptions or withdrawals from a Fund.

The risk of any decline in the net asset value of the interests in a Fund during the period from the date of redemption notice until the redemption date will be borne by the Investor(s) requesting a redemption or withdrawal. If a Fund experiences losses after a redemption date, it is possible that a Fund may have insufficient assets to pay all or even a portion of the redemption proceeds due to the redeeming Investor. Further, under extraordinary circumstances, affiliates of the Investment Adviser may (in its sole discretion) suspend redemptions or withdrawals entirely or delay payment until such time as the extraordinary circumstance no longer exists.

As of the redemption date, the interests being redeemed or withdrawn will be treated as having been redeemed or withdrawn regardless of whether or not the redeeming Investor has been removed from a Fund's register of members (or its equivalent) or the redemption price has been determined or remitted. Accordingly, from and after the relevant redemption date, Investors in their capacity as such will not be entitled to or be capable of exercising any rights with respect to interests being redeemed or withdrawn (including any right to receive notice of, attend, or vote at any meeting of a Fund), except for the right to receive the applicable redemption price and any dividend declared by a Fund prior to the relevant redemption date but not yet paid (in each case with respect to the interests being redeemed or withdrawn). Redeemed or withdrawn Investors will be creditors of a Fund with respect to the applicable redemption price. In an insolvent liquidation, redeemed Investors will rank behind ordinary creditors, but ahead of Investors.

Effect of Substantial Redemptions or Withdrawals; Suspension of Redemptions or Withdrawals. Substantial redemptions or withdrawals from a Fund could be triggered by a number of events, including, without limitation, unsatisfactory performance, events in the markets, or other events. Actions taken to meet substantial redemption requests from a Fund, including disposing of a Fund's investments, could result in decreased prices for such investments and in increased Fund expenses (e.g., transaction costs and the costs of terminating agreements). During periods of market turbulence, liquidity generally decreases, which would most likely exacerbate these risks. If a Fund invests in Fixed Income Instruments, such instruments would generally be less liquid than a Fund's investments in Equity Instruments. The overall value of a Fund also may decrease because the liquidation value of certain fixed-income securities may be materially less than their cost or mark-to-market value. In addition, a Fund may be forced to sell its more liquid positions, which may cause an imbalance in a Fund's portfolio that could have a material adverse effect on the net asset value of a Fund. Substantial redemptions or withdrawals could also significantly restrict a Fund's ability to obtain financing or transact with counterparties needed for its investment strategies, which could also have a material adverse effect on a Fund's performance. A Fund and the Investment Adviser generally will not disclose to Investors the amount of pending redemption or withdrawal requests and are under no obligation to make any such disclosure. If a Fund receives significant redemption or withdrawal requests when it holds significant investments in Fixed Income Instruments, a Fund may suspend redemptions or withdrawals, especially during periods of market stress.

Reserve for Contingent Liabilities. Under certain circumstances, a Fund may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an Investor's proceeds at the time of redemption from a Fund, in which case the reserved portion would remain at the risk of a Fund's activities.

Mandatory Redemptions. The Board of Directors of an offshore Fund may require any Investor to redeem all or a part of its interests at any time in the Board of Director's discretion.

In-Kind Distributions. A Fund may distribute securities, rather than cash, as redemption proceeds to Investors. A portion of a Fund's capital may be invested in illiquid securities and instruments. If the investors in a Fund request significant redemptions, a Fund may be unable to liquidate its investments at the time such redemptions are requested or may be able to do so only at prices which, in the opinion of the Investment Adviser, do not reflect the true value of such investments and which would adversely affect a Fund's Investors. Such securities and instruments may not be readily marketable or saleable and may have to be held by the Investors or by affiliates of the Investment Adviser in trust for the Investors, for an indefinite period of time.

Estimates. A Fund's fees and the amounts due to Investors upon redemption and withdrawal are determined on the basis of estimates. Affiliates of the Investment Adviser are under only a very limited obligation to revise such estimates.

Delays in Providing Audited Financial Statements. A Fund must have its audited financial statements before it can provide its audited financial statements to Investors. There can be no assurance that a Fund's audited financials will be prepared and delivered to a Fund in time for a Fund to deliver its audited financial statements to Investors before their tax returns are due.

Lack of Liquidity of Investments. The markets for instruments traded by a Fund may have limited liquidity and depth. Lack of liquidity could disadvantage a Fund both in the realization of quoted prices and in order execution. Lack of liquidity would increase the risk that a Fund could be required to liquidate positions at disadvantageous prices because of its inability to raise margin collateral from other sources. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions. As outlined in "Effect of Substantial Redemptions or Withdrawals; Suspension of Redemptions or Withdrawals" above, the risk of market illiquidity may be heightened if Fixed Income Instruments are a material proportion of a Fund's portfolio.

Inadequate Compensation for Risk. No assurance can be given that the returns on a Fund's investments will be commensurate with the risk of purchasing interests in a Fund. Hedge fund returns have dropped significantly recently in comparison to their returns in past periods, and there can be no assurance that their returns, as an asset class, in future periods will reflect previous historical levels. This may be due in part to changes in market conditions affecting hedge funds' investments and strategies, as well as the proliferation of hedge funds pursuing similar strategies (thereby making it difficult for one hedge fund to outperform others). Hedge

funds may also offer less of an advantage as a source of investment diversification than in the past. In addition, in past years, a number of hedge funds collapsed, including a number of well-known funds, amid highly volatile market conditions. All of the foregoing considerations relating to hedge funds have been identified as serious risks by a number of investment commentators. Investors should not commit money to a Fund unless they have the resources to sustain the loss of their entire investment in a Fund.

Highly Competitive Market. The Investment Adviser competes with a large number of firms in developing trading strategies and managing investment assets, and many of such firms have far greater financial and personnel resources than the Investment Adviser. Competitive investment activity by other firms will tend to reduce the mis-pricing spreads that the Investment Adviser attempts to capitalize on in trading on behalf of, as well as the amount of credit available to, a Fund.

Lack of Information. An investor granting discretion over the trading of assets through a managed account client, to the extent the Investment Adviser chooses to accept such clients in the future, would normally have access to information regarding the positions traded on the investor's behalf by a trading adviser. In contrast, Investors will not normally have access to positions or other information regarding a Fund's investments. Lack of knowledge regarding a Fund's positions and trades will reduce Investors' ability to evaluate the performance of the Investment Adviser and a Fund and could result in an Investor's overall portfolio being highly concentrated because a Fund's positions could replicate or substantially overlap positions held by the Investor in other investments.

Dependence on the Principals and Other Key Employees of the Investment Adviser. The Funds are dependent on the services of the principals and other key employees of the Investment Adviser. The Funds would be adversely affected if the services of any of the principals or of any other key employee were not available for any significant period of time.

Reliance on the Investment Adviser. The Funds will rely on the Investment Adviser for the management of the Funds' investment portfolios. There could be adverse consequences to the Funds in the event that the Investment Adviser ceases to be available to devote its services to the Funds. In addition, the Investment Adviser's expertise and capabilities may not be sufficient to ensure adequate returns for the Funds.

Investors Do Not Participate in Management; No Ability to Replace or Remove the Fund manager or the Investment Adviser. Investors will have very limited management rights with respect to a Fund. Moreover, Investors have no right to influence the management of a Fund, whether by voting, redeeming, removing, or replacing the Fund manager, or removing or replacing the Investment Adviser or otherwise.

Non-Independent Directors. Any or all of the members of the Board of Directors of the offshore Funds will be employed by or will have extensive business dealings with some or all of the

Investment Adviser, the Fund managers, and their affiliates. As a result, these directors may have conflicts of interest. There are no independent managers of the Funds, the Fund managers, or the Investment Adviser.

Market Participant Risk. The institutions, including brokerage firms and banks, with which a Fund trades or invests, may encounter financial difficulties that impair the operational capabilities or the capital positions of a Fund. Events since the 2008 Crisis demonstrate the real risk that a brokerage or custodian that appears reliable may very quickly be discovered to be insolvent or otherwise unable to meet its obligations. This may impact a Fund in many ways, including, but not limited to, forcing a Fund to liquidate its portfolio or certain hedging positions, and potentially with such speed that a Fund would face substantial losses.

In addition to the risk of a trading counterparty defaulting, there is also the risk that one or more investors comprising a substantial percentage of a Fund's assets under management (such as a major institutional investor) may be compelled to redeem from a Fund, or that a Fund's trading counterparties will be required to restrict the amount of credit previously granted to a Fund due to their own financial difficulties, resulting in forced liquidation of substantial portions of a Fund's portfolio, potentially with such speed that a Fund would face substantial losses.

Outsourcing. The Investment Adviser and a Fund may opt to outsource significant portions of trading and the processing of trades to third-party providers (for example, for middle and back office services). Investors in a Fund will pay for these services, reducing the return on their investments. Furthermore, if these third-party providers suffer operational or financial difficulties, the performance of a Fund may be materially affected.

Risk of Litigation. In the ordinary course of business, a Fund may become subject to litigation from time to time. In addition, a Fund may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, a Fund could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of a Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of a Fund's time and attention and substantial amounts of a Fund's capital in legal costs and expenses, and that time and the devotion of those resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Importance of General Economic Conditions. Overall market or economic conditions, which the Investment Adviser cannot predict or control, may have a material effect on the performance of a Fund.

Conflicts of Interest. The managers of the Funds and the Investment Adviser are subject to significant and material conflicts of interest in managing the assets of the Funds. There can be no

assurance that these conflicts will be resolved equitably or to the benefit of the Funds. See Item 10 for further discussion of such conflicts of interest.

Indemnification and Liability of the Fund Manager and the Investment Adviser. The Investment Adviser and the managers of the Funds, and their respective partners, officers, directors, employees, representatives, agents, and affiliates (each, an “**Indemnified Party**”) will not be liable, responsible, or accountable in damages or otherwise to the Funds and/or any of the Investors for (a) any act or omission performed or omitted by them on behalf of the Funds, except when such action or failure to act by that specific party was performed or omitted fraudulently or in bad faith or constituted gross negligence or willful misconduct, or (b) any act or omission performed or omitted to be performed by any agent retained by an Indemnified Party, whether through negligence, dishonesty, or otherwise, as long as the agent was selected by such Indemnified Party without bad faith, gross negligence, or willful misconduct. Each Indemnified Party will be indemnified by the Funds for any losses, liabilities, judgments, or fines (“**Losses**”) incurred or sustained by them as a result of or in connection with any act performed in good faith by or on behalf of the Funds, so long as such Losses did not result from their gross negligence, intentional misconduct, or fraud. The Funds may or may not purchase insurance covering such liabilities.

Possible Additional Indemnification Obligations; Litigation. In addition to the indemnification of the Indemnified Parties, the Funds may be obligated to indemnify the Administrator, the brokers, and various other officers and agents of the Funds and their respective principals and affiliates under the various agreements entered into with such parties against certain liabilities they may incur in connection with their relationship with the Funds. The Funds may also be obligated to indemnify certain trading counterparties to various investment vehicles entered into by the Funds against certain tax or other liabilities trading counterparties incur in connection with transactions entered into by the Funds. In the event that the Funds or a party which the Funds has agreed to indemnify was named as a defendant in a lawsuit or regulatory action stemming from the conduct of a Fund’s business, such Fund would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Funds or the indemnified party failed to prevail in the litigation.

Limited Regulation of Funds. Each Fund is not and does not intend to be registered as an “investment company” under the Investment Company Act. As a result, certain provisions of the Investment Company Act (which, among other things, requires investment companies to have a majority of disinterested directors, requires securities held in custody to be segregated, regulates the relationship between the investment company and its adviser, and requires investor approval before fundamental investment policies can be changed) do not apply to each Fund, and Investors will not be afforded the benefits that may be derived therefrom.

Additionally, certain of the Funds are exempted companies with limited liability incorporated in the Cayman Islands. Such Funds are registered as mutual funds under the Mutual Funds Law.

Anti-Money Laundering Regulations. It is each Fund's policy to comply with The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001. Many jurisdictions are in the process of changing or creating anti-money laundering, embargo, and trade sanctions, or similar laws, regulations, requirements (whether or not with the force of law), or regulatory policies and many financial intermediaries are in the process of changing or creating responsive disclosure and compliance policies (collectively "**AML Requirements**"), and affiliates of the Investment Adviser and/or the Administrator could be requested or required to obtain certain assurances from prospective investors, disclose information pertaining to such investors to governmental, regulatory, or other authorities or to financial intermediaries or engage in due diligence, or take other related actions in the future. It is each Fund's policy to comply with AML Requirements to which it may become subject and to interpret them broadly in favor of disclosure. Each prospective investor will be required to agree in the subscription agreement pursuant to which it acquires interests in a Fund, and will be deemed to have agreed by reason of owning any interests, that it will provide additional information or take such other actions as may be necessary or advisable for a Fund (in the sole judgment of the Board of Directors of a Fund, if applicable) or the Administrator, to comply with any AML Requirements, related legal processes, or appropriate requests (whether formal or informal) or otherwise, including without limitation, information relating to the prospective investor's identity and/or source of payment. Each prospective investor, by executing a subscription agreement, will consent to disclosure by the relevant Fund and the Administrator, to relevant third parties of information pertaining to it in respect of AML Requirements or information requests related thereto. In the event of delay or failure by the prospective investor to produce any information required for verification purposes, the Board of Directors of a Fund, if applicable, and/or the Administrator may refuse to accept (or process, in the case of the Administrator) a subscription until proper information has been provided and any funds received will be promptly returned without interest, to the account from which such monies derived. Please refer to a Fund's subscription agreement for additional information.

Absence of Securities Registration/Limited Transferability. The offering of interests in each Fund has not been registered under the Securities Act or under the securities laws of any other applicable jurisdiction in reliance on exemptions from registration under such laws. As a result, the transfer of interests to third parties is subject to legal restrictions.

Redemptions by Other Investors in a Fund. Certain Investors may be permitted to make redemptions or withdrawals more quickly or with less prior notice than other Investors, and the ability to redeem more quickly may work to their benefit, and may be adverse to other Investors.

Certain Investors May Have Greater Access to Information. The Funds may grant certain Investors (or managed account clients to the extent the Investment Adviser chooses to accept such clients in the future) greater and/or more frequent access to information regarding a Fund's investments, a Fund's valuations, the positions traded by a Fund, or other investment information, than is available to other Investors. In addition, the Board of Directors of a Fund, as

applicable, will have access to such information. The Board of Directors and Investors with such access may use such information to make redemptions/withdrawals and/or additional investment decisions, which may work to their benefit and may be adverse to other Investors. (See also “Side Letter Risk” above.)

Risks Associated with Performance Compensation. The performance compensation payable to the Investment Adviser’s affiliates may encourage the Investment Adviser to engage in overly speculative strategies, and the performance compensation, if paid, could result in payments to the Investment Adviser’s affiliates which are greater than fees or allocations payable to managers of other funds for similar services. In the event that a Fund experiences losses, the Investment Adviser may be encouraged to engage in overly speculative strategies in an attempt to seek entitlement to performance compensation on behalf of the Investment Adviser’s affiliates. Alternatively, because the partners of the Investment Adviser will receive greater compensation through their share of the performance compensation than through the management fee received by the Investment Adviser, in the event that a Fund experiences losses, employees of the Investment Adviser may not be adequately motivated to maintain their employment with the Investment Adviser, or the Investment Adviser may enjoy a relatively greater incentive to focus resources on advisory clients other than the Funds.

Expenses. The Funds will pay to the Investment Adviser the management fee on a monthly basis. The Investment Adviser enjoys a large degree of discretion in expending working capital with the expectation that it will be reimbursed by the Funds. Such management fee and expense reimbursements will materially reduce the returns to the Investors in each Fund, regardless of whether the underlying trading strategies are making or losing money. These expense reimbursements may also include accruals for expenses that the Investment Adviser expects to incur but has not yet incurred. In the event of redemptions or withdrawals of each Fund’s Investors or if a Fund is wound up, these accrued expenses will not be reimbursed in any way.

Possible Refund of Investments. It is possible that in the future, a Fund will return funds to certain Investors with the intention of delivering a desirable balance of future risk and return for such Fund as a whole. This may become necessary due to capacity constraints or other circumstances. Any refunds or required redemptions or withdrawals will be made at the discretion of the Board of Directors or general partners of a Fund. There is no guarantee that they will be done in a pro rata fashion in proportion to each Investors’ existing ownership interest in a Fund, and it is possible that some Investors may at such time be required to redeem or withdraw entirely.

No Representation of Investors. The business terms and structure of the Funds were not negotiated with any Investor, and no independent counsel has been retained to represent Investors in the Funds. Prospective investors are advised to consult their own counsel with respect to the legal and tax implications of an investment in the Funds.

Tax Audits. A Fund may be audited by U.S. federal, state, or other tax authorities. An income tax audit may result in an increased tax liability of a Fund, including with respect to years when an Investor did not hold interests in a Fund, which could reduce the net asset value of a Fund and affect the returns of all Investors. In addition, Investors may indirectly bear a portion of any imputed underpayment of taxes attributable to a prior taxable year, including in a year in which Investors may not have owned an interest in a Fund or in which an Investor's ownership interest has since changed.

Accounting for Uncertainty in Income Taxes. Accounting Standards Codification Topic No. 740, "Income Taxes" (in part formerly known as "FIN 48") ("ASC 740"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification, and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of a Fund, including reducing the net asset value of a Fund to reflect reserves for income or other taxes, such as U.S. and foreign withholding taxes and income taxes payable on income effectively connected with a trade or business, that may be payable by a Fund. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from a Fund.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective investors in the Funds should read this entire Form ADV and all accompanying materials provided by Voleon and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. Voleon will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory services or the integrity of its management.

Item 10 – Other Financial Industry Activities and Affiliations

Voleon is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission (the “CFTC”) under the Commodity Exchange Act and is a member of the National Futures Association. In connection with Voleon’s registration as a commodity pool operator, certain of the Investment Adviser’s management persons and personnel are registered as associated persons of and/or as principals of the Investment Adviser.

Voleon and certain of its related persons act as sponsor, general partner, and/or manager of the Funds, which are part of master-feeder fund structures. Certain affiliates of Voleon act as Relying Advisers of the Funds, which are listed in more detail in Form ADV, Part 1A, Section 7.A. of Schedule D.

Additionally, Voleon’s affiliate, the IP Company, licenses certain intellectual property to the Investment Adviser that is used in connection with certain trading and other activities of the Funds.

Conflicts of Interest

Affiliate Conflicts Relating to Intellectual Property. The Intellectual Property underlying Voleon’s strategies is owned by the IP Company and licensed to Voleon. Voleon has entered into two licensing agreements with the IP Company to maintain access to the Intellectual Property. Without this access, Voleon would be unable to implement the Funds’ investment objectives. One licensing agreement is for trading and risk management software, and the second licensing agreement is for the remainder of the Intellectual Property, including the predictive models utilized by Voleon to implement the Funds’ investment objectives.

Under each licensing agreement, Voleon is required to pay an annual fee to the IP Company (which is payable in monthly installments) for the use of the Intellectual Property. As disclosed in Item 5 (Fees and Compensation), Voleon is reimbursed by the Funds for the licensing fees attributable to the trading and risk management software, subject to the Expense Cap (as more fully described in the Funds’ Offering Documents). However, the licensing fee attributable to the remainder of the Intellectual Property, including the prediction models that are utilized by Voleon to implement the Funds’ investment strategy, is not reimbursed by the Funds. The Funds have no control over the amount of the monthly fee. The Funds and the Investors will bear their pro rata share of the reimbursed licensing fee. Neither licensing agreement was negotiated on an arm’s length basis, and the terms of these licensing agreements may not reflect standard industry practices and/or the licensing fee paid by the Funds may not reflect fair market value as would be the case had the licensing agreements been negotiated on an arm’s length basis.

Although Voleon does not expect to lose access to the Intellectual Property, both Voleon and the IP Company have the right to cancel either license in the event of insolvency, breach of the

licensing agreement, and in certain other limited circumstances. Additionally, each licensing agreement provides that either the IP Company or Voleon may terminate the licensing agreement upon giving notice to the other party 60 calendar days in advance of the annual renewal date.

The IP Company may license the Intellectual Property to other parties in the future so that Voleon, the Funds, and the Investors will not have exclusive access to the Intellectual Property. Such lack of exclusive access to the Intellectual Property may result in a deterioration of the returns earned by the Investors, especially since the strategies based on the Intellectual Property may have limited capacity.

Certain principals of the IP Company are also principals of Voleon. Since the IP Company will provide separate income to these principals, these principals may be conflicted in the amount of time they spend between activities relating to the IP Company and activities relating to Voleon and the Funds.

Management of Other Accounts and Funds. Voleon and its principals advise the Funds, which may have similar or dissimilar investment objectives. Voleon may advise other funds in the future which may or may not have substantially different investment objectives than the existing Funds. While Voleon will attempt to resolve any conflicts of interest between the Funds, other funds, and its other management or advisory duties, no assurance can be given that such conflicts will be resolved to the satisfaction of each applicable person. While Voleon does not currently advise managed accounts on behalf of clients, if Voleon were to advise such managed accounts, it may utilize investment strategies that may be similar to (or different from) its investment strategies employed with respect to the Funds.

Other Activities. Voleon and each of the other service providers to the Funds and their respective principals will not be devoting their time exclusively to the management of the Funds. In addition, each of such persons and their respective principals will perform similar or different services for others and may sponsor or establish other investment funds or manage managed accounts during the same period that they provide services to the Funds, including investment funds and managed accounts that trade the same or substantially similar strategies, markets, and/or instruments. Therefore, each of these persons will have conflicts of interest in allocating management time, services, and functions among the various entities and accounts for which they provide services. Additionally, these entities and accounts will compete for positions and limited investment opportunities. Although Voleon will attempt to allocate investment opportunities and positions on a fair basis, certain accounts and/or investment funds may be excluded from investments they would have been permitted access to were there no competing accounts or funds.

No Independent Investment Adviser. As a result of the fact that the managers of the Funds have selected the Investment Adviser, a firm with which they are under common control, the Fund's investments are not subject to review or oversight by an independent person.

Directors of the Funds. Certain members of the Boards of Directors of applicable Funds may be affiliated with one or more of the service providers to the Funds. Accordingly, each such director and the applicable service providers may have a conflict of interest between acting in the best interests of the Funds, as applicable, and his or her pecuniary interest in selecting his or her affiliates to be a service provider to the Funds, thereby increasing the compensation payable to his or her affiliates. It is further expected that any or all of the members of the Board of Directors of applicable Funds will be affiliated with Voleon and/or the Fund managers. Accordingly, Voleon, the Fund managers, and each such director has a conflict of interest between acting in the best interests of the Funds and his or her pecuniary interest in aiding the financial performance of Voleon and/or the Fund managers.

Other Conflicts. The Investment Adviser may have other clients in the future. Additionally, affiliates of clients of the Fund managers, the IP Company, or Voleon (including Investors in the Funds) in the future may provide the Funds with administrative, brokerage, or other services, or offer to provide such services in the future. To the extent such Fund managers' or Voleon clients represent a material portion of the Fund managers' or Voleon's assets under management, the Fund managers and Voleon will have a conflict of interest when determining whether to utilize those service providers for the Funds.

Resolution of Conflicts. To date, in the opinion of the Fund managers and the Investment Adviser, there have been no material conflicts of interest between the Funds or particular Investors in the Funds on the one hand, and a Fund manager, the Investment Adviser, or the IP Company on the other hand. However, in the future, depending on the relevant facts and circumstances, the resolution of any particular conflict may not be in favor of the Investors. A resolution that is unfavorable to the Investors will result only if the applicable Indemnified Parties determine in good faith that such resolution is an appropriate response to a particular situation.

Other present and future activities of the Fund managers, the Investment Adviser, and/or their affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, the Fund managers and the Investment Adviser will attempt to resolve such conflicts in a fair and equitable manner.

Please refer to the Offering Documents for a more comprehensive list of potential conflicts of interest.

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

Code of Ethics

Voleon has adopted a Code of Ethics (the “**Code of Ethics**”) pursuant to Rule 204A-1 under the Advisers Act, describing our standards of business conduct and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on illegal insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, restrictions on other outside activities, reporting of certain family and/or close personal relationships, and personal securities trading procedures, among other things.

Permanent employees of Voleon and the IP Company are required to follow the Code of Ethics. Voleon’s Legal and Compliance department may assess contract or temporary employees to determine if they are subject to the Code of Ethics, given their role and tenure at the Firm. Individuals subject to the Code of Ethics are deemed access persons and receive training on the Code of Ethics upon beginning employment and must acknowledge the terms of the Code of Ethics annually, or as amended.

A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Participation in Client Transactions and Personal Trading

Subject to satisfying the Code of Ethics and applicable laws, Voleon’s access persons may trade for their own accounts in securities which are traded for Voleon’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of Voleon’s access persons will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing access persons to invest for their own accounts. The Code of Ethics subjects access person to certain provisions, including: (a) an account reporting requirement, (b) pre-clearance of certain transactions specified in Rule 204A-1 under the Advisers Act, (c) a position holding and transaction disclosure requirement, and (d) a prohibition on trading certain issuers. Nonetheless, because the Code of Ethics in some circumstances would permit access persons to invest in the same securities as clients, there is a possibility that such access persons might benefit from market activity by a client in a security held by an access person. Personal trading is periodically monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Voleon and the Funds (or any other of its clients that it may have in the future).

Insider Trading/Material Non-Public Information

Voleon access persons are subject to the insider trading policies included in the Code of Ethics. These policies broadly prohibit the use of material, non-public information, and include policies

and procedures prohibiting the use of material, non-public information that are designed to prevent insider trading by an access person of Voleon. Due to the nature of Voleon's quantitative investment strategy, trading on material, non-public information would require significant changes to Voleon's investment strategy and would be quite difficult for an access person of Voleon to accomplish given the extensive number of short-term trades which are executed each day. Nevertheless, Voleon maintains a "restricted list" that identifies securities that cannot be purchased for access person, client, or firm-owned accounts because material, non-public information may have been received by an access person of Voleon.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

Voleon has full investment discretion with respect to portfolio securities transactions for the Funds (including the size of such transactions), as well as full authority to select broker-dealers to execute such transactions. Voleon uses one or more prime brokers for the Funds and may utilize a number of additional broker-dealers to effect transactions for the Funds in the future.

The broker-dealers are selected by Voleon on the basis of obtaining the best overall terms available, which Voleon evaluates based on a variety of factors, including:

- a) Quality of execution (including price, applicable spread or commission, algorithmic execution tools, promptness, ability to minimize trading costs and market impact, operational efficiency);
- b) Expertise in the specific securities or sectors in which Voleon seeks to trade;
- c) The extent to which the broker makes a market in the securities involved or has access to such markets;
- d) Size, type, and difficulty of the transaction;
- e) Liquidity of the market for the security;
- f) Skill in positioning the securities involved;
- g) The broker's financial stability;
- h) Adequacy of the broker's trading infrastructure, technology, and capital;
- i) The broker's reputation for diligence, fairness, and integrity;
- j) Past history of the broker's executions for Voleon;
- k) Confidentiality considerations;
- l) The broker's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and
- m) Other factors affecting the services obtained.

Soft Dollar Arrangements

Voleon has no soft dollar arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client

transactions, although it may do so in the future within the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

Client Referrals

Voleon may receive client referrals from broker-dealers, but does not compensate such broker-dealers for such referrals in any way, although it may do so in the future.

Voleon does not recommend, request, or require clients to direct brokerage.

Item 13 – Review of Accounts

Frequency and Nature of Review

Given the algorithmic programs executing trades on behalf of the Funds operate independently and do not interact with one another, situations in which supervised persons have an incentive to favor one or more funds or accounts are typically not expected to arise.

Voleon reviews client accounts periodically during each business day to determine accomplishment of investment objectives, the cash balances available, margin debit balances outstanding, diversification of the portfolio, security positions, and/or such other information the Investment Adviser deems appropriate. Such reviews are performed by Voleon's portfolio management team responsible for all client accounts. Outside of the periodic reviews performed each business day, Voleon may perform additional reviews of client accounts when triggered by economic and political events, specific company information, and/or market conditions.

Content and Frequency of Regular Reports

After the end of each month, Voleon and/or the Administrator provide Investors with written monthly reports containing Fund performance information and information about an Investor's individual investment in such Fund. The Administrator also provides a monthly report confirming, among other things, an independent verification of the Investment Adviser's pricing of the investment positions held by the Funds. As soon as practicable after the end of each fiscal year, Investors are also provided with copies of the annual audited financial statements for the Funds in which they invest and, where applicable, a Schedule K-1 or other IRS Form setting forth such detail as is necessary for the Investor to prepare its tax returns, as necessary.

Item 14 – Client Referrals and Other Compensation

Voleon does not receive any economic benefit from anyone who is not a client for providing investment advice or other advisory services to the Funds. Voleon does not compensate any person who is not a supervised person for client referrals. However, in accordance with applicable law, Voleon may compensate certain third parties for assistance in connection with providing services to investors in certain non-U.S. jurisdictions as required by applicable law (e.g., Switzerland).

Item 15 – Custody

Voleon is deemed to have custody of its client funds or securities. The assets of each Fund are held in custody by qualified custodians in compliance with SEC Rule 206(4)-2. Such qualified custodians provide account statements directly to the Funds. Fund Investors do not receive account statements from the custodians. Instead, the Funds are subject to an annual audit. Voleon engages an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, to prepare annual financial statements in accordance with generally accepted accounting principles. These audited financial statements are distributed annually to each Investor.

Item 16 – Investment Discretion

Voleon has discretionary authority over the investments in the Funds. This discretion is exercised in a manner consistent with the investment objectives and strategies of each Fund, as outlined in each Fund’s Offering Documents. The limitations on such authority are also outlined in such Offering Documents.

Prior to assuming this discretionary authority, the Investment Adviser entered into an investment management agreement among the Investment Adviser, the Fund, and other Voleon affiliates setting forth the scope of the Investment Adviser’s discretionary authority.

Item 17 – Voting Client Securities

A substantial portion of Voleon’s current trading strategies are effected through investments in over-the-counter or other derivatives, and Voleon therefore does not have beneficial ownership of the securities underlying such derivatives. However, in certain limited circumstances, other trades are effected directly in certain securities or other instruments. To the extent the Funds acquire beneficial ownership of securities in a company, Voleon does vote proxies on behalf of the Funds.

Voleon follows a proxy voting policy designed to reasonably ensure that the Investment Adviser votes proxies in the best interest of its clients. When voting proxies, the Investment Adviser generally utilizes the services of a third-party proxy voting service that votes pursuant to guidelines agreed upon with the Investment Adviser in advance.

Each Investor may obtain a copy of Voleon’s proxy voting policies and procedures and information on how the Investment Adviser voted proxies by contacting the Investment Adviser in writing.

Item 18 – Financial Information

Voleon does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Voleon is not aware of any financial condition that is reasonably likely to impair Voleon's ability to meet contractual commitments to the Funds.

Voleon has never been the subject of a bankruptcy petition.