

Kensico Capital Management Corp.

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Part 2A of Form ADV: Firm Brochure
March 30, 2020

This brochure provides information about the qualifications and business practices of Kensico Capital Management Corp. (“Kensico,” and together with the general partner of certain funds it manages and other affiliates, the “Adviser”). Information herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact us at info@kensicocapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any other federal or state securities authority.

A copy of this brochure and additional information about the Adviser are available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

This brochure dated March 30, 2020 serves as an update to the Adviser's brochure dated March 29, 2019. While there have been no material changes to this brochure, we have made certain routine updates, including, but not limited to, updating the "RISK FACTORS" attached as Appendix A.

ITEM 3. TABLE OF CONTENTS

ITEM 1. COVER PAGE.....	i
ITEM 2. MATERIAL CHANGES	ii
ITEM 3. TABLE OF CONTENTS	iii
ITEM 4. ADVISORY BUSINESS	1
ITEM 5. FEES AND COMPENSATION	2
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	4
ITEM 7. TYPES OF CLIENTS	4
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	4
ITEM 9. DISCIPLINARY INFORMATION	5
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	6
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	6
ITEM 12. BROKERAGE PRACTICES	10
ITEM 13. REVIEW OF ACCOUNTS.....	12
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	12
ITEM 15. CUSTODY	12
ITEM 16. INVESTMENT DISCRETION	12
ITEM 17. VOTING CLIENT SECURITIES.....	12
ITEM 18. FINANCIAL INFORMATION	13
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	13
APPENDIX A.....	14
I. <u>General Risks</u>	14
i. Absence of Regulatory Oversight	14
ii. Legal and Regulatory Changes	14
iii. Cybersecurity and Privacy Risk.....	15
II. <u>Investment in Funds Risks</u>	16
i. Nature of Investments	16
ii. Valuation of a Fund’s Assets and Liabilities	16

iii.	Reliance on Management and Key Personnel.....	17
iv.	Risks of Concentrated Investor Holdings	17
v.	Potential Conflicts of Interest	17
vi.	Performance-Based Compensation	17
vii.	Financial Market Fluctuations	17
viii.	Right of Fund to Force Redemption or Withdrawal	18
ix.	Limited Withdrawal, Redemption and Transfer Rights	18
x.	Repayment of Certain Distributions	18
III.	<u>Investment Strategy Risks</u>	19
i.	Equities	19
ii.	Inflation/Deflation Risks.....	19
iii.	Short Sales	19
iv.	Special Situation Investments	20
v.	Securities Lending Risks.....	21
vi.	Prime Broker and Custodian Risks	21
vii.	Counterparty Risks.....	22
viii.	Derivative Instruments Risks	24
ix.	Options Risks	27
x.	Fixed-Income Securities	28
xi.	Use of Leverage	29
xii.	Non-U.S. Securities.....	29
xiii.	Currency Risk	30
xiv.	Credit Market Illiquidity	30
xv.	Lack of Liquidity	30
xvi.	Special Events	31
xvii.	Hedging Transactions	31
xviii.	Lack of Diversification	31
xix.	Purchasing Securities of Initial Public Offerings.....	31
xx.	Exchange-Traded Funds	32
xxi.	Private Investments in Public Companies Risks	32
xxii.	Restricted Securities Risks.....	32
xxiii.	Forward Contracts Risks.....	33
xxiv.	Futures Risks.....	33
xxv.	Possible Effect of Substantial Redemptions or Withdrawals.....	34
IV.	<u>Other Possible Risks</u>	34

ITEM 4. ADVISORY BUSINESS

The Adviser

Kensico Capital Management Corp. (“Kensico,” and together with the general partner of certain funds it manages and other affiliates, the “Adviser”) is a Delaware corporation based in Greenwich, Connecticut. The Adviser was founded in January 2000 by Michael Lowenstein and Thomas Coleman, who remain its principal owners.

Advisory Services

The Adviser provides investment advisory services to a number of investment funds (each, a “Fund” and collectively, the “Funds”). The Funds are structured as pooled investment vehicles that include assets from multiple investors. Investment in the Funds is limited to sophisticated investors and is only offered through private placements. Accordingly, the Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and interests in the Funds are exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds advised by the Adviser include (i) Kensico Associates, L.P., (ii) Kensico Partners, L.P. (Kensico Associates, L.P. and Kensico Partners, L.P. collectively, the “Onshore Funds”), (iii) Kensico Offshore Fund, Ltd., (iv) Kensico Offshore Fund Master, Ltd., (v) Kensico Offshore Fund II, Ltd., and (vi) Kensico Offshore Fund II Master, Ltd. (Kensico Offshore Fund, Ltd., Kensico Offshore Fund Master, Ltd., Kensico Offshore Fund II, Ltd., and Kensico Offshore Fund II Master, Ltd. collectively, the “Offshore Funds”). The Offshore Funds are organized in a master-feeder structure whereby each of Kensico Offshore Fund, Ltd. and Kensico Offshore Fund II, Ltd. (each, an “Offshore Feeder Fund”) invests substantially all of its assets into Kensico Offshore Fund Master, Ltd. and Kensico Offshore Fund II Master, Ltd. (each, an “Offshore Master Fund”), respectively.

See Item 8, “METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS” for a description of the investment strategies utilized by the Funds.

The Adviser provides services to the Funds in accordance with the applicable Fund’s investment advisory agreement and organizational and offering documents. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund.

As the investment adviser of the Funds, the Adviser’s services consist, among other things, of identifying and researching investment opportunities for the Funds, making investment decisions to purchase, sell, hold or otherwise act with respect to the Funds’ Securities¹ holdings and managing and monitoring the Funds’

¹ As used herein, “Securities” means capital stock (common or preferred); shares of beneficial interest; partnership and limited liability company interests and similar financial instruments including those of investment companies (including Exchange-Traded Funds (“ETFs”)); bonds, notes, and debentures (whether subordinated, convertible or otherwise); convertible and fixed income securities; currencies; commodities (including physical); interest rate, currency, commodity, equity, and other derivative products, including, without limitation (i) forward and futures contracts (and options thereon) relating to stock indices, currencies, United States Government securities and securities of non-U.S. governments, other financial instruments, and all other commodities, (ii) swaps, options (purchased or written), warrants, rights, caps, collars, floors, and forward rate agreements, (iii) spot and forward currency transactions, and (iv) agreements relating to or securing such transactions; mortgage-backed obligations issued or collateralized by U.S. federal agencies; equipment lease certificates; equipment trust certificates; loans and loan participations; leases and lease residuals; insurance policies and other insurance related investments; contract receivables; royalties; revenue interests; trust certificates, as well as other financial instruments that provide for the contractual or conditional payment of an obligation or cash flow or any other type of debt or equity instrument and

positions and exposures. Investment advice is provided directly to the Funds, and not individually to the limited partners or shareholders of the Funds.

The account of the advisory services in this brochure is merely descriptive, and the Adviser may offer other advisory or other services or engage in other investments or business activities, including any services or activities not described in this brochure. Investors in the Funds should refer to the offering memorandum of the applicable Fund for more information regarding their investment. Information regarding certain of the investment risks associated with an investment in the Funds is included in Appendix A hereto. The Adviser does not participate in wrap fee programs.

Assets Under Management

As of December 31, 2019, the Adviser managed regulatory assets under management of \$8,947,843,423 on a discretionary basis. The Adviser does not manage any assets on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

The fees for each Fund are set forth in the offering documents for each Fund. Below is a brief summary.

Management Fee

The Adviser is generally paid a monthly management fee (the “Management Fee”) calculated at an annual rate of up to 1½% of the value of the interests or shares, as applicable, of each investor in each Fund (each, a “Fund Investor”). Investments deemed by the Adviser to be special situation investments (*e.g.*, certain illiquid investments or investments lacking a readily ascertainable market value) will be valued at cost (or, in the case of a pre-existing Fund investment that is designated as a special situation investment after it is acquired, at estimated fair market value as of the date of such designation) for purposes of calculating the Management Fee until any such investment is realized or becomes freely tradable (as determined by the Adviser).

Management Fees are deducted monthly in advance with respect to all of the Funds with the exception of Kensico Offshore Fund, Ltd., for which fees are deducted quarterly in advance. For any period that is less than a full calendar month or quarter, as appropriate, the prepaid Management Fees, prorated accordingly, are refunded to the Fund Investor’s account. The Management Fee is also adjusted for any subscriptions and withdrawals or redemptions during the relevant calendar month or quarter.

The Adviser may, in its sole discretion, waive or reduce the Management Fee for any and all Funds with regard to certain Fund Investors. The Adviser intends to waive the Management Fee with respect to members, officers, affiliates or employees of the Adviser and their related interests (collectively, the “Adviser Affiliates”) and their families.

receivables; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; secondary interests in private equity funds; physical and/or intangible assets including, but not limited to, real estate, equipment, fixtures, licenses, and inventory; obligations of the United States or any state thereof, non-U.S. governments, and instrumentalities of any of them; commercial paper; certificates of deposit; bankers’ acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government, or other entity whatsoever, whether or not publicly traded or readily marketable.

Incentive Reallocation

The Adviser or Adviser Affiliates generally receive an incentive reallocation from the Funds, equal to a percentage of the annual increase in value (incorporating realized and unrealized gains and losses), if any, of each Fund Investor's capital. The percentage allocated to the Adviser or Adviser Affiliates does not exceed 20% (varying based on the date of the investment and relevant capital holding period applicable to such interest). The incentive reallocation is also reduced by any amounts in the relevant loss recovery account, which reflects losses from prior periods.

Special situation investments are not subject to any incentive reallocation until that investment is realized or becomes freely tradable, as determined by the Adviser.

The Adviser, in its sole discretion, may waive, reduce or modify the provisions relating to the incentive reallocations with regard to certain Fund Investors. The Adviser intends to waive the incentive reallocation with respect to Adviser Affiliates and their families.

In the event that a Fund Investor withdraws or exits a Fund at any time other than at the end of a fiscal year, the incentive reallocation will be made with respect to such interest of such Fund Investor as though the date of such exit or withdrawal for such interest was the last day of a fiscal year.

Additional Fees and Expenses

The Adviser is responsible for the following "overhead expenses" related to each Fund: office rent; furniture and fixtures; stationery; secretarial/administrative services; salaries; entertainment expenses; employee health and benefits insurance; and payroll taxes. All other expenses will be paid by each Fund and will include but not be limited to: the Management Fee, as applicable; fees and expenses related to legal, audit, valuation, portfolio, trading and risk analytics, tax advisory and accounting services (including in response to actual or anticipated legal claims or governmental or regulatory examinations, audits or inquiries); corporate, formation and registration fees; professional and fund liability insurance (including insurance costs related to the operation of each Fund, such as a portion of the Directors and Officers or Errors & Omissions insurance costs for the Adviser and the Adviser Affiliates); administrator fees and expenses (including, but not limited to, for accounting, risk reporting, tax preparation, financial statement preparation, trade file maintenance, investor communications, compliance with the "Foreign Account Tax Compliance Act" provisions of the Hiring Incentives to Restore Employment Act (as modified by Treasury Regulations, guidance from the Internal Revenue Service ("IRS") and intergovernmental agreements, local laws and regulations implementing such agreements and subject to current and future guidance collectively, "FATCA"), anti-money laundering monitoring and compliance and other services provided by the administrator); prime brokerage and similar services (including custodial, clearing, consulting, capital introduction, securities borrowing, collateral, treasury monitoring and other similar services); consulting, advisory, sub-advisory, brokerage, finders', investment banking and other professional fees and expenses (including litigation fees and expenses) relating to particular investments or contemplated investments (even if not consummated); costs of establishing and operating Fund subsidiaries and affiliates (e.g., "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations) to make Fund investments; investment expenses such as commissions, brokerage and research fees and expenses; clearing, banking and transfer costs and fees; interest on margin accounts and other indebtedness; borrowing charges on Securities sold short; custodial fees (including commodity storage and transport fees and expenses); costs relating to any indemnification of the Adviser Affiliates; any other expenses reasonably related to the purchase, management, evaluation, sale or transmittal of Fund assets and, for the Offshore Funds, directors' fees and board of directors support services. Certain brokerage and research services may be paid for through the use of soft dollars.

Expenses jointly incurred (*e.g.*, on behalf of multiple Funds) will be allocated in a fair and equitable manner in accordance with the Adviser's policies and procedures. Expenses may be treated as joint expenses even if initially incurred only for the benefit of one Fund where the Adviser reasonably and in good faith expects such expense to ultimately benefit other Funds. Alternatively, there may be occasions when one Fund (the "Payor Fund") pays an expense common to multiple Funds (the "Allocated Funds") (*e.g.*, legal expenses for a transaction in which all such Funds participate or a legal issue common or anticipated to be common to all Funds) and the Adviser determines that each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s) and the Adviser, to the extent not addressed in the organizational documents of a Fund, the Adviser will make any such allocation determination in a fair and reasonable manner using its good faith judgment at the time such expenses were incurred. The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance.

Neither the Adviser nor the Adviser Affiliates accept compensation or commissions for the sale of Securities to or from the Funds.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

See Item 5, "FEES AND COMPENSATION," for a description of the incentive reallocation which is paid by each of the Funds.

ITEM 7. TYPES OF CLIENTS

The Adviser currently provides investment advisory services to the Funds. See Item 4, "ADVISORY BUSINESS."

The Adviser may in the future provide advisory services to other funds or to separately managed accounts for high net worth individuals, trusts, estates, charitable organizations, pension plans, corporations, limited partnerships, limited liability companies, and similar entities. Any new client or fund would be at the Adviser's sole discretion, and there is no specific dollar minimum.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The Funds generally utilize the investment strategies described below. See also Item 4, "ADVISORY SERVICES," for a general overview of the Funds.

The Adviser generally expects to pursue its opportunistic and value-oriented investment approach, and does not intend to focus on any one strategy, industry or asset class. While it is anticipated that the Funds will invest primarily in publicly traded equity Securities, the Funds generally have broad and flexible investment authority. The flexibility to invest in different industries, products and instruments (*e.g.*, publicly-traded value and growth stocks, spin-offs, risk arbitrage, bankruptcies, post-bankruptcies, commodities, interest rate or currency derivatives, private investments, and credit derivatives referencing corporate or sovereign debt, among other Securities) should broaden the range of possible investment opportunities for the Funds. The mixture of investments owned by the Funds may change considerably over time as market conditions

fluctuate. The Funds generally take a value-oriented approach to investing, often seeking opportunities that can be classified as either “absolute value” or “relative value”.

Absolute Value Strategy

“Absolute Value” investments, which may be “longs” or “shorts”, are Securities that, in the judgment of the Adviser, are trading at a price below (longs) or above (shorts) their intrinsic value. While some of these investments will be event-driven, there is no requirement for them to be so.

Relative Value Strategy

“Relative Value” investments involve the taking of a long position in one Security and a short position in another Security where the two Securities have some economic relationship to one another. Depending on the type of trades utilized, a Fund would profit if the spread between the two Securities either converged or diverged. One side of these “relative value” investments may have some of the characteristics of the “absolute value” investments discussed above (e.g., spin-offs or accounting complexities). These investments may include paired trades, which involve the taking of a long position in an issuer in one industry and the simultaneous taking of an offsetting position in a different issuer in the same industry. Other types of relative value trades may include intra-capitalization trades, convertible arbitrage and merger arbitrage.

Other Strategies

The above investment themes illustrate some of the strategies the Funds will utilize to seek investment opportunities. This is meant to represent a general overview and does not include all methods and strategies to be utilized. Many of these opportunities may be of a long-term nature and would require multi-year investments. The Funds may also seek to take advantage of short-term price dislocations based on value-driven analysis or market momentum. In addition to their value-oriented investing, the Funds may also engage in other strategies as new opportunities or shifting market dynamics present themselves. All of the Funds may utilize borrowed funds (leverage) to increase their returns.

The Funds may invest in other funds or employ other investment managers as sub-advisers where doing so, in the Adviser’s opinion, provides the Funds with access to investments or expertise that would otherwise not be available to it.

The investment strategy of each Fund is described more fully in the offering memorandum of such Fund.

There can be no assurance that a Fund will achieve its investment objective. Investing in Securities involves risk of loss that clients and investors should be prepared to bear.

Please refer to Appendix A for a description of the investment risks associated with an investment in the Funds.

ITEM 9. DISCIPLINARY INFORMATION

Item 9 is not applicable to the Adviser, as it has no reportable legal or disciplinary events.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related Broker-Dealers

Neither the Adviser nor any of its management persons is registered or has an application pending to register, as a broker-dealer or a registered representative.

Related Commodity Pool Operator

The Adviser is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) under the Commodity Exchange Act, as amended (the “CEA”). Certain of the Adviser’s management persons are registered as associated persons of the CPO. With respect to the Funds, the Adviser has claimed an exemption pursuant to CFTC Rule 4.7 for relief from certain disclosure, reporting and recordkeeping requirements applicable to a registered commodity pool operator.

Related General Partners/Affiliated Advisers

Kensico Capital, L.L.C., an affiliate of Kensico, serves as general partner for the Onshore Funds and as a shareholder of Kensico Offshore Fund Master, Ltd. and Kensico Offshore Fund II Master, Ltd. and, in these capacities, is entitled to receive incentive reallocations from such Funds. For a description of material conflicts of interest created by the relationship among Kensico and Kensico Capital, L.L.C., as well as a description of how such conflicts are addressed, please see Item 11, “CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING” below.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

The Adviser has adopted a Code of Ethics (the “Code of Ethics”) that states that the Adviser, and its employees, are in a position of trust and confidence with respect to its clients and have a duty to place the best interests of the clients first. Pursuant to this fiduciary duty, the Adviser’s and its employees’ conduct will be measured against a higher standard of conduct than that applicable to mere commercial transactions. This standard of conduct includes, among other things: a duty of undivided loyalty and utmost good faith; a duty to employ reasonable care to avoid misleading clients and to provide clients with full and fair disclosure of material facts; a duty to minimize, monitor and/or make full and frank disclosure of, material conflicts that might incline the Adviser or its employees to render advice that is not disinterested; and a duty to refrain from gaining some unfair personal or financial advantage to the detriment of client interests.

The Code of Ethics outlines written policies and procedures regarding, among other things:

- Employee reporting of conflicts, outside activities and disciplinary events;
- Receipt and monitoring of material, nonpublic information;
- Contacts with information sources including paid research consultants;
- Personal trading restrictions for employees and their households, including preapproval and preclearance requirements, quarterly trade reporting and trade limits; and
- Restrictions, pre-approval and reporting of certain gifts and political contributions.

This summary is qualified in its entirety by the Adviser’s Code of Ethics, which is available to clients and prospective clients upon request to info@kensicocapital.com.

Conflicts of Interest

Conflicts Generally. The conflicts of interest encountered by the Funds may include those discussed below, although the discussion below is not exhaustive and does not necessarily describe all of the conflicts that may be faced by the Adviser, the Adviser Affiliates or the Funds. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund and these materials should be read in their entirety.

Research Activities. If determined by the Adviser to be in the best interests of a Fund, the Adviser and the Adviser Affiliates may make information about such Fund's portfolio positions (including short positions) and other information (including market analysis and research) available to unrelated third parties who, in turn, may use that information for other, unrelated purposes.

Other Activities. The Adviser and Adviser Affiliates will use their best efforts in connection with the purposes and objectives of each Fund and will devote so much of their time and effort to the affairs of each Fund as may, in their judgment, be necessary to accomplish the purposes of the Fund. The Adviser and Adviser Affiliates may conduct any other business, including any business within the securities industry, whether or not such business is in competition with a Fund or involves relationships with brokers, service providers or other parties with whom the Adviser, Adviser Affiliates or the Funds may themselves have relationships. The Adviser Affiliates conduct other businesses with brokers, service providers or other parties with whom the Adviser, Adviser Affiliates, the Funds themselves or portfolio companies of the Funds have relationships. Without limiting the generality of the foregoing, the Adviser or the Adviser Affiliates: (a) may act as investment adviser or investment manager for others; (b) may manage funds, separate accounts or capital for others; (c) may and do make personal investments in other funds, accounts, advisors or Securities; (d) may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms or any other company or business whether or not such business is in competition with, or does business with, a Fund, the Adviser or portfolio companies; (e) serve on boards of nonprofits, including investment committees thereof; and (f) may be compensated by third parties for such services, including by portfolio companies which may pay compensation to Adviser Affiliates in connection with their services as directors to such portfolio companies. In the event that an Adviser Affiliate serves as a director, or plays a similar role, for a company or business in which a Fund holds an ownership interest, the Fund may indirectly bear any fees or expenses paid by the company or business to the Adviser Affiliate in such Adviser Affiliate's capacity as a director or similar role.

Trading Restrictions. Although internal policies are in place that are designed to prevent the unauthorized receipt of such information from time to time the Adviser and Adviser Affiliates may come into possession of non-public information concerning specific companies, including during the course of activities that are not for the benefit of the Funds. For example, the Adviser and the Adviser Affiliates serve on one or more boards of directors, and as a result, the Funds may be restricted from participation in certain investments. Under applicable securities laws, this may limit the Adviser's flexibility to buy or sell Securities issued by such companies. The Funds' investment flexibility may be constrained as a consequence of the Adviser's inability to use such information for investing purposes.

Personal Investments or Outside Relationships. Adviser Affiliates (and their families) have direct personal or other interests, through investments in other investment funds or otherwise, in the Securities in which a Fund invests, or interests in investments in which a Fund does not invest, as well as engage in other business, non-profit or other activities. The Adviser Affiliates also have personal, financial or business relationships with brokers, service providers, Fund Investors or other parties with whom the Adviser, the Funds themselves or portfolio companies of the Funds have relationships. As a result, the Adviser Affiliates may

have conflicts of interest in allocating their time and activity between the Fund and other entities, in allocating investments among the Fund and other entities and in effecting transactions or retaining services for the Fund and other entities, including ones in which the Adviser Affiliates (and their families) may have a greater financial interest. Further, Adviser Affiliates invest directly into the Funds and with more frequent liquidity than Fund Investors. To the extent an Adviser Affiliate does invest in the Funds, an information asymmetry exists between such Adviser Affiliate and the other Fund Investors.

Distributions in Kind to Adviser Affiliates. In certain limited circumstances, Securities may be distributed in kind by an Offshore Master Fund to the applicable Offshore Feeder Fund and/or Adviser Affiliates for the tax efficiency of the Adviser Affiliates (e.g., to enable the Adviser Affiliates to make charitable donations of appreciated securities in kind). In cases where the distribution will not be made to all investors, independent member(s) of the board of directors will approve such distributions. The Adviser has adopted policies and procedures to ensure that any such distributions will be valued based on the Adviser's policies and procedures and will not adversely affect an Offshore Feeder Fund's ability to liquidate shares of the same Securities. Investors in an Offshore Feeder Fund will not generally be given the option for distribution of Securities in kind.

Variations Among Funds. A Fund may have investment objectives or may implement investment or tax strategies similar or different to those of another Fund. For example, the Adviser may engage in different investment decisions or trading strategies for different Funds, particularly as between the Onshore Funds and the Offshore Funds, in order to maximize the tax efficiency or to address, reduce or eliminate certain tax or regulatory issues for such Funds in light of their respective tax and regulatory status. The Adviser will consider the tax suitability and advantages of certain transactions, which may result in a substantial variation in performance of the Funds. Further, Adviser Affiliates have different levels of exposure to different Funds.

The portfolios of Funds with similar strategies may differ as a result of purchases and redemptions or withdrawals being made at different times and in different amounts, as well as because of different tax and regulatory considerations and different strategies and risk profiles. The Adviser expects that tax considerations may cause the Adviser to consider the tax efficiency and benefits of different investments when evaluating their suitability for each of the Funds and accounts, and, consequently, make different investment decisions, which may result in a substantial variation in performance of the Funds and accounts, particularly between the Onshore Funds and the Offshore Funds.

Allocation of Investment Opportunities. The Adviser or Adviser Affiliates give advice or take action with respect to other entities, investments or accounts they are affiliated with that differs from the advice given with respect to a Fund. There can be no assurances that an investment opportunity that comes to the attention of the Adviser or the Adviser Affiliates will not be allocated wholly or primarily to other entities or accounts, with a particular Fund being unable to participate in such investment opportunity or participating only on a limited basis. However, to the extent a particular investment is suitable for multiple Funds, such investments will be generally allocated among all such Funds *pro rata* based on assets under management or based on strategic focus and risk profile. In each instance, the Adviser will attempt to allocate investment opportunities among the Funds and any future clients in a manner that the Adviser determines is fair and equitable under the circumstances to all clients. If the Funds' positions become unbalanced (or are expected to become unbalanced due to known, imminent inflows or outflows), the Adviser may seek to allocate subsequent trades on a non-pari passu basis until the positions among the Funds are balanced. In addition, from the standpoint of a particular Fund, simultaneous identical portfolio transactions for multiple Funds or clients may tend to decrease the prices received, and increase the prices required to be paid, by the Fund for its portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares

purchased will be allocated among the relevant Funds or clients in an equitable manner as determined by the Adviser. Additionally, because a particular Fund will generally be investing alongside other Funds, they may be aggregated together for regulatory, reporting or other purposes, which may pose added costs, risks or restrictions on the Fund.

There are investment opportunities in which a particular Fund does not intend to invest, or intends to invest only on a limited basis, but in which the Adviser Affiliates will invest themselves or through other entities or accounts. The Adviser will evaluate for the particular Fund and the other entities or accounts a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for the particular Fund or another entity or account at a particular time, including the nature of the investment opportunity taken in the context of the other investments at the time, the size and liquidity of the investment relative to the needs of the particular entity, the investment or regulatory limitations on the particular entity, the investment goals and strategies of the particular entity, the privacy of its shareholders or partners and the transaction costs involved. These considerations may differ for a particular Fund, and therefore, in the context of any particular investment opportunity, the investment activities of one or more of the other entities or accounts of the Adviser Affiliates and that of a Fund may differ considerably over time. These considerations may also present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Cross Trades. The Adviser may, without notice to the Fund Investors, enter into cross trades between certain Funds for the purpose of rebalancing where contributions, withdrawals or redemptions of capital to or from the Funds change the asset ratios among the Funds (and the Adviser may effect such rebalancing in anticipation of such changes in Fund asset ratios due to expected inflows and outflows). The purpose of such cross trades would be to bring each Fund's exposure to a commonly held investment in line with such Fund's percent of total equity under management in the Funds. A Fund may be a purchaser or a seller in a particular cross trade. All cross trades: (i) will be effected for cash consideration at the current market price of the particular Securities, (ii) will not involve Securities of issuers currently on the Adviser's "restricted list" due to receipt of material, non-public information or whose transfer is otherwise restricted or Securities for which market quotations are not readily available, and (iii) if executed through a broker will not involve any fee or other remuneration being paid to the Adviser or the Adviser Affiliates. To the extent the Adviser and/or its control persons, in the aggregate, owns 25% or more of interests in one or more of the Funds, a Fund may not be permitted to engage in cross trades with such other Funds. Such inability to engage in cross trades may lead to increased transaction costs by a Fund.

While unlikely, notwithstanding the foregoing, there may be occasions when a particular Fund will enter into derivative or other transactions with other Funds in order to provide all Funds with similar investment objectives with roughly equivalent exposure to the same investments. This might be done where regulatory, minimum lot or size requirements or other restrictions make it difficult for a Fund to make or rebalance such investment directly. Such derivative or other transactions could have an adverse effect on the Fund by exposing it to counterparty risk from the other Funds.

Tax Considerations. Major tax reform legislation, the Tax Cuts and Jobs Act (the "Tax Reform"), was enacted in December 2017, which, among other things, provides that, if certain holding period requirements are not met, the incentive reallocation from the Funds or a portion thereof, will be subject to higher rates of U.S. federal income tax than was the case under prior law. As a result of this holding period requirement and other factors, the Adviser may have differing interests from those of Fund Investors, especially in situations where the choice of a particular tax lot may result in preferential tax treatment for the incentive reallocation from the Funds, but be less preferable for Fund Investors. Therefore, this legislation could ultimately affect investment decisions, including the timing of dispositions, and tax efficiency for Fund Investors.

Collective Action Lawsuits

To the extent a collective action lawsuit (a “class action”) arises in relation to a Security owned by a Fund, the Adviser will determine whether to participate in such class action in accordance with its policy then in effect. It is currently expected that any proceeds received by a Fund in connection with any class action will be allocated on a *pro rata* basis to the Fund Investors in such Fund at the time such proceeds are received; provided, however, that the Adviser reserves the right to allocate the proceeds in any manner it deems fair and equitable.

ITEM 12. BROKERAGE PRACTICES

Brokerage Policy and Procedures

The Adviser seeks “best execution” when it determines which broker or dealer to select for executing a particular transaction and when it determines which counterparty to select for a trade in over-the-counter derivatives or physical commodities. “Best execution” means executing securities transactions so that a client’s total costs (or proceeds) in each transaction are the most favorable under the circumstances, taking into account a variety of considerations. This entails consideration of a broader array of factors than just price and commission when selecting a broker or dealer. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker-dealer’s execution capability. This may include, by way of illustration: price; transaction size; ability to find liquidity; nature of the market for the security; commission rate; timing of the transaction given market prices and trends; confidentiality concerns; the reputation, experience and financial stability of the broker or dealer; quality of service rendered by the broker or dealer in other transactions with the Adviser; rate of soft dollar credits; quality and usefulness of brokerage and research services and investment ideas presented by the broker-dealer or third parties; the broker-dealer’s ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors deemed appropriate.

The Adviser uses its best efforts to obtain the most favorable commission rates on all transactions placed for the Funds, subject in all cases to the overriding obligation to obtain best execution. Paying a broker a higher commission rate can be appropriate if the difference in cost is reasonably justified by the quality of the service offered, including the value of “brokerage or research services” received by the Adviser from or at the expense of the broker. The Adviser may cause a Fund to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

The Adviser also considers the best execution factors listed above when selecting counterparties for over-the-counter derivatives trades. Counterparties are evaluated qualitatively, based on a review of ISDA terms, operational experience, trader experience and counterparty risk exposure. Spreads, mark-ups and mark-downs will be evaluated at the time of the trade in the context of the overall price of the particular transaction. When purchasing or selling over-the-counter Securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

Research and Other Soft Dollar Benefits

Where execution may be obtained from more than one dealer, the Adviser may purchase and sell Securities through dealers who provide or pay for brokerage or research services, statistical and other information,

although a particular Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the information or research services provided in exchange for the commissions generated by it. Brokerage and research furnished or paid for by brokers includes, but is not limited to, written information, verbal communication and other analyses concerning specific Securities, companies or sectors; market, financial and economic studies, data, metrics and forecasts; financial publications; statistical and pricing services; as well as discussions with research or company personnel and industry or subject matter experts. Brokerage and research services obtained by the use of commissions arising from the Funds' portfolio transactions may be used by the Adviser in its other investment activities. If the Adviser uses client brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for the research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving the research or other products or services, rather than on the Funds' interest in receiving most favorable execution. The Adviser may use soft dollar benefits to service all of the Funds' accounts; however, the Adviser may not be able to allocate soft dollar benefits to the Funds proportionately to the soft dollar credits a Fund generates. All of the foregoing commission arrangements are expected to be within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of commissions or "soft dollars" to obtain "brokerage and research" services. In negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although a particular Fund may not, in any particular instance, be the direct or indirect beneficiary of the research services provided.

The products and services provided or paid for by broker-dealers within the last fiscal year include: subscription, sell-side and bespoke Securities and industry research reports and analysis; industry conferences and consultants; meetings with research analysts and company management; macroeconomic or industry periodical subscriptions; subscriptions to data services ranging from business and sales trends, behavior analytics, alternative data (*e.g.*, web scrapping, credit card data), regulatory filings and Securities market pricing and trends; statistical, portfolio or risk analysis tools; fix lines, direct-to-broker phone lines and software for direct trading access and for evaluating trading strategies from various trading counterparties; industry surveys; and consultants and reports on political, legal or regulatory developments affecting portfolio Securities or investment opportunities. Such research services may be provided in the form of access to various computer-generated data, written reports or in person or telephonic meetings.

Directed Brokerage

The Adviser generally does not have client directed brokerage arrangements.

Aggregation of Orders

Subject to the discretion of the Adviser, the Adviser generally "bunches" buy or sell orders for two or more Funds into a single large order for execution. In many instances, such "bunching" of orders can result in lower commissions, a more favorable net price or more efficient execution than if each Fund's order were placed separately. There may, however, be instances in which order bunching results in a less favorable transaction than a particular Fund would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of Securities for one or more Funds will have an adverse effect on other Funds. The Adviser is not obligated to place all transactions on a "bunched" basis, and in determining whether or not to "bunch" orders the Adviser relies on the judgment of certain of its trading personnel as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, the Adviser seeks to avoid putting any Fund account at an advantage or disadvantage compared to the Adviser's other client accounts that are buying or selling the same security. Each Fund participating in a "bunched" order will participate at the same price as all other participants (on

an average price basis), and all transaction costs associated with such order will be allocated by the Adviser to participating Funds in good faith based on various factors. Such factors may include beginning of month net asset value of the participating Funds or the allocation received by each participating Fund of such bunched order.

ITEM 13. REVIEW OF ACCOUNTS

Oversight and Monitoring

The Adviser provides continuous advisory services for the Funds and performs various daily, weekly, monthly, quarterly and periodic reviews of each Fund's portfolio. The portfolio investments of each Fund are primarily reviewed by the two principals of the Adviser, including through review of daily portfolio and exposure reports. In addition, a review may be triggered by special circumstances.

Reporting

The Adviser prepares and distributes monthly or quarterly capital account statements (depending on the Fund), quarterly investor letters, and annual K-1 reports with respect to certain of the Funds. In addition, the Adviser distributes audited financial statements prepared in accordance with U.S. generally accepted accounting principles to all investors annually.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not receive compensation from non-clients for providing advisory services to clients, and does not participate in referral arrangements.

ITEM 15. CUSTODY

Item 15 is not applicable to the Adviser, as the Funds' "qualified custodian" is not required to send account statements directly to the Adviser's clients under Rule 206(4)-2 (the "Custody Rule") of the Investment Advisers Act of 1940, as amended. Instead, the Adviser meets the provision of the Custody Rule for pooled investment vehicles by providing audited financial statements as described above in Item 13.

ITEM 16. INVESTMENT DISCRETION

The Adviser provides investment advice directly to its Funds pursuant to written investment advisory agreements. No investment advice is provided directly to Fund Investors. Powers of attorney and any restrictions on the Adviser's authority are set forth in the organizational documents and subscription documents of the Funds.

ITEM 17. VOTING CLIENT SECURITIES

The Adviser has adopted voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Fund Securities, such proxies are voted in the best interest of its Funds. It is the policy of the Adviser to vote proxies for the exclusive benefit of the relevant Funds. If the Adviser identifies a potential conflict of interest with respect to a particular proxy vote, the Chief Compliance Officer ("CCO") will be consulted to determine whether a conflict exists. Where an actual conflict has been identified, the CCO will take necessary and appropriate steps to ensure that the Adviser votes the proxy consistent with the best interests of the Funds and in a manner not affected by the conflict of interest. The CCO may consider, among other things, the following as potential methods for resolving conflicts: (i) where a personal relationship is involved, shifting primary responsibility for voting the proxy to a member of the investment team who does not have such personal relationship or to the CCO; or (ii) seeking guidance from outside legal counsel. The Adviser may abstain from voting if it deems such abstention in the Funds' best interests or due to regulatory concerns or requirements of its prime brokers.

This summary is qualified in its entirety by the Adviser's voting policies and procedures. The Adviser will make information regarding how proxies were voted available to any client upon written request and a copy of the Adviser's voting policies and procedures is available to any client upon written request sent to info@kensicocapital.com.

ITEM 18. FINANCIAL INFORMATION

The Adviser does not require or solicit prepayment of fees six months or more in advance, so the balance sheet information is not required.

The Adviser is not currently aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds, and it has not been subject to a bankruptcy petition during the past ten years.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable; the Adviser is not registered with any State securities authority.

APPENDIX A

RISK FACTORS

The following is a summary of the investment risks associated with an investment in the Funds. The Funds may be subject to any one or more of the following risks.

I. General Risks

An investment in a Fund involves a high degree of investment risk, including the risk that the entire amount invested may be lost. A Fund will make investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of a Fund will be realized. There is no guarantee that this is a complete list of the risks, that a Fund will be able to control these risks or that the risks will not aggregate in a manner adverse to a Fund. Additional risks associated with an investment in a Fund may be disclosed in the offering documents of that Fund.

i. Absence of Regulatory Oversight

The Funds are not registered as investment companies under the 1940 Act. Accordingly, investors in the Funds are not accorded the protections of the 1940 Act (which, among other matters, require most registered investment companies to have a majority of disinterested directors, require Securities held in custody at all times to be segregated and marked to clearly identify the owner of such Securities, and regulates the relationship between the investment adviser and the investment company). In addition, the Funds' interests have not been and will not be registered under the Securities Act.

The Adviser is registered as a "commodity pool operator" with the CFTC and is a member of the National Futures Association in such capacity under the CEA. With respect to the Funds, the Adviser has claimed an exemption pursuant to CFTC Rule 4.7 for relief from certain disclosure, reporting and recordkeeping requirements applicable to a registered commodity pool operator.

The regulatory environment may change over the course of the Funds' terms. This could introduce additional obligations, oversight or restrictions that could impact costs, performance or liability of the Funds.

ii. Legal and Regulatory Changes

Legal, tax and regulatory changes (both within and outside the United States) could occur during the term of a Fund that may adversely affect a Fund. For example, legal, tax and regulatory changes may result in lower valuations of a Fund's investments or may decrease the market price of Securities owned by a Fund. New (or revised) laws or regulations or interpretations of existing laws may be issued by the IRS or the U.S. Treasury Department, the CFTC, the SEC, the U.S. Federal Reserve or other banking regulators, or other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that could adversely affect a Fund. In particular, these agencies are empowered to promulgate a variety of new rules pursuant to financial reform legislation. A Fund may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations. For example, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry. It is impossible to predict what, if any changes in regulations may occur, but any regulation that restricts the ability of a Fund to trade in Securities could have a material adverse impact on such Fund's performance.

In addition, the securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. The CFTC, the SEC, the Federal Deposit Insurance Corporation, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of securitization and derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

In addition, regulatory changes (both within and outside of the United States) that will affect financial institutions like prime brokers may limit the amount of leverage available to a Fund or increase the cost of obtaining such leverage, which could restrict the ability of a Fund to execute its investment strategy.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be more difficult and expensive and may affect the manner in which a Fund conducts business. Furthermore, new laws or regulations may subject a Fund (and its Fund Investors) to increased taxes or other costs. Countervailing trends toward deregulation could also affect a Fund in ways that are currently indeterminate, but could have a negative effect on a Fund. Additionally, the impact of the Tax Reform on an investment in a Fund is uncertain.

iii. Cybersecurity and Privacy Risk

With the increased use of technologies such as the Internet and Cloud computing and the dependence on computer systems to perform necessary business functions, the Funds and their service providers (including, but not limited to, the Adviser and the Funds' administrators, prime brokers, custodians and IT providers) may be prone to operational, data and information security risks resulting from cyber-attacks, data protection incidents and/or other technological malfunctions or errant behavior, despite the efforts of the Adviser and the Funds' other service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to and/or about the Funds and their Fund Investors. In general, cyber-attacks are deliberate, but unintentional acts or omissions may have similar effects. Cyber-attacks include, among others, stealing or corrupting the Adviser's or the Funds' assets or data, a service provider's data, or data of the Fund Investors, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's or a service provider's systems to disclose commercially sensitive or personal information in order to gain access to the Adviser's data or that of the Fund Investors. Successful cyber-attacks against, or security breakdowns of, the Funds, the Adviser, or a custodian or other third-party service providers may adversely affect the Funds or Fund Investors. For instance, cyber-attacks and/or data protection incidents may affect a Fund's ability to calculate its net asset value, cause the release of private Fund Investor information or confidential Fund information, impede trading or create unauthorized or errant trading, expose Fund or Adviser assets to theft or embezzlement, cause reputational damage, cause the inability to access electronic systems, cause physical damage to a computer or network system or costs associated with system repairs, and subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. In addition, the Adviser may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation. While the Adviser has established business continuity plans, conducts vendor due diligence on third parties and has implemented systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity and/or data protection risks are present for issuers of Securities in which the Funds invest, which could result in

material adverse consequences for such issuers, and may cause a Fund's investment in such Securities to lose value.

In addition, regulatory changes in various global privacy regimes may affect financial institutions processing personal data of individuals, as well potentially impact various third parties, including the Administrator, and may potentially be an area of concern as it relates to alternative data potentially used in the research process. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been an increasing amount of focus on privacy and data protection issues with the potential to affect our business. For example, the European Union is enforcing the General Data Protection Regulation (the "GDPR") beginning May 25, 2018, the Cayman Islands enforced Cayman Islands Data Protection Law ("DPL") on September 30, 2019 and in the United States, the California Consumer Privacy Act ("CCPA") took effect on January 1, 2020. The failure to comply with these privacy regimes comes with an increased risk profile as regulators have the power to issue significant fines and the definition of what information constitutes personal data has expanded. It is impossible to determine how aggressively or consistently these privacy regimes will be enforced by data protection authorities and other applicable regulators. Compliance with these privacy regimes will require changes to any activities that are deemed to be in-scope and may affect the manner in which a Fund conducts business. These privacy regimes may subject a Fund (and its Fund Investors) to increased costs in compliance and, in some instances, national filings.

II. Investment in Funds Risks

i. Nature of Investments

The Adviser will have broad discretion in making investments for a Fund through a broad range of asset classes, issuers, Securities, and transactions and expects to invest primarily in publicly traded Securities. Within these broad parameters, the Adviser will make investment decisions for a Fund as it deems appropriate in its sole discretion. While a Fund may, historically, have concentrated on U.S. Securities, there is no assurance that such concentration will be maintained. No assurance can be given that a Fund will be successful in obtaining or identifying suitable investments. A Fund's investments may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments as well as market fluctuations, may significantly affect the results of a Fund's activities and the value of its investments. In addition, the value of a Fund's portfolio (especially options, fixed income Securities and derivatives) may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that a Fund's investment objective will be achieved.

ii. Valuation of a Fund's Assets and Liabilities

The general partner or board of directors, as applicable, in its sole discretion, has the authority to calculate the value of investments held by a Fund pursuant to the investment valuation policies set forth in each Fund's organizational documents; provided, that (i) in the case of the Onshore Funds, the general partner of such Fund may delegate, subject to the supervision and direction of the general partner, the day-to-day determination of such valuation of the assets and liabilities to such Fund's administrator and/or the Adviser; and (ii) in the case of the Offshore Funds, the board of directors of such Fund has delegated the day-to-day determination of such valuation of the assets and liabilities to the Adviser, which may, in turn, delegate the day-to-day determination of such valuation to such Fund's administrator. The Funds' administrator may, in its absolute discretion, rely upon the most recent valuation report issued by a valuation agent as of a date prior to the date that the net asset value is being calculated and should not be liable to a Fund in doing so. In general, those policies provide a Fund with wide latitude as to specific valuations. When no market exists for an investment or when the Adviser determines that the market price does not fairly represent the value of the investment, a Fund will value such investment as it reasonably determines. There is no

guarantee that the value used will represent the value that will be realized by a Fund on the eventual disposition of the investment or that could, in fact, be realized upon an immediate disposition of the investment. All values assigned by the general partner or board of directors, as applicable, its designee the Adviser, or its designee the applicable Fund's administrator, are final and conclusive as to all of the applicable Fund Investors.

iii. Reliance on Management and Key Personnel

Fund Investors have no right or power to take part in the management of a Fund. Accordingly, no investor should purchase interests unless such investor is willing to entrust all aspects of the management of a Fund to the Adviser. The investment performance of a Fund depends largely on the skill of key personnel and investment professionals of the Adviser, including, in particular, Michael Lowenstein and Thomas Coleman (the "Principals"), who are the principals of the Adviser and, if applicable, each Fund's general partner, and other senior members of each Fund's investment team. The Tax Reform, among other things, provides that, if certain holding period requirements are not met, the incentive reallocation from the Funds will be subject to higher rates of U.S. federal income tax than was the case under prior law. This legislation could adversely affect employees or other individuals performing services for the Funds who hold direct or indirect interests in the Adviser or Adviser Affiliates, which could make it more difficult for the Adviser and Adviser Affiliates to incentivize, attract and retain individuals to perform services for the Funds. If key personnel, including key investment, operational or technical staff, were to leave the Adviser, it might not be able to find comparable replacements in a timely fashion and the performance of a Fund could, as a result, be adversely affected.

iv. Risks of Concentrated Investor Holdings

To the extent a large portion of the interests of a Fund are held (directly or indirectly) by a single Fund Investor (*e.g.*, institutional investors or asset allocation funds) or a group of Fund Investors with a common investment strategy, consultant or affiliation, such Fund is subject to the risk that these Fund Investors will purchase, withdraw, reallocate or rebalance their investments in large amounts, resulting in substantial withdrawals or redemptions from, or investments into, such Fund. This risk is particularly pronounced when one Fund Investor owns a substantial portion of a Fund. These transactions may adversely affect a Fund's performance to the extent that such Fund is required to sell investments (or invest cash) when it would not otherwise do so. Withdrawals or redemptions of interests also may increase transaction costs or, by necessitating a sale of Securities, have adverse tax consequences for Fund Investors.

v. Potential Conflicts of Interest

See Item 11, "CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING" in the brochure for a discussion of potential conflicts of interest.

vi. Performance-Based Compensation

The reallocation of a percentage of a Fund's total net profits to the Adviser (and indirectly to certain employees of the Adviser) may create an incentive for the Adviser (and such employees of the Adviser) to cause a Fund to make investments that are riskier or more speculative than would be the case if this incentive reallocation were not made, particularly in any period after losses are sustained. The incentive reallocation is calculated on a basis which includes unrealized appreciation of assets and might be lower if it were based solely on realized gains.

vii. Financial Market Fluctuations

General fluctuations in the market prices of Securities may affect the value of the investments held by a Fund. Instability in the Securities markets may also increase the risks inherent in a Fund's investments. In particular, major market upsets (including those caused by war, terrorism, or other world events), general market cessations, changes in interest rates, availability of credit, inflation rates, political and economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, currency exchange rates and controls, government debt burdens and monetary and deficit policies, the relative volatility between investments or equity derivative risk, the participation by other investors in the financial markets, macroeconomic dislocations and revaluations, the effectiveness of a Fund's hedging and risk management strategies and extreme market conditions can affect the value of a Fund's Securities. These factors may affect the level and volatility of Securities prices and the liquidity of a Fund's investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets. Typically, the larger the positions, the greater the potential for loss. In addition, however, certain positions may have inherent leverage that can pose significant risk of loss from what appears to be a comparatively small position.

viii. Right of Fund to Force Redemption or Withdrawal

The Adviser, in its sole discretion, may require certain Fund Investors to redeem or withdraw all or any part of their capital with respect to any interest from a Fund on 20 days' notice. Additionally, if the continued participation of any Fund Investor in a Fund might cause such Fund to violate any law, rule or regulation or expose such Fund to litigation, arbitration, administrative proceedings or any similar action or proceeding as determined by the Adviser in its sole discretion, the Adviser may require such Fund Investor to withdraw or redeem all or any part of its capital from such Fund on 5 days' notice. Such involuntary redemption or withdrawal may force a Fund Investor to redeem or withdraw their interests during disadvantageous market conditions, to miss out on certain investment opportunities or involve tax ramifications.

ix. Limited Withdrawal, Redemption and Transfer Rights

A Fund Investor generally will be permitted to withdraw or redeem all or any part of its capital only on the last day of the calendar quarter first occurring on or after the expiration of the applicable capital holding period. Furthermore, it should be noted that a new capital holding period will automatically commence on the date in which the expiration of the then existing applicable capital holding period occurs unless the affected Fund Investor indicates its intention to redeem or withdraw all or a portion of such capital by giving at least 90 days' prior written notice to the Adviser. In addition, the payment to a retiring Fund Investor (or its legal representative) of such retiring Fund Investor's capital will be subject to the retention of a reserve for Fund liabilities as provided in a Fund's organizational documents.

An investment in a Fund may be a highly illiquid investment as interests are not generally transferable and the Fund Investors generally have no rights of redemption or withdrawal other than in very limited circumstances. Transfers of the interests will be permitted only with the written consent of the Adviser at its sole discretion. Accordingly, the interests should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

x. Repayment of Certain Distributions

In the event that an Onshore Fund is unable to meet its obligations, the Fund Investors may, in the Adviser's discretion, be required to repay to such Onshore Fund, or to pay to creditors of such Onshore Fund, distributions previously received by them pursuant to the laws of the State of Delaware or other

jurisdictions. In addition, Fund Investors may be required to pay to an Onshore Fund amounts that are required to be withheld by such Onshore Fund for tax purposes.

III. Investment Strategy Risks

i. Equities

The market price of Securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Fund is that the equity Securities in its portfolio will decline in value due to factors affecting equity Securities markets generally or particular industries represented in those markets. The values of equity Securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity Securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, Securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

ii. Inflation/Deflation Risks

Inflation risk is the risk that the value of assets or income from the Funds' investments will be worth less in the future as inflation decreases the value of payments at future dates. As inflation increases, the real value of the Funds' portfolios could decline. Deflation risk is the risk that prices throughout the economy decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely or materially impair the ability of distressed issuers to restructure, which may result in a decline in the net asset value of the Funds' portfolios.

iii. Short Sales

The Adviser is expected to make short sales of investment Securities. In a short sale, the seller sells a Security that it does not own, typically a Security borrowed from a broker or dealer. Because the seller remains liable to return the underlying Security that it borrowed from the broker or dealer, the seller must purchase the Security prior to the date on which delivery to the broker or dealer is required. As a result, the Funds expect to engage in short sales where, among other reasons, it believes the value of the Security will decline between the date of the sale and the date a Fund is required to return the borrowed Security. The making of short sales exposes a Fund to the risk of liability for the market value of the Security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a Security may rise. In addition, there can be no assurance that Securities necessary to cover a short position will be available for purchase or that Securities will be available to be borrowed by a Fund at reasonable costs. If a request for return of borrowed Securities occurs at a time when other short sellers of the Security are receiving similar requests, a "short squeeze" can occur, and a Fund may be compelled to replace borrowed Securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the Securities short.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt rules requiring public disclosure in the future. In addition, other non-U.S. jurisdictions where the Funds may trade have adopted their own reporting requirements. If a Fund's short positions or its strategy become generally known, it could have a significant effect on the Adviser's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the Securities held short by a Fund forcing such Fund to cover its positions at a loss. Such reporting requirements may limit the Adviser's ability to access management and other personnel at certain companies where the Adviser seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Fund, the cost of borrowing Securities to sell short could increase drastically and the availability of such Securities to a Fund could decrease drastically. Such events could make a Fund unable to execute its investment strategy. Short sales are also subject to certain SEC regulations. If the SEC were to adopt additional restrictions regarding short sales, they could restrict a Fund's ability to engage in short sales in certain circumstances, and such Fund may be unable to execute its investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain Securities in response to market events. Bans on short selling may make it impossible for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to generate returns.

iv. Special Situation Investments

A Fund from time to time invests part of its assets in investments deemed by the Adviser to be special situation investments (*e.g.*, certain illiquid investments or investments lacking a readily ascertainable market value), but will not invest more than 20% of its capital (measured at the time the investment or commitment is made) into investments deemed by the Adviser to be special situation investments. The Adviser may also designate as special situation investments any investments that were previously acquired by a Fund and, in the Adviser's sole discretion, have since become illiquid or lacking a readily ascertainable market value. In addition, the Adviser may designate current special situation investments to be moved into a Fund's regular investment accounts upon liquidation of a special situation investment or in the event a special situation investment becomes freely tradable (as determined by the Adviser).

Special situation investments will generally be carried on the books of a Fund at cost (or, in the case of a pre-existing Fund investment that is designated as a special situation investment after it is acquired, at estimated fair market value as of the date of such designation) as reasonably determined by the Adviser. There is no guarantee that cost will represent the value that will be realized by a Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment; it could be substantially less. Subject to any deemed sale, as described in the organizational or offering documents of the applicable Fund, a withdrawing or redeeming Fund Investor with an interest in a special situation investment will not receive any amount with respect to such interest until the related special situation investment is realized or deemed realized or freely tradable.

Special situation investments may include investments which, in the sole discretion of the Adviser, are illiquid or without a readily ascertainable market value. In addition, a Fund may not be able to readily dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such Securities for a specified period of time. These limitations on liquidity of a Fund's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Investments in special situation investments may occur as a result of, among other things, direct investments or the purchase of debt instruments that convert to illiquid or private interests in the event of a reorganization of an entity's capital structure. A Fund's special situation investments may involve a high degree of business and financial risk.

v. Securities Lending Risks

The Funds may lend Securities as well as extend other forms of credit. There could be possible delay in recovery of the Securities or possible loss of rights in the collateral should the borrower fail financially, including possible impairment of the Funds' ability to vote the Securities. However, Securities loans will be made to brokers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans be collateralized by cash or liquid securities with a value at least equal to the market value of the loaned Securities (marked to market daily). The Funds also bear the risk that the value of the investments made with collateral may decline. The Funds bear the risk of total loss with respect to the investment of collateral.

vi. Prime Broker and Custodian Risks

The Funds' prime brokers and custodians will have custody of the Funds' Securities, cash, distributions and rights accruing to the Funds' Securities accounts. If a custodian holds cash on behalf of a Fund, such Fund may be an unsecured creditor in the event of the insolvency of the custodian. The Funds will be subject to credit risk with respect to a custodian.

The SEC rules require prime brokers to maintain physical possession and control of fully paid Securities held in a Fund's account and to establish certain reserves for the benefit of customers. However, subject to these limitations, a prime broker generally has the ability to loan, pledge, and rehypothecate the Securities in a Fund's accounts, as is typical market practice, and may have insufficient assets to meet all of its obligations to "customers" in the event of an insolvency of the prime broker. If a Fund is not treated as a "customer" it would be treated as a general unsecured creditor of an insolvent prime broker. To the extent a Fund is deemed to be a "customer" of an insolvent prime broker, such Fund would typically not have an absolute right to recover those of its Securities that are held by the prime broker, but would rather have only an unsecured claim against the prime broker and the right to participate *pro rata* with other customers of the prime broker in the customer property held by the prime broker. Even if the prime broker does have sufficient assets to meet all customer claims, there could be a delay before a Fund receives assets to satisfy its claims. Furthermore, until a Fund knows what Securities it will receive, such Fund will have limited ability to manage its portfolio effectively. Also, a prime broker may under certain circumstances transfer assets in a Fund's account to affiliates of such prime broker. A Fund would typically be a general unsecured creditor of such affiliate in the event of such affiliate's insolvency. In order to manage the risks associated with prime broker insolvency, the Funds have established relationships with multiple prime brokers. However, there can be no assurance that a Fund will be able to establish or maintain such relationships, particularly in light of the size of the Funds and their investment strategies. In addition, a Fund may not be able to identify possible solvency concerns with respect to such Fund's prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner.

A prime broker may hold a Fund's Securities through third parties such as clearing corporations, other brokers or banks. As a result, a Fund may be subject to credit risk with respect to such third parties as well as with respect to a prime broker.

In addition, certain of a Fund's assets may be held by entities other than its prime brokers and custodian. As a result, a Fund may be subject to credit risk with respect to such third parties as well as with respect to a custodian. For example, a Fund may provide certain of its assets as collateral to counterparties in

connection with over-the-counter derivatives contracts such as swaps, forwards and certain options. If a Fund has over-collateralized derivatives contracts, it is likely to be an unsecured creditor of any such counterparty in the event of its insolvency. Also, even if a Fund's custodian or such third parties do have sufficient assets to meet all claims, there could be a delay before such Fund receives assets to satisfy its claims.

A Fund may change the brokerage and custodial arrangements described in this Form ADV at any time without notice to the Fund Investors. There are likely to be operational and other delays associated with changes in prime brokerage and custody arrangements even if a Fund decides to reduce the risks of having a particular broker or counterparty hold assets.

vii. Counterparty Risks

If a Fund enters into contracts with counterparties, such as over-the-counter derivatives contracts, repurchase or reverse repurchase agreements or lends its Securities or allows a prime broker or an over-the-counter derivatives counterparty to retain possession of collateral, it runs the risk that the counterparty will be unable or unwilling to make timely settlement payments or otherwise honor its obligations. Lack of a common clearing facility creates counterparty risk. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, any uncollateralized portion of such contracts may be rendered worthless to a Fund. Additionally, a Fund could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for such Fund. If the counterparty defaults, a Fund will have contractual remedies, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that such Fund will be able to enforce its rights. For example, because the contract for each over-the-counter derivatives transaction is individually negotiated with a specific counterparty, a Fund is subject to the risk that a counterparty may interpret contractual terms (*e.g.*, the definition of default) differently than such Fund. The cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead it to decide not to pursue its claims against the counterparty. Counterparty risk is greater for derivatives with longer maturities where events may intervene to prevent settlement. Counterparty risk is also greater when a Fund has concentrated its derivatives with a single or small group of counterparties as it sometimes does as a result of its use of swaps and other over-the-counter derivatives. To the extent a Fund has significant exposure to a single counterparty, this risk will be particularly pronounced for such Fund. A Fund, therefore, assumes the risk that it may be unable to obtain payments the Adviser believes are owed under an over-the-counter derivatives contract or that those payments may be delayed or made only after such Fund has incurred the costs of litigation. In addition, a Fund may suffer losses if a counterparty fails to comply with applicable laws or other requirements. Counterparty risk is pronounced during unusually adverse market conditions and is particularly acute in environments (like those of 2008) in which financial services firms are exposed to systemic risks of the type evidenced by the insolvency of Lehman Brothers and subsequent market disruptions. Furthermore, due to the size of the Funds and their investment strategies, a Fund may have a limited number of counterparties and, accordingly, may not be able to diversify its counterparty risk. This could also further limit the liquidity and price of derivatives transactions into which a Fund enters.

The credit rating of a counterparty may be adversely affected by greater-than-average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital.

Participants in over-the-counter derivatives markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets, and, therefore, over-the-counter derivatives generally expose the Funds to greater counterparty risk than exchange-traded derivatives. A Fund is subject to the risk that a counterparty will not settle a transaction in accordance with its terms because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit

or liquidity problem. A Fund also may be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

When a counterparty's obligations are not fully secured by collateral, a Fund is essentially an unsecured creditor of the counterparty. If a counterparty defaults, a Fund will have contractual remedies (whether or not the obligation is collateralized), but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, such Fund will succeed in enforcing contractual remedies. Counterparty risk still exists even if a counterparty's obligations are secured by collateral because a Fund's interest in collateral may not be perfected or additional collateral may not be promptly posted as required. The Adviser's view with respect to a particular counterparty is subject to change. The fact, however, that it changes adversely (whether due to external events or otherwise) does not mean a Fund's existing transactions with that counterparty will necessarily be terminated or modified. In addition, a Fund may enter into new transactions with a counterparty that the Adviser no longer considers a desirable counterparty if the transaction is primarily designed to reduce such Fund's overall risk of potential exposure to that counterparty (for example, re-establishing the transaction with a lower notional amount or entering into a countervailing trade with the same counterparty).

Counterparty risk also may be more pronounced if a counterparty's obligations exceed the amount of collateral held by a Fund (if any), such Fund's security interest in any collateral posted is not perfected, such Fund is unable to exercise its interest in collateral upon default by the counterparty, significant upfront deposits unrelated to the derivatives' fundamental fair (or intrinsic) value are required by the counterparty or the termination value of the instrument varies significantly from marked-to-market value of the instrument. To the extent a Fund allows a prime broker, if any, or any over-the-counter derivatives counterparty to retain possession of any collateral, such Fund may be treated as an unsecured creditor of such counterparty in the event of the counterparty's insolvency.

A Fund is not subject to any limits on its exposure to any one counterparty. The ability of a Fund to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by such Fund.

A Fund also is subject to counterparty risk because it executes its Securities transactions through brokers and dealers. If a broker or dealer fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, a Fund could miss investment opportunities or be unable to dispose of investments it would prefer to sell, resulting in losses for such Fund.

Among other trading agreements, each Fund is party to International Swaps and Derivatives Association, Inc. Master Agreements ("ISDA Agreements") or other similar types of agreements with select counterparties that generally govern over-the-counter derivatives transactions entered into by such Fund. The ISDA Agreements typically include representations and warranties as well as contractual terms related to collateral, events of default, termination events, and other provisions. Termination events may include the decline in the net assets of a Fund below a certain level over a specified period of time and entitle a counterparty to elect to terminate early with respect to some or all the transactions under the ISDA Agreement with that counterparty. Such an election by one or more of the counterparties could have a material adverse impact on a Fund's operations.

Counterparty risk with respect to derivatives has been and will continue to be affected by new rules and regulations relating to the derivatives market. As described under "Derivative Instruments Risks," some derivatives transactions are required to be centrally cleared, and a party to a cleared derivatives transaction is subject to the credit risk of the clearing house and the clearing member through which it holds its cleared position. Credit risk of market participants with respect to derivatives that are centrally cleared is

concentrated in a few clearing houses, and it is not clear how an insolvency proceeding of a clearing house would be conducted and what impact an insolvency of a clearing house would have on the financial system. A clearing member is obligated by contract and regulation to segregate all funds received from customers with respect to cleared derivatives positions from the clearing member's proprietary assets. However, all funds and other property received by a clearing member from its customers with respect to cleared derivatives are generally held by the clearing member on a commingled basis in an omnibus account (which can be invested in instruments permitted under the regulations). Therefore, a Fund might not be fully protected in the event of the bankruptcy of such Fund's clearing member because such Fund would be limited to recovering only a *pro rata* share of the funds held by the clearing member on behalf of customers, with a claim against the clearing member for any deficiency. Also, the clearing member is required to transfer to the clearing house the amount of margin required by the clearing house for cleared derivatives, which amount is generally held in an omnibus account at the clearing house for all customers of the clearing member. Regulations promulgated by the CFTC require that the clearing member notify the clearing house of the initial margin provided by the clearing member to the clearing house that is attributable to each customer. However, if the clearing member does not accurately report a Fund's initial margin, such Fund is subject to the risk that a clearing house will use the assets attributable to it in the clearing house's omnibus account to satisfy payment obligations a defaulting customer of the clearing member has to the clearing house. In addition, clearing members generally provide the clearing house the net amount of variation margin required for cleared swaps for all of its customers, rather than individually for each customer. A Fund is therefore subject to the risk that a clearing house will not make variation margin payments owed to such Fund if another customer of the clearing member has suffered a loss and is in default, and the risk that such Fund will be required to provide additional variation margin to the clearing house before the clearing house will move such Fund's cleared derivatives positions to another clearing member. In addition, if a clearing member does not comply with the applicable regulations or its agreement with a Fund, or in the event of fraud or misappropriation of customer assets by a clearing member, such Fund could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the margin held by the clearing member.

Also, in the event of a counterparty's (or its affiliate's) insolvency, a Fund's ability to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union and various other jurisdictions. Such regimes provide government authorities with broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, with respect to counterparties who are subject to such proceedings in the European Union, the liabilities of such counterparties to a Fund could be reduced, eliminated, or converted to equity in such counterparties (sometimes referred to as a "bail in").

viii. Derivative Instruments Risks

The Funds periodically utilize derivative transactions to further the objectives of such Fund. Derivatives are financial contracts whose value depends on, or is derived from, the value of underlying assets, reference rates or indices, to increase, decrease or adjust elements of the investment exposures of a Fund's portfolio. Derivatives may relate to securities, interest rates, currencies, currency exchange rates, inflation rates, commodities, and indices, and include futures, non-U.S. currency contracts, swap contracts, options on securities and indices, options on futures contracts, options on swap contracts, forward contracts, contracts for differences, interest rate caps, floors and collars, repurchase or reverse repurchase agreements and other exchange-traded over-the-counter contracts. A Fund may use derivatives for many purposes, including as a substitute for direct investment, as a way to adjust its exposure to various securities, markets and currencies without actually having to sell existing investments and/or make new investments, and as a means to hedge other investments and to manage liquidity and excess cash. A Fund may take advantage of instruments and any security or synthetic or derivative instruments which are not presently contemplated

for use by such Fund or which are not currently available, but which may be developed, to the extent such opportunities are both consistent with such Fund's investment objective and legally permissible for such Fund. A Fund may become a party to various other customized derivative instruments entitling the counterparty to certain payments on the gain or loss on the value of an underlying or referenced instrument.

The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the assets, rates or indices they are designed to track. In addition, all derivative instruments involve risks that are in addition to, and potentially greater than, the risks of investing directly in securities and other more traditional assets, including:

- *Illiquidity Risks.* If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many over-the-counter derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. Less liquid derivative instruments also may fall more in price than other Securities during market falls. During these periods of market disruptions, a Fund may have a greater need for cash to provide collateral for large swings in the mark-to-market obligations arising under the derivative instruments used by such Fund.
- *Leverage Risks.* Because many derivatives have a leverage component (*i.e.*, a notional value in excess of the assets needed to establish or maintain the derivative position), adverse changes in the value or level of the underlying asset, rate or index can result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Fund to unlimited risk of loss. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- *Derivatives Regulation.* In addition, the U.S. government has enacted legislation that provides for regulation of the derivatives market, including clearing, margin, reporting, and registration requirements, which could restrict a Fund's ability to engage in derivatives transactions or increase the cost or uncertainty involved in such transactions. The European Union (and some other countries) has implemented similar requirements, which will affect a Fund when it enters into a derivatives transaction with a counterparty organized in that country or otherwise subject to that country's derivatives regulations.

In accordance with the provisions of Title VII of Dodd-Frank and regulations thereunder, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps ("cleared derivatives"), the Funds' counterparty is a clearing house rather than a bank or broker. Since the Funds are not members of a clearing house and only members of a clearing house ("clearing members") can participate directly in the clearing house, the Funds hold cleared derivatives through accounts at a clearing member. In cleared derivatives positions, the Funds make payments (including margin payments) to and receive payments from a clearing house through accounts at clearing members. Clearing members guarantee performance of their clients' obligations to the clearing house.

In some ways, cleared derivative arrangements are less favorable to funds than bilateral arrangements, for example, by requiring that funds provide more margin for their cleared derivatives positions. Also, as a general matter, in contrast to a bilateral derivatives position, following a period of notice to the Funds, a clearing member at any time can require termination of an existing cleared derivatives position or an increase in margin requirements above those required at the outset of a transaction. Clearing houses also have broad rights to increase margin requirements for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared

derivatives positions by the clearing member or the clearing house could interfere with the ability of the Funds to pursue their investment strategy. Further, any increase in margin requirements by a clearing member could expose a Fund to greater credit risk to its clearing member, because margin for cleared derivatives positions in excess of a clearing house's margin requirements typically is held by the clearing member. Also, a Fund is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that the Adviser expects to be cleared), and no clearing member is willing or able to clear the transaction on such Fund's behalf. While the documentation in place between a Fund and its clearing member generally provides that the clearing member will accept for clearing all cleared derivatives transactions that are within credit limits (specified in advance) for such Fund, such Fund is still subject to the risk that no clearing member will be willing or able to clear a transaction. In those cases, the position might have to be terminated, and such Fund could lose some or all of the benefit of the position, including loss of an increase in the value of the position and loss of hedging protection. In addition, the documentation governing the relationship between a Fund and a clearing member is drafted by the clearing member and generally is less favorable to such Fund than typical bilateral derivatives documentation. For example, documentation relating to cleared derivatives generally includes a one-way indemnity by a Fund in favor of the clearing member for losses the clearing member incurs as such Fund's clearing member. Also, such documentation typically does not provide a Fund any remedies if the clearing member defaults or becomes insolvent. While futures contracts entail similar risks, the risks may be more pronounced for cleared derivatives due to their more limited liquidity and market history.

Some types of cleared derivatives are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Funds. For example, swap execution facilities typically charge fees, and if a Fund executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Also, a Fund may indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on such Fund's behalf, against any losses or costs that may be incurred as a result of such Fund's transactions on the swap execution facility. If a Fund wishes to execute a package of transactions that include a swap that is required to be executed on a swap execution facility as well as other transactions (for example, a transaction that includes both a security and an interest rate swap that hedges interest rate exposure with respect to such security), such Fund may be unable to execute all components of the package on the swap execution facility. In that case, such Fund would need to trade some components of the package on the swap execution facility and other components in another manner, which could subject such Fund to the risk that some components of the package would be executed successfully and others would not, or that the components would be executed at different times, leaving such Fund with an unhedged position for a period of time.

Additionally, U.S. regulators, the European Union and certain other jurisdictions have adopted minimum margin and capital requirements for uncleared derivatives transactions. It is expected that these regulations will have a material impact on a Fund's use of uncleared derivatives. These rules impose minimum margin requirements on derivatives transactions between a Fund and its counterparties and may increase the amount of margin a Fund is required to provide. They also impose regulatory requirements on the timing of transferring margin and effectively require changes to typical derivatives margin documents. Variation margin requirements became effective in 2017 and initial margin requirements are expected to become effective with respect to certain of the Funds by 2020.

These and other rules and regulations could, among other things, further restrict the Funds' ability to engage in, or increase the cost to the Funds of, derivatives transactions, for example, by making some

types of derivatives no longer available to the Funds, increasing margin or capital requirements, or otherwise limiting liquidity or increasing transaction costs. While such rules and regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (*i.e.*, the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that they will achieve that result, and in the meantime, as noted above, central clearing and related requirements expose the Funds to additional kinds of costs and risks.

- *Other Risks.* Other risks in using derivatives include the risk of mispricing or incorrect valuation of derivatives. Many derivatives, in particular over-the-counter derivatives, are complex and their valuation often requires modeling and judgment, which increases the risk of mispricing or incorrect valuation. The pricing models used may not produce valuations that are consistent with the values the Funds realize when they close or sell an over-the-counter derivative. Valuation risk is more pronounced when the Funds enter into over-the-counter derivatives with specialized terms because the market value of those derivatives in some cases is determined in part by reference to similar derivatives with more standardized terms. Incorrect valuations may result in increased cash payment requirements to counterparties, over- and/or under-collateralization and/or errors in calculation of a Fund's net asset value.

The Funds' use of derivatives may not be effective or have the desired result. Also, suitable derivatives may not be available in all circumstances and there can be no assurance that the Funds will be able to identify or employ a desirable derivatives transaction at any time or from time to time, or that any such transactions will be successful. In addition, the Adviser may decide not to use derivatives to hedge or otherwise reduce the Funds' risk exposures, potentially resulting in losses for the Funds.

The Funds' use of derivatives may be subject to special tax rules and could generate additional taxable income for the Funds and/or their investors, and could result in the imposition of additional costs, including, for the avoidance of doubt, withholding taxes. In addition, the tax treatment of the Funds' use of derivatives may be unclear because there is little case or other law interpreting the terms of most derivatives or determining their tax treatment.

ix. Options Risks

The Adviser from time to time invests in both exchange-traded and over-the-counter options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying Securities. In addition, the entire amount of the purchase price for the option may be lost if, upon expiration, the value of the option contract is under water. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying Securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying Securities interest becomes restricted.

A Fund's ability to use options as part of its investment program depends on the liquidity of the options market. In addition, that market may not exist when a Fund seeks to close out an option position. If a Fund were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless. As the writer of a call option on a portfolio security, during the option's life, a Fund foregoes the opportunity to profit from increases in the market value of the security underlying the call option above the sum of the premium and the strike price of the call, but retains the risk of loss (net of premiums received) should the price of the underlying security

decline. Similarly, as the writer of a call option on a securities index, a Fund foregoes the opportunity to profit from increases in the index over the strike price of the option, though it retains the risk of loss (net of premiums received) should the price of the Fund's Securities decline. If a Fund writes a call option and does not hold the underlying security or instrument, the amount of the Fund's potential loss is theoretically unlimited.

An exchange-traded option may be closed out by means of an offsetting transaction only on a national securities exchange, which provides a secondary market for an option of the same series. If a liquid secondary market for an exchange-traded option does not exist, a Fund might not be able to effect an offsetting closing transaction for a particular option. Reasons for the absence of a liquid secondary market on a national securities exchange include the following: (i) insufficient trading interest in some options; (ii) restrictions by an exchange on opening or closing transactions, or both; (iii) trading halts, suspensions, or other restrictions on particular classes or series of options or underlying securities; (iv) unusual or unforeseen interruptions in normal operations on an exchange; (v) inability to handle current trading volume; or (vi) discontinuance of options trading (or trading in a particular class or series of options) (although outstanding options on an exchange that were issued by the Options Clearing Corporation should continue to be exercisable in accordance with their terms). In addition, the hours of trading for options on an exchange may not conform to the hours during which the securities held by a Fund are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the markets for underlying securities that are not immediately reflected in the options markets.

National securities exchanges generally have established limits on the maximum number of options an investor or group of investors acting in concert may write. The Adviser and the Funds may constitute such a group. When applicable, these limits restrict the Funds' ability to purchase or write options on a particular security.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) generally are established through negotiation with the other party to the option contract. While a Fund has greater flexibility to tailor an over-the-counter option, over-the-counter options generally expose such Fund to greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded. Purchasing and selling put and call options are highly specialized activities and entail greater than ordinary market risks. The use of warrants and rights entails many of the same risks associated with the use of options.

x. Fixed-Income Securities

The Funds from time to time invest, directly or indirectly, in fixed-income Securities, either long or short, including those Securities issued by U.S. federal, state, local and non-U.S. governments or entities. A Fund's fixed income investments may have all types of interest rate, payment and reset terms including fixed rate, adjustable rate, zero coupon, principal only, interest only, contingent, deferred, pay-in-kind, and auction rate features. The Funds may invest in both "investment grade" debt Securities and lower rated Securities or "junk bonds."

U.S. government Securities include Securities issued or guaranteed by the U.S. government or its authorities, agencies, or instrumentalities. Non-U.S. government Securities include Securities issued or guaranteed by non-U.S. governments (including political subdivisions) or their authorities, agencies, or instrumentalities or by supra-national agencies. Different kinds of U.S. and non-U.S. government Securities have different kinds of government support. For example, some U.S. government Securities (e.g., U.S. Treasury bonds) are supported by the full faith and credit of the United States. Some non-U.S.

government Securities are supported by the full faith and credit of a non-U.S. national government or political subdivision and some are not. Securities issued or guaranteed by certain non-U.S. countries may involve varying degrees of credit risk as a result of financial or political instability in such countries, and the possible inability of a Fund to enforce its rights against the non-U.S. government issuers. As with issuers of other fixed income Securities, sovereign issuers may be unable or unwilling to make timely principal or interest payments.

As with other fixed-income Securities, U.S. and non-U.S. government Securities expose their holders to market risk because their values typically change as interest rates, budget deficits and market economies fluctuate. For example, the value of U.S. or non-U.S. government Securities may fall during times of rising interest rates or growing deficits.

In addition to investing directly in U.S. and non-U.S. government Securities, the Funds may purchase certificates of accrual or similar instruments evidencing undivided ownership interests in interest payments and/or principal payments of U.S. and non-U.S. government Securities. Certificates of accrual and similar instruments may be more volatile than other government Securities.

Yields on U.S. and non-U.S. government Securities tend to be lower than those of corporate Securities of comparable maturities. Certificates of accrual and similar instruments representing participation in U.S. or non-U.S. government Securities may be more volatile than other government Securities.

If a Fund invests in “zero coupon” fixed-income Securities, it is required to recognize income on these Securities to its investors as the income accrues, even though such Fund is not receiving the income in cash on a current basis. The market value of zero coupon Securities is often more volatile than that of non-zero coupon fixed-income Securities of comparable quality and maturity. Fixed-income Securities are also subject to credit and liquidity risks.

xi. Use of Leverage

The Adviser from time to time utilizes leverage in investing the Funds’ assets, including through engaging in trading on margin by borrowing funds and pledging Securities or other assets as collateral. While such use of borrowed funds increases returns, if a Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if such Fund fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of a Fund than if such Fund were not so leveraged. Any use by a Fund of short-term margin borrowings will result in certain additional risks to such Fund. For example, the Securities pledged to counterparties to secure a Fund’s margin accounts could be subject to a “margin call,” pursuant to which such Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged Securities to compensate for the decline in value. A sudden, precipitous drop in value of a Fund’s assets accompanied by corresponding margin calls could force such Fund to liquidate assets quickly, and not for what the Adviser perceives to be their fair value, in order to pay off its margin debt. In addition, a Fund may engage in certain derivative transactions which implicitly contain leverage and subject such Fund to the same risks discussed above as well as various other risks including counterparty and credit risks.

xii. Non-U.S. Securities

The Funds from time to time invest, directly or indirectly, either long or short, in non-U.S. Securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of

taxes (possibly at confiscatory rates), the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. Securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Fund may invest have substantially less volume than those in the United States, and Securities of certain companies in these countries are less liquid and more volatile than Securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of Securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. Securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for a Fund to invest in such markets is by entering into swaps or other derivative transactions with its counterparties or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Adviser. Additionally, transactions in non-U.S. Securities may subject a Fund to foreign market reporting (including for short positions) or other regulatory requirements, which may be onerous and increase investment risk.

xiii. Currency Risk

Investment in a Fund will from time to time entail exposure to non-U.S. currency. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of a Fund's assets or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. The Funds periodically invest in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof, or in companies that face currency risk in their underlying businesses.

xiv. Credit Market Illiquidity

A Fund periodically has exposure to the credit markets in a variety of ways, including through leverage, short-selling, collateral, margin, derivatives contracts, treasuries and others. There is no guarantee that the credit markets will not experience a significant lack of liquidity or increased volatility in the future. Lack of liquidity creates a number of risks. It is also possible that illiquidity in the market could cause prices to decline, which may have the result of forcing a Fund or other leveraged investment vehicles to sell assets to satisfy requirements under its borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a Fund's portfolio of investments, investments may need to be liquidated quickly, and perhaps not at fair value. Upheavals in the credit markets may cause margin borrowing costs and Securities borrowing costs to increase. Such increases in borrowing costs may impact a Fund's ability to generate returns.

xv. Lack of Liquidity

The markets for some instruments may be thinly traded from time to time. A Fund may invest in assets and derivatives which it may not be able to readily sell or dispose of, including assets whose disposition is restricted by compliance rules, securities laws or other legal requirements. A Fund's ability to sell assets or derivatives may be adversely affected by limited trading volume, lack of a market maker, or legal

restrictions. Other instruments, and in particular, caps, floors, collars, and certain other derivatives, may also have varying liquidity and/or pricing availability. Short sales are particularly subject to liquidity risk because a Fund's purchase of Securities or currencies to close out a short position can itself cause the price of the Securities or currencies to rise further, thereby exacerbating the loss. It is also possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular Securities or other instruments. In such case, a Fund may not be able to liquidate an investment efficiently or expeditiously should market conditions demand it. It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions or due to the operation of daily price fluctuation limits (the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or "circuit breakers." This lack of liquidity could disadvantage a Fund, both in realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. A Fund may be reliant on and subject to its counterparties to furnish liquidity and financing for a particular investment. The sale of any Securities during periods of limited liquidity may result in substantial impairments to value and may hinder the ability to accurately value any such Securities.

xvi. Special Events

A Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take more time than expected or will result in a distribution of cash or a new Security the value of which will be less than the purchase price to a Fund of the Security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Fund may invest, there is a potential risk of loss by a Fund of its entire investment in such companies.

xvii. Hedging Transactions

A Fund may, but is not obligated to, adopt a variety of hedging and risk management strategies with respect to certain investments or the portfolio as a whole. Such strategies in general are usually intended to limit or reduce investment risk but can also be expected to limit or reduce the potential for profit. No assurance can be given that a Fund will adopt any particular hedging or risk management strategy or that, if adopted, any particular such strategy will be successful.

xviii. Lack of Diversification

The Adviser generally does not anticipate that the net cost of any single investment will exceed 20% of the net assets of a Fund (determined at the time the investment is made). However, broad diversification of investments in number or by industry or geography is not a primary investment objective of the Adviser. Accordingly, the investment portfolio of a Fund may be subject to more rapid change in value than would be the case if such Fund were required to maintain a wider diversification among types of Securities and other instruments. Furthermore, if the net asset value of a Fund changes over time, the value of a single investment or of special situation investments could exceed the general 20% of net assets guideline.

xix. Purchasing Securities of Initial Public Offerings

The Funds from time to time purchase Securities of companies in initial public offerings or shortly thereafter. Special risks associated with these Securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history.

These factors may contribute to substantial price volatility for the shares of these companies and, thus, for a Fund's interests. The limited number of shares available for trading in some initial public offerings may make it more difficult for a Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies making initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

xx. Exchange-Traded Funds

Investments in exchange-traded funds ("ETFs") involve the risk that the ETF's performance may not track the performance of the underlying product, focus or index the ETF is designed to track. Unlike the underlying product, focus or index, an ETF incurs administrative expenses and transaction costs in trading Securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the underlying product, focus or index (which remains "fully invested" at all times). Performance of an ETF and the underlying product, focus or index it is designed to track also may diverge because the composition of the underlying product, focus or index and the Securities held by the ETF may occasionally differ. The underlying product, focus or index an ETF is designed to track may not achieve its investment objective. In addition, ETFs often use derivatives to track the performance of the relevant product, focus or index and, therefore, investments in those ETFs are subject to some of the same derivatives-related risks discussed above.

xxi. Private Investments in Public Companies Risks

The Funds from time to time make investments in private placements of publicly-held companies ("PIPEs"). In a typical PIPE transaction, a Fund will acquire, directly from an issuer seeking to raise capital in a private placement pursuant to Regulation D under the Securities Act, common stock or a security convertible into common stock, such as convertible notes or convertible preferred stock. The issuer's common stock is usually publicly traded on a U.S. securities exchange or in the over-the-counter market, but the securities acquired by the Funds will be subject to restrictions on resale imposed by U.S. securities laws absent an effective registration statement. In recognition of the illiquid nature of the securities being acquired, the purchase price paid by the Funds in a PIPE transaction (or the conversion price of the convertible securities being acquired) will typically be fixed at a discount to the prevailing market price of the issuer's common stock at the time of the transaction. As part of a PIPE transaction, the issuer usually will be contractually obligated to seek to register within an agreed upon period of time for public resale under the U.S. securities laws the common stock acquired by the Funds or the shares of common stock issuable upon conversion of the convertible securities acquired by the Funds.

While private placements may offer attractive opportunities not otherwise available in the open market, there are numerous risks associated with PIPE transactions. The issuer may be unable to register for public resale the shares held by the Funds in a timely manner or at all, in which case the Funds may be entitled to additional consideration from the issuer, but the shares may be saleable only in a privately negotiated transaction at a price less than that paid by the Funds, assuming a suitable buyer can be found. Disposing of such securities may involve time-consuming negotiation and legal expenses, and selling them promptly at an acceptable price may be difficult or impossible. Even if the shares are registered for public resale, the market for the issuer's securities may nevertheless be "thin" or illiquid, making the sale of such securities at desired prices or in desired quantities difficult or impossible.

xxii. Restricted Securities Risks

The Funds' portfolio investments may include "restricted securities," which are securities that cannot be sold without being registered under the Securities Act, unless they are sold pursuant to an exemption from registration (including Section 4(a)(2) of, or Rule 144A under, the Securities Act). Restricted securities may be less liquid than securities registered for sale to the general public. The liquidity of a restricted security may be affected by a number of factors, including: (i) the credit quality of the issuer; (ii) the frequency of trades and quotes for the security; (iii) the number of dealers willing to purchase or sell the security and the number of other potential purchasers; (iv) dealer undertakings to make a market in the security; and (v) the nature of the security and the nature of marketplace trades. Also, restricted securities may be difficult to value because market quotations may not be readily available.

The Funds may have to bear the expense of registering restricted securities for resale and the risk of substantial delay in effecting registration. The Funds may be unable to sell restricted and other illiquid securities at the most opportune times or at prices approximating the value at which they purchased such securities. If a Fund sells its restricted securities in a registered offering, such Fund may be deemed to be an "underwriter" for purposes of Section 11 of the Securities Act. In such event, such Fund may be liable to purchasers of the securities under Section 11 if the registration statement prepared by the issuer, or the prospectus forming a part of it, is materially inaccurate or misleading, although such Fund may have a due diligence defense. While a Fund typically will be indemnified by the issuer against such liabilities, the issuer may not have the financial resources to satisfy its indemnification obligations. Furthermore, it is the position of the SEC staff that indemnification for violations of the Securities Act is against public policy and therefore unenforceable.

xxiii. Forward Contracts Risks

Forward contracts involve a number of the same characteristics and risks as futures contracts but there also are several differences. Forward contracts are not market traded, and are not necessarily marked to market on a daily basis. They settle only at the pre-determined settlement date. This can result in deviations between forward prices and futures prices, especially in circumstances where interest rates and futures prices are positively correlated. Second, in the absence of exchange trading and involvement of clearing houses, there are no standardized terms for forward contracts. Accordingly, the parties are free to establish such settlement times and underlying amounts of a security or currency as desirable, which may vary from the standardized provisions available through any futures contract. Finally, forward contracts, as two party obligations for which there is no secondary market, involve counterparty credit risk not present with futures.

xxiv. Futures Risks

A purchase or sale of futures contracts may result in losses in excess of the amount invested in the futures contract. If a futures contract is used for hedging, an imperfect correlation between movements in the price of the futures contract and the price of the security, currency, or other investment being hedged creates risk. A liquid market may not exist at a time when the Funds seek to close out a futures or option on a futures contract position, and the Funds would remain obligated to meet margin requirements until the position is closed.

All participants in the futures markets are subject to margin deposit and maintenance requirements. The low initial margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract can result in immediate and substantial losses. Trading hours for non-U.S. stock index futures may not correspond perfectly to the trading hours of the exchange to which a particular non-U.S. stock index future relates. As a result, the lack of continuous arbitrage may cause a disparity between the price of a non-U.S. stock index future and the value of the relevant index.

In addition, if a futures broker of a Fund becomes bankrupt or insolvent, or otherwise defaults on its obligations to such Fund, such Fund may not receive all amounts owing to it in respect of its trading, despite the futures clearing house fully discharging all of its obligations. In addition, in the event of the bankruptcy or insolvency of a clearing house, a Fund might experience a loss of funds deposited through its futures broker as margin with the clearing house, a loss of unrealized profits on its open positions, and the loss of funds owed to it as realized profits on closed positions.

The CFTC and most futures exchanges have established limits, referred to as “position limits,” on the maximum net long or net short positions which any person or entity may hold or control in particular options and futures contracts. The CFTC has also proposed position limits for certain swaps. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, it is possible that the Funds may be aggregated for this purpose. Accordingly, it is possible that the trading decisions of the Adviser may have to be modified and that positions held by the Funds may have to be liquidated in order to avoid exceeding such limits.

xxv. Possible Effect of Substantial Redemptions or Withdrawals

Substantial redemptions or withdrawals of interests could require the Funds to liquidate their positions more rapidly than otherwise desired in order to raise the cash necessary to fund such withdrawals or redemptions. Illiquidity in certain Securities could make it difficult for the Funds to liquidate positions on favorable terms, which could result in losses or a decrease in the net asset value of the Funds. Substantial levels of withdrawals or redemptions could also trigger a suspension or restriction of withdrawals or redemptions, significantly limiting an investor’s liquidity.

IV. Other Possible Risks

There is no assurance that the above list is complete or that there are not other risks that may exist now or may arise in the future.