



CANDLESTICK CAPITAL MANAGEMENT LP  
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**This brochure provides information about the qualifications and business practices of Candlestick Capital Management LP (“Candlestick”). If you have any questions about the contents of this brochure, please contact Candlestick’s Chief Compliance Officer, Jeremy Heckerling at 203.889.4845 or [jheckerling@candlestickcapital.com](mailto:jheckerling@candlestickcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**March 30, 2020**

## Item 2 – Material Changes

The Funds' previous Administrator, Morgan Stanley Fund Services (Bermuda) Ltd., assigned and transferred its rights and obligations under the administration agreement between it and the Funds to its affiliate, Morgan Stanley Fund Services (Cayman) Ltd. (the Funds' current Administrator), as is permitted under that agreement. Additionally, as of January 1, 2020, Jack Woodruff transferred portions of his ownership interests in the registrant and some of its affiliates to trusts controlled solely by him for estate-planning purposes.

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#### Item 4 – Advisory Business

Candlestick Capital Management LP, a Delaware limited partnership ("Candlestick"), was founded in January 2019. Candlestick began operations as an investment adviser on October 1, 2019 and serves as the discretionary investment manager to its private fund Clients. Candlestick was founded by John "Jack" Woodruff, who serves as its Chief Investment Officer. Mr. Woodruff (directly and through entities he controls) controls and is the majority owner of Candlestick and its affiliated management and general partner entities.

Candlestick's private fund Clients are Candlestick Master Fund LP, a Cayman Islands exempted limited partnership (the "Master Fund"), Candlestick Cayman Feeder Ltd, a Cayman Islands exempted company (the "Offshore Feeder"), Candlestick US Feeder LP, a Delaware limited partnership (the "US Feeder," together with the Offshore Feeder, the "Feeder Funds") and Candlestick US F&F Fund LP, a Delaware limited partnership (the "F&F Fund," and together with the Master Fund, the "Trading Funds"; the Trading Funds and Feeder Funds together are the "Funds"). The Offshore Feeder and the US Feeder each invest substantially all of its assets in the Master Fund. In addition, one investor (the "Strategic Investor") invested directly into a separate share class of the Master Fund. The F&F Fund has the same investment objective as, and is managed generally *pari passu* with, the Master Fund. Candlestick Funds GP LLC (the "Candlestick GP"), an affiliate of Candlestick, acts as the general partner of the Master Fund, the US Feeder and the F&F Fund. Note that because the F&F launched as of January 1, 2020, it is not included in Part 1A of this Form ADV, which is based on information accurate as of December 31, 2019.

Candlestick generally has broad investment authority with respect to its management of the Trading Funds' assets, although the Funds invest primarily in equity securities and related financial instruments of U.S. and international companies.

Candlestick does not tailor its advisory services to the individual needs of investors in the Funds ("Fund Investors") and generally does not accept Fund Investor-imposed investment restrictions, other than certain investment guidelines that have been agreed to by the Master Fund and the Strategic Investor. However, Candlestick may advise separately managed accounts for particular clients, in which event such accounts will be subject to investment objectives, guidelines and restrictions, fee arrangements and other terms individually negotiated with each such separate account holder.

Candlestick does not participate in wrap fee programs.

As of December 31, 2019, Candlestick's regulatory assets under management were approximately \$2.8 billion, all of which are managed on a discretionary basis. Candlestick does not manage assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

**Asset-Based Compensation.** The Fund Investors generally are charged an investment management fee of 2% of the value of the Funds’ assets under management (the “Management Fees”). Management Fees are charged quarterly in advance on the first business day of each calendar quarter. Management Fees will be adjusted for partial periods. Candlestick may waive or reduce the Management Fees for any Fund Investor; provided, that Candlestick intends to waive or reduce the Management Fees solely for investors that are officers, directors, members, partners or employees of Candlestick or its affiliates (the “Employees”) and their immediate family members and trusts or other entities for their benefit. The Management Fees are generally deducted from each Fund account by the Funds’ administrator, Morgan Stanley Fund Services (Cayman) Ltd. or Morgan Stanley Fund Services USA LLC, as applicable (the “Administrator”) upon Candlestick’s proper instructions.

**Performance-Based Compensation.** The Funds pay Candlestick or an affiliate performance-based compensation (“Incentive Compensation”) at a rate (the “Incentive Compensation Percentage”) of between twenty and thirty percent, based on a sliding scale of the gross return above the applicable highwater mark applicable to the particular series of shares or capital account. Incentive Compensation is calculated by multiplying the cumulative year-to-date realized and unrealized gains and other net income by the applicable Incentive Compensation Percentage. Gross return is calculated based on the net asset value of such series or capital account as of the final day of the applicable fiscal year minus the applicable highwater mark (but not below zero), determined prior to the allocation of any Incentive Compensation but after the allocation of all income and all chargeable fund expenses, including, without limitation, the Management Fee. The Incentive Compensation will be adjusted to reflect any withdrawals or distributions from the relevant series of shares or capital account.

The applicable Incentive Compensation Percentages are as follows:

Gross Return to Applicable Investment with Respect to Applicable Fiscal Year	Incentive Compensation Percentage
Greater than 0% and less than or equal 12%	20%
Greater than 12% and less than or equal to 13%	21%
Greater than 13% and less than or equal to 14%	22%

Greater than 14% and less than or equal to 15%	23%
Greater than 15% and less than or equal to 16%	24%
Greater than 16% and less than or equal to 17%	25%
Greater than 17% and less than or equal to 18%	26%
Greater than 18% and less than or equal to 19%	27%
Greater than 19% and less than or equal to 20%	28%
Greater than 20% and less than or equal to 21%	29%
Greater than 21%	30%

Candlestick and its affiliates may waive or reduce the Incentive Compensation for certain investors; provided, that Candlestick intends to waive or reduce the Incentive Compensation solely for Employees and their immediate family members and trusts or other entities for their benefit.

The Strategic Investor is entitled to a revenue share consisting of an asset-based component and a performance-based component, which will generally reduce (on a dollar-for-dollar basis, but subject to the existence of net profits) the Management Fee and Incentive Compensation otherwise payable or allocable to Candlestick.

Candlestick and its Employees do not accept compensation for the sale of securities or other investment products.

**Expenses.** In addition to the Management Fee and Incentive Compensation, each Fund bears all of its own operating expenses (and the Feeder Funds bear their *pro rata* share of the Master Fund's operating expenses). If an expense relates to more than one Fund, Candlestick generally allocates such expense *pro rata* based on the relevant Fund net asset values, unless Candlestick deems another methodology to be more equitable.

Operating expenses include (a) Organizational and Offering Expenses (as defined below); (b) expenses associated with all investments and transactions considered, evaluated and/or consummated by the Funds, as well as overall consideration and evaluation of the Funds' portfolio, expenses incurred before the initial Fund closings, including expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, third-party research, data, analytics, modeling, risk, structuring, pricing, execution and other third-party information systems, including, installation and maintenance, software and service fees (including expenses with respect to data, data feeds, subscriptions, expert networks, political intelligence providers and reports); (c) the costs of research-related computer hardware and software expenses, including

Bloomberg terminals and subscriptions; (d) the costs of Candlestick's portfolio management system and any other software used for accounting and/or monitoring of the portfolio, including subscriptions relating to, among other things, trading and order management systems and services; (e) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all Fund investments and all transaction and other costs associated therewith; (f) professional fees associated with investments and potential investments, including consulting, due diligence, accounting, valuation, financial, legal and other advisory fees and expenses; (g) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; (h) expenses associated with the Funds' legal and regulatory filings in any jurisdiction (including, pursuant to Sections 13 and 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well as the expenses associated with preparation and filing of the Investment Manager's Form 13F, Form 13H and Form PF; (i) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with the Funds' operations, investments and transactions, including fees and expenses of the Administrator and fees of any service provider engaged to verify the work of the Administrator or regulatory matters with respect to the Funds; (j) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization with respect to the Funds; (k) costs and expenses of leverage or any other Fund borrowings, including interest charges and fees; (l) expenses incurred in the collection of monies owed to the Funds; (m) Fund auditing and accounting expenses, including expenses associated with the preparation of financial statements, and tax returns and the fees and expenses of the auditor; (n) any entity-level taxes, fees or other governmental charges on the Funds, including any withholding taxes not due to the status or noncompliance of a particular Fund Investor; (o) Directors' fees and expenses; (p) costs and expenses associated with investor communications and reports and the delivery thereof to Fund Investors; (q) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions; (r) costs and expenses associated with investor meetings; (s) insurance expenses, including general partner liability insurance and other policies, if any, as well as the Funds' share of expenses with respect to directors' and officers' liability insurance and errors and omissions insurance (and, for the avoidance of doubt, Candlestick will bear a portion of the expenses not covered by the Funds); (t) costs and expenses (including, without limitation, entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Funds; (u) wind-up, liquidation, termination, strike off and dissolution expenses; (v) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment-related filing expenses; (w) costs related to any transfers of Interests, unless otherwise charged to or borne by the applicable transferor and/or transferee; (x) expenses incurred in connection with

the preparation of any amendment to any organizational document, including the preparation or amendment of any side letter; (y) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by the Funds; (z) any extraordinary expenses (including all litigation-related and indemnification and contribution expenses, including the amount of any judgment or settlement paid in connection therewith); (aa) fees of the independent members of the Master Fund Advisory Committee; (bb) the Management Fee; and (cc) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Funds, including any other cost that may otherwise be paid by the Funds with soft dollars pursuant to Section 28(e) of the Exchange Act. "Organizational and Offering Expenses" include: (dd) all costs and expenses incurred in connection with the Funds' formation and the offering and sale of the interests; (ee) the costs of third-party research, data, analytics, modeling, risk, structuring, pricing, execution and other third-party information systems; and (ff) legal and other onboarding costs incurred in connection with negotiating and entering into agreements with third-party research providers; in each case, incurred at or prior to the initial closing of the for services provided prior to such initial closing. Organizational and Offering Expenses do not include expenses of negotiating or organizing the Strategic Investor's separately managed account; provided, that the Master Fund bears the legal expense for the Strategic Investor's counsel to review the exempted limited partnership agreement of the Master Fund in an amount not to exceed \$50,000.

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

**Performance-Based Fees.** Candlestick accepts performance-based compensation as described in Item 5 (i.e., the Incentive Compensation) from each Fund Investor. Such performance-based compensation may create an incentive for Candlestick to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, since Incentive Compensation is calculated on a basis that includes unrealized appreciation of a Fund's assets, such compensation may be greater than if it were based solely on realized gains. As a result, Candlestick may receive Incentive Compensation reflecting unrealized gains at the end of a year or upon an investor's withdrawal or redemption from a Fund, as applicable, that are not subsequently realized by the Funds.

However, Candlestick generally will not face certain conflicts of interest that might otherwise arise when an investment adviser accepts performance-based fees from some Clients but not from other Clients, because: (i) the Master Fund has a single portfolio the gains and losses from which are allocated ratably among the Master Fund investors— the Feeder Funds and the Strategic Investor— without regard to fees; and (ii) the F&F Fund is managed generally on a *pari passu* basis with the Master Fund.



**Side-By-Side Management.** Likewise, as both Trading Funds pay the same asset-based and performance-based compensation, Candlestick does not expect to face conflicts of interest as a result of managing different Client accounts with different types of fee arrangements. However, if Candlestick becomes adviser to separately managed accounts with differing compensation structures, then Candlestick may face such conflicts of interest.

## Item 7 – Types of Clients

As previously described in Item 4, Candlestick’s Clients consist solely of private investment funds.

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

### A. Methods of Analysis and Investment Strategies

Candlestick’s principal investment objective is to generate attractive, risk-adjusted returns by employing a long-short strategy focused chiefly, though not exclusively, on the equity (and equity-related) securities of companies in the global consumer, internet and select industrial sectors, principally though not exclusively in the U.S. Notwithstanding its focus on equity securities of large, U.S., consumer-related issuers, Candlestick maintains a broad mandate so that it may respond to and exploit changing market conditions and new investment opportunities. This includes, but is not limited to, investing in other industry sectors, geographic regions or asset classes.

Candlestick’s investment theses for both long and short trading views are the products of a rigorous, bottom-up, fundamentally-driven research process. The investment team maintains active coverage of a substantial universe of issuers, applies model- and data-driven analysis to each name and refreshes its analyses regularly. Candlestick generally seeks to maintain a low- to modest- net exposure to the broader markets. Its short positions generally are not paired or relative-value investments but are meant to be profit-generating on a stand-alone basis.

### B. Material Risks Relating to Investment Strategy

*Although the Funds’ investments are held in the Trading Funds and the Feeder Funds invest solely in the Master Fund, for purposes of this discussion of risks, all investments will be deemed to be held by the “Funds.”*

The securities, markets and strategies in which Candlestick will invest the Funds' assets are subject to significant risks. Investing in securities involves risk of loss that Fund Investors should be prepared to bear. While Candlestick strives to mitigate these risks through a variety of techniques, Candlestick makes no guarantee or representation that the Funds' investment program will be successful.

*General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If Candlestick's evaluation of an investment opportunity should prove incorrect, the Funds could experience losses due to a decline in the market value of securities in which the Trading Funds hold long positions or an increase in the value of securities in which the Trading Funds hold short positions. Candlestick's risk management techniques cannot protect the Funds' investments from risks of significant investment losses. In addition, investment results may vary substantially over time.

*Investment Judgment.* The Funds' profitability depends significantly upon Candlestick correctly assessing the future profitability of companies and future price movements of securities and other investments. There can be no assurance that Candlestick will be able to accurately predict the long-term results of any security or other investment.

*General Economic Conditions.* The Funds' performance will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, sudden changes in levels of economic activity, changes in laws (including laws relating to taxation of the Funds' investments), tax considerations and tax treatment, trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations) as well as regional or global pandemics or other public health crises. Candlestick may consider some or all of these factors when making trading decisions. The Fund's investments could incur material losses even if Candlestick reacts quickly to difficult market conditions, and there can be no assurance that the Funds would not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Markets for the financial instruments in which Candlestick will seek to invest can correlate strongly with each other at times or in ways that are difficult to predict. Even a well-analyzed approach may not protect the Funds from significant losses under certain market conditions.

*Availability of Suitable Investments.* The Funds' success depends on Candlestick's ability to identify overvalued and undervalued investment opportunities and to manage market risk. Identification and exploitation of the investment strategies to be pursued by Candlestick involve a high degree of uncertainty. No assurance can be given that Candlestick will be able to identify suitable investment opportunities in which to deploy all of Candlestick's Clients' capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments.

*Available Information.* Candlestick may select investments, in part, on the basis of information and data that users have filed with various government regulators or made directly available to us,

or through sources other than the issuers. Although Candlestick evaluates all such information and data and seeks independent corroboration when it considers it appropriate and when it is reasonably available, Candlestick is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases complete and accurate information is not readily available.

*Concentration of Investments; Limited Diversification and Sector Investing.* The Funds may hold a limited amount of positions (both long and short) at any given time or they may hold relatively large positions in few securities. Due to this potential concentration, a significant loss in any one position may have a material adverse effect on the Funds' performance. Likewise, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on the Funds' performance.

*Equity Securities.* Candlestick's objective is to invest the Funds' assets primarily in equity and equity-related securities including equity investments acquired in connection with restructured debt securities or instruments, or in connection with reorganizations and/or restructurings of debt securities, equity securities or other obligations and assets of undervalued, operationally challenged and/or financially troubled companies or institutions. Such equity securities may decline in value. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, equity securities that Candlestick believes are undervalued or incorrectly valued may not ultimately be valued by the markets in the manner that Candlestick anticipates.

*Debt Securities.* Although Candlestick's investment strategy focuses primarily on trading equities, Candlestick may also invest in debt or other fixed income securities, including non-investment grade securities, and similar obligations and instruments. Particularly with respect to non-investment grade securities, there is a risk that the market values of debt instruments may be more volatile than the values of other investments and, during periods of economic uncertainty and change, the market price of these investments may decrease significantly.

*Hedging.* The Funds may engage in certain hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses to the Funds. The success of the hedging strategy depends on Candlestick's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategy is also subject to Candlestick's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance for the Funds than if no such hedging transactions were executed. Moreover, Candlestick may determine not to hedge against, or may not anticipate, certain risks. Finally, the Funds may be

exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

*Options.* The investment strategy also includes trading options when appropriate. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option that the writer must purchase or deliver upon exercise of the option.

*Derivatives.* The Funds may invest in derivative financial instruments. Candlestick may, from time to time, utilize both exchange-traded and over-the-counter derivatives, including swaps, futures, options and contracts for differences, either to express an investment view or for hedging purposes. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

*Forex Trading.* The investment strategy may include investments that are not traded on an exchange, and the funds invested in those transactions may not receive the same protections as funds used to margin or guarantee exchange-traded futures and options contracts. If the counterparty becomes insolvent and the Funds have a claim for amounts deposited or profits earned on transactions with the counterparty, the Funds' claim may not receive a priority. Without a priority, each Trading Funds will be a general creditor and its claim will be paid, along with the claims of other general creditors, from any monies still available after priority claims are paid. Even the Trading Funds' funds that the counterparty keeps separate from its own operating funds may not be safe from the claims of other general and priority creditors. Forex trading can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset value of the Funds.

*Leverage.* Candlestick employs leverage in connection with the Funds' investments at such times, in such amounts and subject to such terms and conditions as it may determine appropriate or desirable. Such leverage may take a variety of forms, including, but not limited to, margin borrowing from securities brokers and dealers, loans, repurchase agreements, derivative instruments that are inherently leveraged, margin borrowing from securities brokers and dealers and other financing arrangements. Leverage increases both the possibility for gain and the risk of loss. Leverage employed by the Funds may be secured by the Funds' securities holdings.

Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if the Funds are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations, which could have extremely adverse consequences.

*Short Sales.* Short selling involves borrowing and selling securities that are not owned with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a rapid increase in the price of a stock held short due to broad covering of short positions in the market. The detrimental effects of a short squeeze may be exacerbated by the lender of a security demanding the return of the security that has been loaned at any time. If a lender were to demand the return of securities that the short seller had borrowed, the seller would be required to replace the borrowed securities by borrowing identical securities from another lender. If the seller were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market to make delivery and would incur significant losses if the securities sold short had increased in value.

A short seller could also be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice. In addition, the cost to borrow securities in connection with short sales may be significant.

*Securities Lending and Borrowing.* Candlestick may permit the Funds’ Prime Brokers to lend securities to securities brokers and other institutions as a means of earning additional income or may borrow securities from securities brokers or other institutions in connection with short positions. The cost of such borrowing may be significant. If the other party to such transaction becomes insolvent or bankrupt, the Funds could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Funds could experience further losses. Security loans must be fully collateralized, and Candlestick must be satisfied with the creditworthiness of the other party to the transaction.

*Trade Error Risk.* Trade errors include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume and complexity of the investment strategy’s transactions, trade errors are likely to occur, notwithstanding the due care applied and special procedures designed to prevent such errors. If trading errors do occur, generally the Funds will

be responsible for gains or losses resulting from such errors, except where such trade error is the result of Candlestick's gross negligence, willful misconduct or fraud.

*Competition.* The securities industry is extremely competitive. Candlestick competes for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the investment strategy's opportunity for profit by reducing the availability of or increasing the price of what Candlestick believes to be exceptional investment opportunities.

*Securities Market Volatility.* Securities markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of debt and equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

*Risk of Operations/Liquidity Risks.* Although the securities that the investment strategy recommends generally will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible to liquidate positions and would thereby expose a Fund to losses. In addition, some of the securities the strategy recommends may be thinly traded, potentially making it difficult to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so.

*Risks of Foreign Investments.* Candlestick may recommend investments in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. The strategy may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Some of the countries in which the Trading Funds may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems.

*Company Capitalization.* Candlestick may invest in securities of companies with various capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some respects than do investments in



securities of larger companies. The prices of small capitalization and even medium-capitalization and mid-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-, mid- and medium-capitalization securities, an investment in those securities may be illiquid. The small-, mid- and medium-capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

*Securities of Sub-Investment Grade Companies.* Although investments in securities of sub-investment grade and highly-leveraged companies may result in significant returns to the strategy, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing works against a Fund’s short position, the Fund’s losses would be heightened. If the Fund purchases distressed and/or non-performing debt securities, and subsequent to purchasing them finds that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that Candlestick will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds could lose their entire investment. Under such circumstances, the returns generated from the Fund’s investments may not compensate the Fund Investors adequately for the risks assumed.

*Special Situation Investments.* The Funds 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 considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds 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, the Funds may be required to sell the investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of their entire investment in such companies.

*Borrowing; Interest Rates; Margin.* The Funds typically borrow in order to increase the amount of capital available for marketable securities investments. The rates at which the Funds can borrow, in particular, will affect the Funds’ operating results. Even if the Funds make a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the

trade. Any use of short-term borrowings or repurchase agreements will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts or repurchase obligation decline in value, the Funds could be subject to a "margin call," pursuant to which such Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off its margin debt.

*Institutional Risks.* Financial institutions will have custody of the Funds' assets. Certain of the Funds' assets will be exposed to the credit risk of the dealers, brokers and exchanges through which Candlestick deals, whether Candlestick engages in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Funds' assets were to become bankrupt or insolvent, it is possible that the Funds would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

*Counterparty Risk.* Brokers may trade with an exchange as principals on behalf of the Funds in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to a substantial amount of the Funds' assets (for example, the transactions that the broker has entered into on behalf of the Funds as principal as well as the margin payments that the Funds have posted). In the event of such broker's insolvency, the transactions into which the broker has entered as principal could default, and the Funds' assets could become part of the insolvent broker's estate, to the detriment of the Funds. The Funds' assets may be held in "street name," in which case, a default by the broker could cause the Funds' rights to be limited to that of an unsecured creditor.

To the extent that the Funds invest in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Funds may also take a credit risk with respect to the parties with whom it trades and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

*Discretion and Changes in Investment Strategy.* Candlestick has considerable discretion in choosing the securities that may be acquired, and, subject to its fiduciary duties, it has the right to modify the investment strategy, selection criteria or hedging techniques used by the Funds.

*Business Continuity and Disaster Recovery.* Candlestick's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods,



hurricanes and earthquakes), terrorist attacks, public health crises or other circumstances resulting in property damage, network interruption, prolonged power outages and/or disruptions caused by public health-related quarantines or affected employees. Although Candlestick and/or their affiliates have implemented, or expect to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on the Funds' investments.

*Cyber Security Breaches and Identity Theft.* Candlestick's information and technology systems, as well as those of its vendors, may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. The techniques used to obtain unauthorized access to data, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Although Candlestick has implemented, or expects to implement, measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Candlestick may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and/or a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors).

*Risk Management.* Candlestick's investment program is speculative and entails substantial risks. There can be no assurance that its investment objectives will be achieved or that the Funds will be profitable, and results may vary substantially over time. Candlestick will focus on managing risk through the quality of its investment process and monitoring of investments. Candlestick may not broadly diversify the Funds' portfolios, and, in such event, the Funds will bear greater risk with respect to each investment than would be the case with respect to a diversified portfolio.

## Item 9 – Disciplinary Information

There have been no legal or disciplinary events with respect to Candlestick or its management persons that would be material to a Client's or investor's evaluation of Candlestick or the integrity of its management.

## Item 10 – Other Financial Industry Activities and Affiliations

Candlestick and its management persons are not registered as, and do not have any application pending with the SEC to register as a broker-dealer or registered representative of a broker-dealer, nor with the CFTC as a futures commission merchant. The Funds are exempt from registration with the CFTC as a commodity pool operator in reliance upon Commodity Exchange Act Rule 4.13(a)(3) and Candlestick is exempt from registration as a commodity trading advisor under Rule 4.14(a)(8).

As indicated above, the Candlestick GP serves as the general partner of the Master Fund, the US Fund and the F&F Fund.

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

Pursuant to Rule 204A-1 of the Advisers Act, Candlestick has adopted a written Code of Ethics (the “Code”) predicated on the principle that Candlestick owes a fiduciary duty to its Clients. The Code is designed to address and avoid potential conflicts of interest and is applicable to all Employees and certain specified portions extend to each Employee’s spouse, minor children and other family members living in his or her household.

Candlestick requires its Employees to act in its Clients’ best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper. Investors wanting to review the Code should contact the Chief Compliance Officer, Jeremy Heckerling, at [jheckerling@candlestickcapital.com](mailto:jheckerling@candlestickcapital.com) or (203) 889-4845.

The Code incorporates the following general principles that all Employees are expected to uphold:

- Employees must at all times place the interests of Clients first;
- All personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an Employee’s position of trust and responsibility must be avoided;
- Employees must not take any inappropriate advantage of their positions;
- Information concerning the identity of securities and financial circumstances of the Clients and Investors must be kept confidential; and
- Independence in the investment decision-making process must be maintained at all times.

Employees are generally prohibited from transacting in single name companies (including initial public offerings) in their personal accounts and must pre-clear other transactions involving Reportable Securities (as defined in Sec. 204A-1 of the Advisers Act), other than transactions in broad-based index ETFs. Employees must disclose all accounts and holdings initially upon commencement of employment, and annually thereafter. In addition, Employees are required to

provide quarterly reports regarding transactions in Reportable Securities and newly opened personal accounts.

Candlestick may receive information that restricts or causes its Clients to become restricted in their investment activities. As a result, Candlestick's Clients may be prohibited from buying or selling certain securities, and as a result, may be required to maintain a position that it might have otherwise exited, or be unable to enter a position. This may result in significant losses, failure to avoid losses or failure to realize a profit in certain investments.

Candlestick generally will not effect cross trades between or among Clients (i.e., causing one or more Clients to sell investments to one or more other Clients) except for periodic rebalancing trades, if needed to maintain *pari passu* trading (generally) among such Clients. All such cross trades must be consistent with the investment objectives and policies of each Client account involved in the trades and applicable law and must be pre-approved by Candlestick's Conflicts Committee, including the Chief Compliance Officer.

## Item 12 – Brokerage Practices

### Trading and Execution.

Candlestick has full authority to select broker-dealers ("brokers") to effect transactions on behalf of the Trading Funds, and full authority to negotiate the commission rates paid for each transaction. Portfolio transactions are allocated to brokers on the basis of best execution and in consideration of relevant factors, including, but not limited to: price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; the difficulty of execution; the broker or dealer's expertise in the relevant market or sector; the extent to which the broker or dealer makes a market in the security or has access to such market; the broker or dealer's skill in positioning the relevant market; the broker or dealer's facilities, reliability, promptness and financial stability; the broker or dealer's reputation for diligence and integrity (including in correcting errors); confidentiality considerations; the quality and usefulness of research products and services and investment ideas presented by the broker or dealer; and other factors deemed appropriate by Candlestick. Candlestick need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance and consulting services with respect to technology, operations, equipment and office space or other services or items. Neither Candlestick nor the Funds separately compensate any broker for any of these other services. A Trading Fund may pay a commission to a broker that is higher than another qualified broker-dealer might charge to effect the same transaction when Candlestick determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services

that Candlestick receives. In seeking best execution for Clients, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the services and value the broker provides to the Trading Funds. Investors in the Feeder Funds include funds of funds affiliated with brokers or, possibly, brokerage firms themselves and/or their individual registered representatives. The fact that any such investor has invested in the Feeder Funds is not taken into consideration when selecting brokers (including prime brokers). Candlestick will regularly evaluate the execution performance of brokers executing transactions for the Trading Funds and other Clients, including but not limited to during periodic meetings of Candlestick's Brokerage Committee.

#### Soft Dollars

Candlestick's use of commission or "soft" dollars for research and research-related services is expected to come within the safe harbor for the use of soft dollars provided under Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended ("Section 28(e)"). Research products and services provided by brokers through which portfolio transactions are executed, settled and cleared, as well as research provided by third parties and paid for with soft dollars may include research reports on particular industries and companies, economic surveys, analyses and data (including alternative data), recommendations as to specific securities, access to management and other products and services providing lawful and appropriate assistance to Candlestick in the performance of its investment decision-making responsibilities. If a product or service is obtained with commission dollars that provides both research and non-research assistance to us, Candlestick will make a reasonable allocation of the cost which may be paid for with commission dollars (to ensure that soft dollars are only used to pay for research and research-related services). Candlestick also may enter into commission sharing arrangements in the U.K. to obtain brokerage and research services.

Candlestick anticipates that it will regularly receive research products or services directly from brokers and from third parties paid by brokers.

Candlestick's Chief Compliance Officer is responsible for determining whether soft dollar payments comply with the requirements of the Section 28(e) safe harbor. When an adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it may receive a benefit because it does not have to produce or purchase such products or services. It may therefore have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution. That risk is mitigated in Candlestick's case because the Funds have agreed that they, not Candlestick, are responsible for such research expenses in any event.

#### Prime Brokers

Credit Suisse (USA) LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC each act as prime broker and custodian (each, a "Prime Broker") on behalf of the Master Fund (and one or

more of them are expected to be appointed as Prime Broker for the F&F Fund as well). Candlestick reserves the right to select one or more other prime brokers in the future. Each Prime Broker was selected based on its brokerage capabilities, technology and risk management systems and its reputation as a recognized global leader in the marketplace. Each Prime Broker is a “qualified custodian,” as defined pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended.

#### Directed Brokerage and Client Referrals

Candlestick does not allow any Fund Investors to direct trade executions through a particular broker. Candlestick’s representatives may speak at conferences and programs sponsored by prime brokers and/or executing brokers, including, but not limited to, the Prime Brokers, for investors interested in investing in hedge funds. Through such capital introduction events, prospective investors in the Feeder Funds have the opportunity to meet with us. Neither Candlestick nor the Funds pay for such events or for any investments ultimately made by prospective investors attending such events. However, such events and other services provided by a broker may influence us in deciding to use such broker in connection with brokerage, financing and other activities of the Funds.

#### Order Aggregation

Consistent with its mandate to invest on behalf of the F&F Fund and the Strategic Investor’s separately managed account (if and when those accounts are launched) generally *pari passu* with the Master Fund, Candlestick intends to purchase or sell the same security for all of its Clients contemporaneously and using the same executing broker. Where possible, Candlestick will also aggregate in the same transaction, the same securities for accounts where Candlestick has brokerage discretion. Such aggregation may enable Candlestick to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is filled (completely or partially), Candlestick allocates the securities purchased or proceeds of sale *pro rata* among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, then generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding and market practice.

#### Item 13 – Review of Accounts

All investments and Client portfolios will be subject to ongoing review by Candlestick’s investment personnel, including the portfolio managers and the chief investment officer. Members of Candlestick’s investment team will examine, among other things, its continued

conviction in each of its investment theses, risks, sizing and net exposures. In addition, members of the operations team monitor all orders and executions, balances, financing and exposures.

The Administrator will perform a daily valuation of the Funds' portfolios, and Candlestick and the Administrator will perform daily reconciliations of those valuations to identify any discrepancies.

Candlestick will provide each Fund Investor with audited annual financial statements within 120 days after the end of the fiscal year, annual tax information necessary to complete the applicable tax returns and may provide periodic performance and other updates.

Candlestick may, in its discretion, make arrangements with certain Fund Investors to provide certain periodic reports or information. Fund Investors that desire access to such information must notify Candlestick, though access to such information will be granted only upon execution of a non-disclosure and indemnification agreement, to the extent applicable. Fund Investors may request additional information and reporting. Candlestick may not provide to other Fund Investors such portfolio information or some or all items provided in response to the foregoing requests. Such information could affect an investor's decision to request a redemption from a Fund. The Funds and Candlestick each reserve the right to withhold such information from any one investor or prospective investor, as applicable, and cease dissemination of such information entirely to investors or prospective investors if such information is subject to abuse.

Candlestick expects that it will provide Managed Account holders with various, customized reports that could be more frequent and more detailed than what is provided to Fund Investors.

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

Candlestick does not directly compensate any person for Client or Fund Investor referrals.

#### Item 15 – Custody

While Candlestick does not maintain physical custody of Fund assets, Candlestick (or its affiliates) is deemed to have custody of Fund assets pursuant to Rule 206(4)-2 of the Advisers Act due to its ability to access the accounts of the Funds through their position as the general partner of the Funds. Fund Investors do not receive statements directly from the Funds' custodians. Instead, the Funds are subject to an annual audit by an independent, PCAOB-registered auditing firm and audited financial statements are distributed to each Fund Investor. Audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles and distributed within 120 days of each Fund's fiscal year end.

### Item 16 – Investment Discretion

Pursuant to investment management agreements between Candlestick and the Funds, Candlestick has full discretionary authority with respect to investment decisions on behalf of the Trading Funds.



### Item 17 – Voting Client Securities

Candlestick’s investment management agreements with the Funds grant Candlestick the authority to cast all proxy votes. Candlestick has adopted a proxy voting policy that provides that Candlestick will act in the best interests of the Funds in determining whether and how to vote on any proxy voting matter. To assist Candlestick in its responsibility for voting proxies, it has retained Broadridge Investor Communication Solutions, Inc. (“Broadridge”) as an expert in the proxy voting and corporate governance area. Broadridge is an unaffiliated, third party proxy voting service. Candlestick’s Chief Compliance Officer has reviewed and approved the Proxy Voting Guidelines prepared by Broadridge and its designees and has determined that these guidelines accurately reflect Candlestick’s objective standards in voting proxies. It is Candlestick’s policy generally to vote proxies based upon Broadridge’s recommendations and consistent with the Proxy Voting Guidelines. Candlestick’s proxy voting policies and procedures include guidelines regarding, among others: (i) the process in place to override a vote recommendation from Broadridge; (ii) responsibilities of certain parties with regard to the proxy voting process; (iii) how material conflicts of interest are resolved to ensure that all proxies are voted in the best interests of Clients; and (iv) recordkeeping issues. Because Candlestick provides investment advice to commingled investment entities, individual Fund Investors may not direct Candlestick on how to cast a proxy vote. Fund Investors and prospective investors may obtain a copy of Candlestick proxy voting policies and procedures and information about how Candlestick voted a Client’s proxies by contacting Candlestick’s Chief Compliance Officer, Jeremy Heckerling, at [jheckerling@candlestickcapital.com](mailto:jheckerling@candlestickcapital.com) or (203) 889-4845.

### Item 18 – Financial Information

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