

# BRIDGEWATER ASSOCIATES, LP

## Form ADV Part 2A

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Uniform Application for Investment Adviser Registration

**March 30, 2020**

This brochure provides information about the qualifications and practices of Bridgewater Associates, LP ("Bridgewater"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply that Bridgewater or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Please contact Bridgewater if you have any questions about the contents of this brochure.

Additional information about Bridgewater is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2: Material Changes.**

This brochure dated March 30, 2020 (the “Brochure”) was last updated on March 31, 2019. There have been no material changes since the last annual update.

The Bridgewater Brochure may be requested by contacting Helene Glotzer, Chief Compliance Officer and Counsel, at 203-226-3030 or [compliance@bwater.com](mailto:compliance@bwater.com).

<b><u>Item 3: Table of Contents.</u></b>	<b><u>Page</u></b>
Item 1: Cover Page .....	[1]
Item 2: Material Changes .....	[2]
Item 3: Table of Contents.....	[3]
Item 4: Advisory Business.....	[4]
Item 5: Fees and Compensation.....	[6]
Item 6: Performance-Based Fees and Side-By-Side Management.....	[8]
Item 7: Types of Clients .....	[9]
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	[10]
Item 9: Disciplinary Information.....	[36]
Item 10: Other Financial Industry Activities and Affiliations.....	[37]
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	[38]
Item 12: Brokerage Practices.....	[40]
Item 13: Review of Accounts.....	[43]
Item 14: Client Referrals and Other Compensation.....	[44]
Item 15: Custody.....	[45]
Item 16: Investment Discretion .....	[46]
Item 17: Voting Client Securities .....	[47]
Item 18: Financial Information .....	[48]
Item 19: Requirements for State-Registered Advisers.....	[49]

**Item 4: Advisory Business.**

Bridgewater provides discretionary investment management services to pooled investment vehicles and single investor funds ("funds"), and managed account clients (collectively, "Clients"). Bridgewater's client and fund investor base consists of a wide array of institutional investors globally, which include, but are not limited to, corporate and public pension funds, foreign governments and central banks, university endowments, charitable foundations, family offices, fund of funds and similar third-party entities, and Union/Taft Hartley plans.

Bridgewater began operations in 1975, providing money management and consulting services in the global credit and currency markets. Initially, these services were provided to corporations in the management of income and balance sheet exposures. Today, institutional portfolio management is Bridgewater's primary focus. Additionally, Bridgewater publishes *The Daily Observations*, which is Bridgewater's flagship research publication.

Bridgewater structures portfolios in a manner designed to produce consistent and uncorrelated returns. Bridgewater believes that building portfolios based on risk allocations is more effective than using capital allocations; and that investors should consider their strategic asset allocation (beta) separate from tactical moves (alpha). Bridgewater believes investors can improve their portfolios' overall results by separately creating a well-diversified beta portfolio that is balanced against environmental biases and calibrated to one's targeted returns, and a well-diversified alpha portfolio that reduces systematic biases (and also calibrated to one's targeted returns).

Bridgewater applies this approach to investing across the portfolios it manages. Bridgewater offers Clients an active management strategy ("Pure Alpha"), a constrained active management strategy that invests in a subset of the markets in which Pure Alpha invests ("Pure Alpha Major Markets"), an asset allocation strategy ("All Weather"), and an investment strategy which applies its best understanding of how to combine All Weather with tailored active market views ("Optimal Portfolio").

Bridgewater and its funds utilize the processes and technology of Bank of New York Mellon ("BNY Mellon") for middle and back office services, fund administration, and custodial services. Bridgewater retains overall responsibility for the monitoring of its back office and has implemented a tri-party model whereby a secondary provider independently replicates and verifies certain BNY Mellon activities and enhances business continuity capabilities ("shadow services"). Northern Trust ("NT") provides shadow services across fund administration and middle and back office activities.

As of February 29, 2020, Bridgewater manages Client assets on a discretionary basis in the amount of approximately \$163 billion. Bridgewater does not manage Client assets on a non-discretionary basis.

Bridgewater's only direct owners are (i) Bridgewater Associates Intermediate Holdings, LP ("Intermediate Holdings"), a general partner and limited partner of Bridgewater and (ii) TrustCo LLC ("TrustCo"), a limited partner of Bridgewater. Intermediate Holdings is the sole Member of TrustCo, and as a result, is effectively Bridgewater's sole direct owner.

Bridgewater Associates Holdings, Inc. ("Holdings") is the ultimate parent entity and owns approximately 80% of Intermediate Holdings, with the remaining approximately 20% being held by a small group of external institutional investors in the form of non-voting, limited partnership units.

For detail regarding ownership of Holdings, please see Bridgewater's Form ADV Part 1. Holdings, Intermediate Holdings, TrustCo and Bridgewater are all Delaware entities.

Bridgewater Tailored All Weather GP, Ltd. and 249-251 GFR, LLC are relying investment advisers of Bridgewater. Together with Bridgewater, they conduct a single advisory business, which is described in this Form ADV Part 2A brochure. For additional detail regarding Bridgewater's relying investment advisers please see Schedule R of Bridgewater's Form ADV Part 1.

Bridgewater's ADV Part 1, including a listing of direct owners and executive officers, is publicly available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 5: Fees and Compensation.**

Fees are negotiable, and individual arrangements are based on Client specific factors, including, but not limited to, assets under management and the risk/return parameters of the investment. Bridgewater offers fee arrangements which vary by strategy and may involve management fees (generally a percentage of assets), performance fees (generally a percentage of profits) or some combination of the two.

For new Client relationships, Bridgewater's standard minimum fee is expected to be \$500,000 for its All Weather strategy, \$6,000,000 for its Pure Alpha and Pure Alpha Major Markets strategies, and \$2,700,000 for Optimal Portfolio. Bridgewater funds often invest in other Bridgewater funds. In such cases, there is no layering of fees.

In addition to external investors, investments in Bridgewater funds may be made by certain employees and officers of Bridgewater (including members of the portfolio management team and other senior employees, or entities formed for investment purposes by such employees and officers for their own benefit). Such officers and employees will generally not be charged management fees or profit participation fees but will be subject to the same rights and obligations, including redemption rights, expense and transaction costs, as those of the other investors.

Bridgewater manages all investments through separate Client accounts and/or commingled fund vehicles. In both cases, in addition to the fees stated above, there are additional fees borne by Clients, such as auditor fees, custodian fees, back and middle office fees, regulatory and legal expenses (including class action and collective claim recovery and administration fees), transaction expenses (including brokerage fees), and government filing fees. Clients may be charged additional fees by their service providers, such as a fee from a bank to wire money. Bridgewater funds also bear the cost of certain organizational, administrative, offering and other expenses as set forth below.

In addition to the fees and expenses referred to above, each fund will bear all of its ongoing offering expenses (including in some cases initial organizational expenses, which may be amortized over 36 months). Each fund will also bear all of its ongoing operating and other expenses. The expenses incurred by each fund are expected to include, without limitation: the fund's investment expenses (e.g., expenses which the fund determines to be related to the investment of the assets of the fund, expenses relating to short sales, clearing and settlement charges, custodial fees and expenses (including initial costs associated with the establishment of custodial, settlement agency or other service provider relationships), costs of entering into trading documentation, expenses relating to reorganizations, restructurings and workouts involving the fund's investments, bank service fees, interest expenses, borrowing costs and extraordinary expenses); professional fees (including, without limitation, fees and expenses of consultants, experts and outside counsel) relating to investments; fees relating to trade confirmation, trade settlement (including, without limitation, overdraft charges or fees incurred in the normal course of trading), margin and collateral management and reconciliation of trades and holdings; costs relating to the organizational and offering documents and subscription agreements and any modification to, or supplement of, such documents, and any distribution of such documentation to investors considering making an additional investment in the fund and prospective investors; expenses attributable to currency conversions; legal fees and expenses; accounting, auditing, and tax preparation fees and expenses; administration fees and expenses; expenses of other agents of the fund (including, without limitation, expenses of a "tax matters partner" or "partnership representative" of the fund); director fees (including any reasonable travel, accommodation, or other expenses incurred in carrying out their duties as directors); taxes, governmental fees and similar amounts; printing and mailing expenses; fees and out-of-pocket expenses of any service company retained to provide accounting, middle/back-office services, bookkeeping, reconciliation, data aggregation, trade processing, reporting, monitoring, quality control (including shadow services), class action and collective claim recovery and administration services or other services to the fund or Bridgewater relating to the fund, including, without limitation, any service provider assisting the fund and/or Bridgewater (whether on behalf of itself or on behalf of the fund) in connection with their respective regulatory, legal and/or

compliance obligations, such as costs and expenses incurred in connection with the preparation and/or filing by Bridgewater (either on behalf of itself or on behalf of the fund) of various filings or registrations with, or licenses obtainable from, any U.S. federal, state or local, non-U.S. or multinational governmental, regulatory, self-regulatory or other authority (e.g., Form PF, Form CPO-PQR, or any corresponding form filed, or registration made, with any non-U.S. regulator on behalf of Bridgewater or any of its affiliates, any filings or registrations required to be made under the AIFMD or any other multinational compliance regime, any filings required under U.S. securities laws, such as Section 13 or 16 of the U.S. Securities Exchange Act of 1934, as amended, any filings required to be made pursuant to the lobbyist registration laws of any jurisdiction in which interests in the fund are marketed and any other regulatory, legal and/or compliance filings, registrations or licenses which are required to be made or obtained, as applicable, either currently or in the future); quotation or valuation expenses (including, without limitation, fees and expenses of any third parties engaged to provide valuation services to the fund); insurance premiums; compliance fees; extraordinary expenses, including, without limitation: costs incurred in connection with any litigation, government investigation, or dispute in connection with the business of the fund, and the amount of any judgment or settlement paid in connection therewith, or the enforcement of the fund's rights against any person; costs and expenses for indemnification or contribution payable by the fund to any person; and all costs and expenses incurred as a result of the reorganization, dissolution, winding-up or termination of the fund. Any of the foregoing expenses may be paid directly by a fund or by its trading company on behalf of the fund. Each fund may reimburse Bridgewater in respect of any of the foregoing expenses incurred by Bridgewater on behalf of, or in respect of, the fund.

Bridgewater has a fund expense review group that is responsible for reviewing and approving the types of expenses recommended to be allocated to funds, rather than to Bridgewater. Members of this group consist of the Chief Financial Officer as Chairman of the group, the Chief Compliance Officer, the Head of Back Office, a Senior Legal & Regulatory Group Attorney, and a Senior Manager for Client Service and Marketing. The role of this group is to ensure that all fund expenses are allocated in a manner that is consistent with the disclosures in the applicable fund offering memoranda and with fiduciary obligations.

For investors who invest in Bridgewater's funds, fees are generally deducted directly from the investor's capital account. Fund investors may also be billed separately based on investor requirements. However, to the extent the strategies invest (directly or indirectly) in a third-party managed collective or commingled investment vehicle, such vehicle may charge additional asset-based or performance-based fees. Bridgewater's management and performance fees will not be reduced to the extent any such fees are paid. For managed account Clients, Bridgewater may bill Clients separately, and Clients can direct that their fees be deducted from their account or may choose to pay from another account. Generally, fees are paid quarterly, but in some cases are paid annually. All fees are billed in arrears.

Bridgewater does not act in any capacity as a broker-dealer, and accordingly, Bridgewater does not receive any compensation for acting as a broker-dealer. In addition, neither Bridgewater nor any of its supervised persons accepts compensation that is solely transactional in nature for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. For more information see Item 12.

Bridgewater negotiates agreements on behalf of itself and the funds, with vendors providing administrative, legal, accounting, tax, banking, consulting and other services on an arms' length basis. Bridgewater will generally seek to obtain any benefits (e.g., rate reductions or discounts) on a comparable basis for itself and the funds. For example, where a rate reduction can be negotiated for legal services, Bridgewater will seek to negotiate a similar discount to law firm hourly rates for work done on behalf of the funds and itself. Under certain limited circumstances it may prove difficult or impossible for Bridgewater to obtain the exact same benefits for the funds and itself. Therefore, there may be instances where service providers or their affiliates may charge the funds different rates compared to the rates charged to Bridgewater, which may result in Bridgewater being subject to more favorable rates than those payable by the funds.

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

As noted in Item 5, Bridgewater charges performance-based fees which are subject to negotiation. Bridgewater structures any performance or incentive fee arrangement in accordance with Section 205(a)(1) and Rule 205-3 of the Investment Advisers Act of 1940 (the “Advisers Act”).

With respect to Clients, Bridgewater undertakes to act in a fair and equitable manner and to identify, resolve and mitigate conflicts of interest or potential conflicts in a timely manner.

Because Bridgewater has the responsibility for managing more than one account or fund, often with different mandates or fee structures, (e.g., side-by-side management), potential conflicts of interest can arise. First, there is a potential for providing preferential treatment to one account or fund over others in terms of allocation of management time, resources, and investment opportunities. To mitigate the risk of favoring certain Clients over others, Bridgewater has implemented policies and procedures to address participation in investment opportunities and trade allocation decisions, as well as order aggregation and brokerage allocation decisions. These policies and procedures (discussed more fully in Item 12) seek to ensure fair allocation of investment opportunities among all Clients. Bridgewater’s Account Management and Compliance groups examine performance dispersion among accounts employing similar investment strategies to ensure that any material divergence from expected performance is adequately understood.

Second, there could exist an incentive to trade some accounts more aggressively than others in an effort to maximize the profits for those accounts in which Bridgewater would benefit from a performance-based fee. To mitigate that risk, Bridgewater designs its systematic portfolio construction system and randomized trade allocation policies and procedures (discussed more fully in Item 12) to minimize the potential for such bias.



**Item 7: Types of Clients.**

Bridgewater provides investment management services principally to institutional clients, including, but not limited to, corporate and public pension funds, foreign governments and central banks, university endowments, charitable foundations, family offices, fund of funds and similar third-party entities, and Union/Taft Hartley plans, through both managed accounts and commingled fund vehicles.

To invest with Bridgewater, prospective investors should familiarize themselves with the legal requirements and tax consequences specific to each fund investment or separately managed account. For fund investments, any purchase made on the basis of information inconsistent with or not contained in the offering memorandum(s) provided to the prospective investor will be at the sole risk of the investor. Prospective fund investors are required to complete a subscription agreement, which will require disclosure of certain private information required to substantiate the investor's identity and investment qualifications. Bridgewater investors must be sophisticated investors who (i) can afford the risks associated with futures, commodities, currencies, options, forwards and other derivatives trading in fixed income and equity securities, and (ii) have sufficient knowledge and experience in financial and business matters to evaluate the risk of an investment in a fund or account managed by Bridgewater and determine its suitability.

Bridgewater generally requires that its Clients have a minimum of \$7.5 billion of investable assets. Generally, the minimum initial investment in a fund managed by Bridgewater is in accordance with the minimum fee requirement for that strategy, as detailed in Item 5, and the minimum initial investment outlined in each fund's Offering Memorandum. However, the directors in the case of an offshore fund and the manager or member manager, as applicable, in the case of an onshore fund, may, and sometimes do, accept initial subscription amounts below such minimum. The directors, manager and member manager of the funds, as applicable, are generally free to accept or reject subscriptions for any or no reason without obligation to disclose the underlying reason(s).

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

Pure Alpha is an active management strategy that is based on the belief that the returns of asset classes are primarily driven by changing fundamental conditions. Bridgewater has been managing Pure Alpha since 1991. It represents Bridgewater's active management capabilities, allowing it to capitalize on many perceived opportunities and balance them optimally. The strategy is structured around Bridgewater's proprietary nominal bond, inflation-linked bond, equity, currency, commodity, corporate credit, and sovereign credit - trading objectives, which are the direct products of over 40 years of research into the fundamental drivers of global asset returns. These individual strategies are systematically combined into a single alpha strategy. Bridgewater's Pure Alpha strategy has the flexibility to establish long, short, or spread positions across the above markets. The strategy utilizes a broad variety of instruments in its implementation, including, but not limited to, exchange traded futures contracts, over the counter ("OTC") derivatives, cash securities, and spot and forward contracts in the international currency market.

Bridgewater also offers a version of its Pure Alpha strategy called Pure Alpha Major Markets, which trades a subset of the markets traded in Pure Alpha; in particular, more liquid markets with more capacity. This strategy includes those markets where liquidity is not typically a constraint for Pure Alpha, which represents about 2/3 of the Pure Alpha risk budget. The same indicators are utilized within each of the markets as in Pure Alpha, except for some based on shorter-term measures that vary more often and lead to higher turnover. The strategy utilizes a broad variety of instruments in its implementation, including, but not limited to, exchange traded futures contracts, OTC derivatives, cash securities, and spot and forward contracts in the international currency market. Bridgewater has been managing Pure Alpha Major Markets since 2010.

All Weather is Bridgewater's optimal strategic asset allocation that it has managed since 1996. Instead of generating returns through trading active views, All Weather seeks to collect the returns from holding assets. All Weather's diversification is based on Bridgewater's understanding of the structural relationship of asset classes to different economic environments. Bridgewater identifies assets that naturally diversify each other based on their fundamental relationship to changing growth and inflation environments and allocates risk exposure with the objective of creating a portfolio that is balanced to perform across shifts in the economic environment. These asset classes include the nominal bond, inflation-linked bond, equity, commodity, corporate credit, and sovereign credit markets. The strategy utilizes a broad variety of instruments in its implementation, including, but not limited to exchange traded futures contracts, OTC derivatives, cash securities, and spot and forward contracts in the international currency market.

Optimal Portfolio is Bridgewater's total portfolio that it has managed since 2015. It combines our optimal strategic asset allocation, All Weather, with tailored active management from our Pure Alpha process that is designed to perform better when assets perform poorly. Asset classes traded include the nominal bond, inflation-linked bond, equity, currency, commodity, corporate credit, and sovereign credit markets. The strategy utilizes a broad variety of instruments in its implementation, including, but not limited to exchange traded futures contracts, OTC derivatives, cash securities, and spot and forward contracts in the international currency market.

An investment in any of the above-referenced strategies involves a high degree of risk. An investment in the strategies is considered appropriate only for sophisticated or professional Clients, who can afford the risks associated with trading in the markets. Each Client must have enough knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of such an investment. No guarantee or representation is made that the strategies will be successful, that the targeted return and risk will be achieved or maintained, or that the various investments made in the strategies will have low correlation with each other or with the financial markets in which the strategies invest.

The risk of loss in investing in the strategies can be substantial, including the potential loss of the entire amount invested by a client in a fund. Separately managed account clients can potentially lose more than their

investment. Prospective clients should therefore carefully consider whether such an investment is suitable for them in light of their financial condition. Before investing in the strategies, prospective clients should be aware of the risks associated with an investment in the strategies, which include, but are not limited to, the risk factors listed below.

### **Risks of Investing in Certain Instruments**

**Asset-Backed Securities.** The strategies may invest in mortgage-backed securities and other asset-backed securities, whose investment characteristics differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time. Mortgage-backed securities and asset-backed securities may also be subject to call risk and extension risk. For example, because homeowners have the option to prepay their mortgages, the duration of a security backed by home mortgages can either shorten when voluntary prepayments accelerate (i.e., call risk) or lengthen when voluntary prepayments slow (i.e., extension risk). In general, if interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to increase. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to decrease. In either case, a change in the prepayment rate can result in losses to investors or significantly impact the expected internal rate of return. The same would be true of other asset-backed securities, such as securities backed by car loans.

**Below Investment-Grade Debt.** The strategies may invest in high yield and other below investment-grade fixed income securities. Such securities may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High yield bonds (commonly known as "junk bonds") and other debt securities that may be acquired by the strategies may be junior to the obligations of companies to senior creditors, trade creditors and employees. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic, financial, competitive, regulatory or other conditions may impair the ability of the issuer to make payments of principal and interest. High yield debt securities have historically experienced greater default rates than investment grade securities.

**Business/Commercial Risks.** Investments by the strategies in the debt obligations of certain companies may involve a high degree of business and financial risk. Such companies may be in an early stage of development; may not have a proven operating history; may be operating at a loss or have significant variations in operating results; may be engaged in a rapidly changing business; may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; or may otherwise have a weak financial condition.

The strategies may invest in the debt obligations of companies that may be highly leveraged. Leverage may have important adverse consequences to such companies and to the strategies invested in the debt obligations of such companies. Such companies may be subject to restrictive financial and operating covenants. Leverage may impair such companies' ability to finance their future operations and capital needs and pay their debts. As a result, such companies' flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

In addition, such companies may face intense competition, including competition from companies with less leverage; greater financial resources; more extensive development, marketing and other capabilities; and a larger number of qualified personnel. As such, there can be no assurance that the strategies' investment in the debt obligations of any such company will perform to expectations.

Corporate Debt Securities. The strategies may invest directly or indirectly in corporate debt. Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates decline, the value of corporate debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

Credit Default Swaps and Other Credit Derivatives. The strategies may purchase and sell credit default swaps and/or other credit derivatives both for hedging and for other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences one or more specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. In circumstances in which the strategies do not own the debt securities that are deliverable under a credit default swap, the strategies are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred.

Certain initiatives implemented by derivatives market participants, including the International Swaps and Derivatives Association ("ISDA"), are designed to implement uniform settlement terms into standard credit default swap documentation, as well as refine the practices for the transparent conduct of the credit default swap market generally. Among these initiatives are the ISDA Credit Derivatives Determination Committee and the implementation of market-wide cash settlement protocols applicable to all market-standard credit default swaps. These initiatives are intended to reduce both the uncertainty as to the occurrence of credit events and the risk of a "short squeeze" by providing that the ISDA Credit Derivatives Determinations Committee will make determinations as to whether a credit event has occurred, establish an auction to determine a settlement price and identify the deliverable securities for purposes of the auction, although the ISDA Credit Derivatives Determinations Committee may in certain limited circumstances refrain from doing so. In the event the ISDA Credit Derivatives Determinations Committee cannot reach a timely resolution with respect to a "credit event" or otherwise does not establish a cash settlement auction, the strategies may not be able to realize the full value of the credit default swap upon a default by the reference entity. Furthermore, the strategies may enter into certain credit default swap transactions that may not be covered by these initiatives.

As a seller of credit default swaps, the strategies incur leveraged exposure to the credit of the reference entity and are subject to many of the same risks they would incur if they were holding debt securities issued by the reference entity. However, the strategies will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In the event the ISDA Credit Derivatives Determinations Committee does not establish a cash settlement auction and identify the relevant deliverable securities, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the strategies following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the strategies. In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

In addition to credit default swaps, the strategies may invest in other credit derivatives such as total return swaps, credit-linked notes and credit swaptions. In each credit derivatives transaction, the strategies are subject to two types of credit exposure: one from the reference asset and a second from the counterparty to the transaction. There is the risk that the credit derivatives position taken by the strategies may correlate

imperfectly with the price of the reference asset being protected. There is also the risk of a counterparty default that would not exist if the strategies invested in the reference asset directly.

The regulation of credit default swaps is evolving, and significant changes in such regulation have been embodied in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank") and may adversely affect the strategies.

Derivative Instruments, Generally. The strategies may make extensive use of derivatives. Derivatives are financial instruments that derive their value, at least in part, from the performance of an underlying asset, index, or interest rate. Examples of derivatives include, but are not limited to, swaps, security-based swaps, futures contracts, forward contracts, options contracts, and options on futures contracts.

The strategies' use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments, depending upon the characteristics of the particular derivative and the strategies' portfolios as a whole. Derivatives permit the strategies to increase or decrease the level of risk of their portfolios, or change the character of the risk to which their portfolios are exposed, in much the same way that the strategies can increase or decrease the level of risk, or change the character of the risk, of their portfolios by making investments in specific securities. Derivatives may involve a risk of substantial, or total losses, and derivatives are also subject to various other types of risks, including market risk, liquidity risk, structuring risk, counterparty credit risk, legal risk, intermediary/custody risk and operational risk. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. In addition, derivatives can involve significant economic leverage and may, in some cases, involve significant risk of loss.

Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the strategies' performance. If Bridgewater invests the strategies in derivatives at inopportune times or judges market conditions incorrectly, such investments may lower the strategies' return or result in a loss which could be significant. The strategies could experience losses if the strategies are unable to liquidate their positions because of an illiquid secondary market or have to liquidate positions at a lower price than if the market were liquid. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices for derivatives.

With respect to cleared OTC derivatives, the strategies will not face a clearinghouse directly but rather will do so through an intermediary that is registered with the CFTC or SEC and that acts as a clearing member. The strategies may face the indirect risk of the failure of another customer of their clearing member to meet its obligations to such clearing member. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse triggered by a customer's failure to meet its obligations to the clearing member. Engaging in derivative transactions involves a risk of substantial loss to the strategies. No assurance can be given that a liquid market will exist for any particular contract at any particular time.

The regulation of derivative instruments is evolving, and significant changes in such regulation have been enacted or proposed. For example, Dodd-Frank requires many OTC derivatives to be cleared through regulated clearing organizations, gives the CFTC and the SEC the authority to limit and/or suspend trading in such instruments and imposes certain recordkeeping and reporting requirements relating to transactions in such instruments. While there may be benefits to increased regulation and oversight, it may also have the effect of increasing costs associated with, limiting or restricting trading in OTC instruments by, and requiring greater margin requirements for, the strategies and may make OTC derivatives markets generally less liquid and more volatile.

Derivatives with Respect to High-Yield and Other Indebtedness. The strategies may engage in trading of derivatives with respect to high yield and other debt. In addition to the risks associated with holding high-yield

debt securities, with respect to derivatives involving high yield and other debt, the strategies will usually have a contractual relationship only with the counterparty of the derivative, and not with the issuer of the indebtedness. Generally, the strategies will have no right to directly enforce compliance by the issuer with the terms of the derivative or the underlying debt, any rights of set-off against the issuer or any voting rights with respect to the indebtedness. The strategies will not directly benefit from the collateral supporting the underlying indebtedness or have the benefit of the remedies that would normally be available to a holder of the indebtedness. In addition, in the event of the insolvency of the counterparty to the derivative, the strategies will not have any claim with respect to the underlying indebtedness. Consequently, the strategies will be subject to the credit risk of the counterparty as well as that of the issuer of the indebtedness. As a result, concentrations of such derivatives in any one counterparty may subject the strategies to an additional degree of risk with respect to defaults by such counterparty as well as by the issuer of the underlying indebtedness.

Emerging Markets Investing Involves Particular Risks. The strategies may invest in undeveloped, non-U.S. countries that are considered to be “emerging markets.” These countries present certain risks, more frequently than countries that are not “emerging markets” including government instability, political risk, lack of or less than transparent priority of the rights held by various groups of security holders, the imposition of currency controls, expropriation risk and the application of various laws and regulations, including anti-money laundering laws and non-U.S. tax laws. Fundamental investing strategies in emerging markets are subject to increased risks due to the risk of other market participants having better access to relevant market information.

Equity and Equity-Related Securities and Instruments. The strategies may take positions in equity securities. The strategies may also purchase equity-related securities and instruments, such as convertible securities, warrants, stock options, and individual stock futures. There are no absolute restrictions in regard to the size or operating experience of the companies in which the strategies may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize). The value of equity securities varies in response to many factors. Factors specific to an issuer, such as certain decisions by management, lower demand for its products or services, or even the loss of a key executive, among other things, could result in a decrease in the value of the issuer’s securities. Factors specific to the industry in which the issuer participates, such as increased competition or costs of production or consumer or investor perception, can have a similar effect. The value of an issuer’s stock can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or a decrease in consumer confidence, that are unrelated to the issuer itself or its industry. Stock which the strategies have sold short may be favorably impacted (to the detriment of the strategies) by the same factors (e.g., decreased competition or costs or a decrease in interest rates). In addition, certain options and other equity-related instruments may be subject to additional risks, including liquidity risk, counterparty credit risk, legal risk, and operations risk, and may involve significant economic leverage and, in some cases, be subject to significant risks of loss. These factors and others can cause significant fluctuations in the prices of the securities in which the strategies invest and can result in significant losses.

Exchange-Traded Funds (“ETFs”). ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including their expenses and a number of other factors.

Fixed Income Securities, Generally. The strategies may invest in fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation, and may also be used for temporary



defensive purposes and to maintain liquidity. Fixed income-related securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bank debt, bonds, notes, and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed income-related securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (i.e., market risk). The strategies' fixed income-related investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the strategies earlier than expected. This may happen when there is a decline in interest rates or when a borrower's performance allows the refinancing of certain classes of debt with lower cost debt. To the extent early prepayments increase, they may have a material adverse effect on the strategies' investment objectives and the profits on capital invested in fixed income-related investments. When interest rates decline, the value of the strategies' fixed income-related securities with a fixed coupon can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline. As with other investments made by the strategies, there may not be a liquid market for any of the debt-related instruments in which the strategies invests, which may limit the strategies' ability to sell these debt-related instruments or to obtain the desired price.

**Fraud.** In making certain investments, Bridgewater may rely upon the accuracy and completeness of representations made by the issuer of such investment, but it cannot guarantee the accuracy or completeness of such representations. The issuer of a security may make a material misrepresentation or omission with respect to itself. Such inaccuracy or incompleteness may adversely affect the strategies or the valuation of any investment. Instances of fraud and other deceptive practices committed by senior management of certain companies in which the strategies may invest may undermine the ability of Bridgewater to conduct effective due diligence on, or successfully exit investments made in, such companies. In addition, financial fraud may contribute to overall market volatility, which can negatively impact the strategies' investment programs. Under certain circumstances, payments to the strategies may be reclaimed if they are later determined to have been made with an intent to defraud creditors or make a preferential payment.

**Non-U.S. Futures.** The strategies may trade non-U.S. futures. Foreign futures transactions involve executing and clearing trades on non-U.S. futures exchanges. This is the case even if the foreign exchange is formally "linked" to a U.S. futures exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic regulator regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the strategies may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

**Foreign Currency Trading and Management.** In addition to any currency hedges that Bridgewater, in its sole discretion, determines to enter into, Bridgewater may engage in currency trading and currency management activities, including currency forwards and cross currency forwards, options on currencies, currency futures contracts, options on currency futures contracts, currency swaps, cross currency swaps, and cross-hedging, which may substantially change the strategies' exposure to currency exchange rates and could result in losses

to the strategies. Currency risk includes the risk that fluctuations in exchange rates may adversely affect the base currency (subscription currency) value of the strategies' investments. Currency risk includes both the risk that currencies in which the strategies' investments are traded, or currencies in which the strategies have taken an active investment position, will change in value relative to the base currency (subscription currency) and, in the case of hedging positions, the risk that the base currency (subscription currency) will change in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly for a number of reasons, including the forces of supply and demand in the foreign exchange markets, actual or perceived changes in interest rates, changes in inflation, and intervention (or the failure to intervene) by U.S. or foreign governments or central banks, or by currency controls or political developments in the United States or abroad.

Whether as part of a currency hedge or otherwise, the strategies may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future based upon a pre-set exchange rate. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions that are not subject to substantive regulation by the CFTC or other U.S. regulators. Forward foreign exchange contracts are effected through the interbank market. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not guaranteed by an exchange or clearing house. The strategies will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. In addition to the foreign exchange risks described above, any such default would eliminate any profit potential and compel the strategies to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses to the strategies.

Trading in Forward Contracts. The strategies may engage in the trading of forward contracts, which are not traded on any exchange. In contrast to contracts traded on an exchange, forward contracts are not guaranteed by any exchange or clearinghouse and are subject to the creditworthiness of the counterparty of the trade. Banks and other dealers with whom the strategies may transact in such forwards may require the strategies to deposit margin with respect to such trading. The strategies' counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the difference between the price at which the counterparty is prepared to buy and that at which it is prepared to sell). The strategies may make arrangements to trade forward contracts with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. In addition, disruptions can occur in any market traded by the strategies due to unusually high trading volume, political intervention, or other factors. The risk of market illiquidity or disruption could result in major losses to the strategies.

Failure of Derivative and Over-the-Counter Counterparties. The strategies will engage in trading in various financial instruments on a principal basis. If a counterparty to such trade is in default, the strategies could experience delays in liquidating or transferring (novating) the relevant principal financial instrument (such as a swap position), future, collateral (if any), or other over-the-counter instrument. Losses to the strategies are probable in the case of counterparty default, including those arising from: (i) the risk of the counterparty's inability or refusal to perform on a principal transaction with the strategies; (ii) possible decline in the value of any collateral previously taken from the counterparty during the period in which the strategies seek to enforce their rights with respect to such collateral; (iii) the strategies' legal and other professional expenses of enforcing their rights; (iv) legal uncertainty concerning the enforceability of certain rights under the agreements and possible lack of priority for the strategies against collateral posted under these agreements;



and (v) the strategies' inability to fully control custodianship of their assets pledged as collateral to a counterparty. Any such losses may, due to the nature and operation of derivatives trading, be substantial. For example, the strategies will not be excused from performance on any such transactions due to the default of third-party counterparties in respect of other derivative contracts in which the strategies' trading strategies were to have substantially offset such contracts.

**Futures.** The strategies may engage in the trading of futures. Futures positions may become illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. It is also possible that an exchange or relevant regulatory authority may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, implement retroactive speculative position limits, or order that trading in a particular contract be conducted for liquidation only. The circumstances described above could prevent the strategies from liquidating unfavorable positions promptly and could subject the strategies to substantial losses. These circumstances could also impair the strategies' ability to liquidate their investments to satisfy redemption requests by Clients in a timely manner. In rare instances, a futures position that is not offset before it expires may result in physical delivery of an underlying commodity which may result in increased transaction costs for the strategies and may subject the strategies to additional risks related to such physical delivery. The minimum amount of margin required in connection with a particular futures contract is set from time-to-time by the exchange on which such futures contract is traded, and it may be modified from time-to-time by the exchange during the term of the futures contract. Additionally, the futures commission merchant may require an amount of margin that exceeds such minimum requirements. Should the applicable exchange and/or the futures commission merchant increase its/their minimum margin requirements, the strategies may have fewer investible assets, which may adversely affect the ability of the strategies to achieve their investment objective and ultimately the value of a Client's investment may decrease.

Futures exchanges may impose position accountability limits (the "Position Accountability Limits"), with respect to certain futures contracts traded on each particular futures exchange. Position Accountability Limits are triggers that would bring the strategies' position(s) to the attention of the exchange. Through the application of Position Accountability Limits, exchanges can prohibit an investor from holding a position of more than a specific number of futures contracts. Under the rules of a futures exchange, if the strategies hold a certain number of futures contracts approaching the Position Accountability Limit, the strategies may be required by the futures exchange to limit or decrease their holdings of such futures contracts pursuant to the futures exchange's Position Accountability Limits. If the strategies are required to either limit or decrease their holdings of such futures contracts, or if an exchange lowers its Position Accountability Limits, the strategies may be adversely affected and may not be able to achieve their investment objectives, and in turn, the value of a Client's investment may decrease.

The successful use of futures for speculative purposes is subject to the ability to predict correctly movements in the direction of the relevant market, and, to the extent the transaction is entered into for hedging purposes, to ascertain the appropriate correlation between the transaction being hedged and the price movements of the futures contract.

**Hedging Transactions.** The strategies may utilize various financial instruments both for investment purposes and for risk management purposes in order to protect against possible changes in the market value of the strategies' portfolios resulting from fluctuations in the securities markets and changes in interest rates, protect the strategies' unrealized gains in the value of the portfolios, facilitate the sale of any such investments, enhance or preserve returns, spreads or gains on any investment in the strategies' portfolios, hedge the interest rate or currency exchange rate on any of the strategies' liabilities or assets, protect against any increase in the price of any securities the strategies anticipate purchasing at a later date or for any other reason that Bridgewater

deems appropriate. The success of the strategies' hedging strategy will be subject to Bridgewater'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 strategies' hedging strategies will also be subject to Bridgewater's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the strategies may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the strategies than if they had not engaged in any such hedging transactions. For a variety of reasons, Bridgewater may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the strategies from achieving the intended hedge or may expose the strategies to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the strategies' portfolio investments. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to Dodd Frank.

**Inflation-Linked Fixed Income Securities.** The strategies may invest in inflation-linked fixed income securities. Inflation-linked fixed income securities are fixed income securities whose principal value is periodically adjusted according to the rate of inflation in a particular market. Further, in certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-protected securities may experience greater losses than other fixed income securities with similar durations. In addition, while inflation-linked securities and instruments generally are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in their value. There can be no assurance that the inflation indices to which such securities are linked can accurately measure the real rate of inflation in the prices of goods and services. In any event, the value of an inflation index will lag behind the contemporaneous prices of goods and services.

**International Investing.** Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction; and (iv) uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies.

Non-U.S. markets may also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in periods when assets of the strategies are uninvested and no return is earned thereon. The inability of the strategies to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the strategies to miss investment opportunities. The inability to dispose of a security due to settlement problems could result either in losses to the strategies due to subsequent declines in the value of such security or if the strategies have entered into a contract to sell the security, in a possible liability to the purchaser. Transaction costs of buying and selling non-U.S. securities, including brokerage, tax and custody costs, may be higher than those involved in U.S. transactions. Furthermore, many non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are historically less liquid and their prices historically more volatile than securities of comparable U.S. companies.

The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, interest rates, resources self-sufficiency and balance of payments position.

Investments in Certain Precious Metals and Physical Commodities. The strategies may invest in precious metals or in derivatives contracts on physical commodities including precious metals. Since such investments do not generate any investment income, the sole source of return from such investments would be from gains realized on sales of the investments, and a negative return would be realized to the extent such investments are sold at a loss. Certain precious metals and physical commodities may incur storage or insurance costs that are higher than the custody fees paid on traditional financial assets. Prices of such precious metals and physical commodities are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. Certain precious metals and physical commodities are also subject to governmental action for political reasons. There is also a risk that such precious metals and physical commodities could be lost, damaged or stolen or that access to such investments could be restricted by natural events (e.g., force majeure) or tortious human actions. Markets are therefore at times volatile, and there may be sharp fluctuations in prices even during periods of rising prices.

Lack of Covenants. Terms of certain of the debt in which the strategies may invest may provide the obligors substantial flexibility to: incur additional indebtedness; make dividends; investments and other restricted payments; incur liens and engage in affiliate transactions; as well as other flexibilities. Under certain market conditions, terms of indebtedness offered in the debt markets impose less stringent covenants on the issuers of such indebtedness than the covenants included in the terms of debt offered in other periods. In addition, many loans may not require obligors to observe and maintain financial ratios or other financial covenants, such as covenants requiring companies to maintain a maximum leverage ratio, a minimum interest or fixed charge coverage ratio, a minimum cash flow or maximum capital expenditures. Even if such covenants are included in the loans held by the strategies, the terms of the loan documentation may provide obligors substantial flexibility in determining compliance with such covenants. The absence of such covenants or the flexibility in measuring compliance with such covenants could cause obligors to experience significant downturn in their results of operation without triggering any default that would permit holders of the debt to accelerate their indebtedness. Any such delay in the ability of holders of the debt to accelerate the indebtedness may lower the ultimate recoveries received by the strategies in any insolvency or restructuring of the indebtedness of holders of debt.

Leverage. The strategies may employ leverage in their trading in the markets. Through the use of leverage, a relatively small movement in the market price of traded instruments may result in a disproportionately large profit or loss. Accordingly, the strategies may lose more than their initial investment in such a leveraged instrument even as a result of a small change in the market price of such an instrument. There is no limitation on the strategies' ability to use leverage. The strategies may invest on a leveraged basis, including by entering into derivative instruments or borrowing assets from one or more counterparties. The strategies may guarantee a pro rata share of any leveraged obligations incurred, or any borrowing obtained, by the strategies. The liability relating to such guarantee could exceed the value of the strategies' equity interest in the relevant trading vehicle.

In addition to other forms of leverage, including investments in derivative instruments that are inherently leveraged, the strategies may borrow funds in order to be able to make additional investments, and the strategies may borrow funds in order to cover their expenses or make redemption payments. The interest rate on any loan and other transaction costs are expenses of the borrower and will therefore affect the operating results of the strategies.

Margin Borrowings. In general, the strategies' potential use of short-term margin borrowings, if such borrowings occur, will result in additional risks to the strategies. Trading securities on margin, unlike trading in futures (which also involves margin), will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. For example, should the securities pledged to brokers to secure the strategies' margin borrowings decline in value, the strategies could be subject to "margin calls," pursuant to which the strategies must either deposit additional funds with such brokers or suffer mandatory close-out of the margin borrowings, including liquidation of some or all of the pledged securities to compensate for such

decline in value. In the event of a sudden precipitous drop in the value of the strategies' assets, the strategies might not be able to liquidate assets quickly enough to pay off their margin borrowings and the sale of assets under such circumstances would adversely impact the value of the strategies' assets.

Market Liquidity. In some circumstances the markets can be illiquid, making it difficult to acquire or dispose of investments at the prices quoted on the various exchanges or at normal bid/offer spreads quoted off exchange. During periods of limited liquidity, the strategies' ability to acquire or dispose of investments at a price and time that the strategies deem advantageous may be impaired. As a result, in periods of rising market prices, the strategies may be unable to participate in price increases fully to the extent that they are unable to acquire desired positions quickly; conversely, the strategies' inability to dispose fully and promptly of positions in declining markets will cause their NAV to decline as the value of unsold positions is marked to lower prices. In addition, given the sizeable positions held by various private investment vehicles and managed accounts managed by Bridgewater in particular markets, Bridgewater may be limited in its ability to efficiently and/or profitably exit particular positions or strategies or reduce the strategies' exposure to particular positions or strategies. While this risk applies to many sizeable participants in the markets, the extent of Bridgewater's assets under management and the often overlapping nature of the positions held and strategies employed by the various private investment vehicles and managed accounts managed by Bridgewater may amplify these risks for the strategies as compared to similarly-managed private investment vehicles. In addition, the strategies generally limit trading with counterparties that satisfy minimum credit health standards. To the extent one of the strategies' counterparties experiences a deterioration of credit health, Bridgewater, in its sole discretion, may elect to cease entering into new positions with such counterparty or even elect to terminate its trading relationship with such counterparty and liquidate open positions on an accelerated – even immediate – basis. Accelerated termination of a trading relationship could impair the strategies' ability to access certain markets or financial instruments that are available through the affected counterparty. These and other factors mean that, as with other investments, there can be no assurance that trading in the markets will be profitable. These circumstances could also impair the strategies' ability to make payments to a redeeming Client in a timely manner and may cause the strategies to suspend redemptions and/or payments of redemption proceeds.

Non-U.S. Counterparties. The strategies may utilize custodians, futures clearers, brokers, exchanges or counterparties who are organized outside of, and may not be subject to the laws of, the United States. No assurance can be given that the laws of the jurisdiction in which a particular custodian, futures clearer, broker, exchange or counterparty is located provide protections to the strategies that are similar to (or as protective as) the laws of the United States. For example, the bankruptcy laws applicable to custodians, futures clearers, brokers, exchanges or counterparties in certain non-U.S. jurisdictions may not require (or, in certain cases, permit) the assets of customers of such custodians, futures clearers, brokers, exchanges or counterparties to be segregated for purposes of determining assets available to creditors. A notable example of the pitfalls associated with these laws involves the bankruptcy administration of Lehman Brothers International (Europe). No assurance can be given that the strategies will solely utilize the services of custodians, futures clearers, brokers, exchanges and counterparties governed under the laws of the United States or that the laws of the jurisdiction in which a custodian, futures clearer, broker, exchange or counterparty is based or operates will provide for a level of customer or participant protection that is equivalent to the laws of the United States. The bankruptcy or insolvency of a custodian, futures clearer, broker, exchange or counterparty utilized by the strategies could result in the strategies being unable to recover all or any portion of the strategies' assets or could result in a substantial delay in the strategies receiving all or any portion of their assets.

Non-U.S. Debt Obligations and Related Risks. The strategies may invest in non-U.S. debt obligations. Investments by the strategies in non-U.S. debt securities, whether issued by a non-U.S. government, bank, corporation or other issuer, may present a greater degree of risk than investments in securities of U.S. issuers because of less publicly-available financial and other information, less securities regulation, potential imposition of foreign withholding and other taxes, war, expropriation or other adverse governmental actions. Non-U.S. banks and their non-U.S. branches are not regulated by U.S. banking authorities, and generally are not bound by the accounting, auditing and financial reporting standards applicable to U.S. banks. In addition, the

legal remedies of investors may be more limited than the remedies available in the United States. For example, non-U.S. debt obligations may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These insolvency considerations and the levels of protection provided will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

**Obligations of Governments, Their Agencies and Instrumentalities.** The strategies may invest in government securities. Government securities are obligations of, or are guaranteed by, governments, their agencies or instrumentalities. These instruments include bills, certificates of indebtedness and notes and bonds issued by governments, states or municipalities or by government agencies or instrumentalities. Some government securities, such as U.S. Treasury bills and bonds, are supported by the full faith and credit of the government treasury; others are supported by the right of the issuer to borrow from the government treasury; others are supported by the discretionary authority of the government to purchase the agency's obligations; still others are supported only by the credit of the instrumentality. Certain events, including bankruptcy filings by certain municipalities, have highlighted the risks inherent in investing in government securities. It is difficult, if not impossible, to determine the extent to which such filings will become more common. Bankruptcy laws applicable to governments are relatively untested and may not provide the same protections to creditors as those contained in bankruptcy laws applicable to non-government debtors. It is impossible to predict whether the strategies will be able to successfully avoid losses relating to defaults by issuers of governmental securities.

**Obligations of Supranational Organizations.** The strategies may invest in the obligations of supranational organizations. Supranational organizations include international organizations designated or supported by governmental entities to promote economic reconstruction or development of international banking institutions and related government agencies. Examples include the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development, the Asian Development Bank and the Inter-American Development Bank. Such supranational issued instruments may be denominated in multinational currency units. Obligations of the World Bank and certain other supranational organizations are supported by subscribed but unpaid commitments of member countries. There is no assurance that these commitments will be undertaken or complied with in the future.

**Other Debt Instruments.** The strategies may invest in other instruments, including but not limited to, collateralized mortgage obligations, collateralized bond obligations and collateralized loan obligations or may otherwise obtain synthetic exposure to fixed income instruments through the use of credit derivatives. Certain investments may be fixed pools or may be "market value" or managed pools of collateral which are typically separated into tranches representing different degrees of credit quality, with junior tranches being subordinate to more senior tranches. The returns on the junior tranches of such pools are especially sensitive to the rate of defaults in the collateral pool. In addition, the exercise of redemption rights, if any, by more senior tranches of such pools and certain other events could result in an elimination of deferral of or reduction in the funds available to make interest or principal payments to the junior tranches of such pools. The strategies may also invest in zero coupon bonds and deferred interest bonds, which are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations which provide for regular payments of interest, and the strategies may accrue income on such obligations even though they receive no cash. The strategies may also purchase loans as participations from certain financial institutions and the strategies may be subject to the credit risk of the selling financial institution as well as that of the underlying borrower.

**Options.** The strategies may trade options. "Call" options give the holder of the option the right, but not the obligation, to buy the underlying interest, and "put" options give the holder the right to sell the underlying



interest, in each case on or before a predetermined expiration date. The seller of an option, which is often referred to as the “writer,” receives a premium paid by the buyer of the option, which is often referred to as the “holder.” The interest underlying an option may be, among other things, a single security, multiple securities, an index of securities or certain derivatives. New and complex types of options are frequently developed and the risks of such new options may not be apparent until there has been significant experience trading the new options.

There are a number of unique risks associated with the sale and purchase of options. The holder of an option runs the risk that the option will expire “out of the money” (i.e., worthless), in which case the holder will lose its entire premium. The holder of an option also runs the risk that the amount gained on exercising an in-the-money option will not be sufficient to cover the premium paid by the holder for the option. Option holders also incur opportunity costs on the premiums they pay for their options.

There are additional risks involved in writing covered call options, in which the writer of the option owns the underlying interest. The writer of a covered call option forgoes the opportunity to benefit from an increase in the value of the underlying interest above the option exercise price, but the writer continues to bear the risk of a decline in the value of the underlying interest. If the option is exercised, the writer may be forced to sell the underlying interest at a price that is well below the then-current market price of the underlying interest. There is theoretically no limit to how high that market price could be, and therefore theoretically no limit on the lost opportunity for profit. The difference between the sales price and the price at which the writer initially purchased the underlying interest may greatly exceed the amount of premium received when the writer sold the option, resulting in a substantial loss for the writer.

The writer of an uncovered call option, in which the writer does not own the interest underlying the option, is at even greater risk because the writer may incur theoretically unlimited actual losses and not merely foregone profit opportunity if the market value of the underlying interest increases above the exercise price. In the event such option is exercised, the writer would be forced to first purchase the underlying interest at a high market price and then sell the underlying interest at the much lower exercise price. The difference between these two prices may exceed the amount of premium received by the writer when it sold the option, resulting in a substantial loss for the writer.

There are also additional risks involved in writing put options. In a covered put option, the seller of the put also has a short position in the underlying interest. The writer of a covered put option foregoes the opportunity to benefit from a decrease in the value of the underlying interest (via the writer’s short position) below the option exercise price, but the writer continues to bear the risk of an increase in the value of the underlying interest. If the option is exercised, the writer may be forced to purchase the underlying interest at a price that is well in excess of the then-current market price of the underlying interest. The current market price could theoretically fall to zero, leading to a loss on the option equal to the entire exercise price. The difference between the purchase price and the price at which the writer entered into its short position may greatly exceed the amount of premium received when the writer sold the option, resulting in a substantial loss for the writer.

The writer of an uncovered put option, in which the writer does not have a short position in the interest underlying the option, is at even greater risk, because the writer may incur substantial actual losses not merely foregone profit opportunity if the market value of the underlying interest decreases below the exercise price. In the event such an option is exercised, the writer would be forced to purchase the underlying interest at a high exercise price and then sell the underlying interest at the much lower current market price (or retain the underlying security, which will be valued at a much lower price). The difference between these two prices may exceed the amount of premium received by the writer when it sold the option, resulting in a substantial loss for the writer.

Although various methods may be used to limit potential losses to the writer of an option, there can be no assurance that such strategies will be effective, and such strategies may incur their own costs and risks. Strategies used to limit potential losses also generally limit potential gains.

The strategies may also trade foreign options contracts. Transactions on markets located outside the United States, including markets formally linked to a United States market, may be subject to regulations that offer different or diminished protection to the strategies and their Clients. Further, United States regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-United States jurisdictions where transactions for the strategies may be affected.

**Registered Investment Companies.** The strategies may invest in “investment companies” that are registered with the SEC pursuant to the Investment Company Act (each, a “RIC”). The strategies are limited, under Section 12(d)(1) of the Investment Company Act, from acquiring the securities issued by RICs in certain circumstances. Such limitations include a restriction on each Bridgewater fund being able to own in the aggregate more than three percent of the total outstanding voting stock of any RIC. Such restrictions may materially limit the strategies’ ability to own securities of any particular RIC or to fully implement their investment objectives.

Investments in RICs are often subject to sales charges and charges assessed in connection with selling such an investment prior to the expiration of a set period of time. Bridgewater is not required to minimize any such costs. In addition, investments in a RIC will be subject to an additional layer of fees and expenses.

**Repurchase and Reverse Repurchase Agreements.** The strategies may enter into repurchase agreements or reverse repurchase agreements. These arrangements involve the purchase of securities by a party that simultaneously agrees to resell such securities to the original seller at a predetermined price and time, thereby determining the yield on the purchase money during the repo period. The purchaser bears the risk that the original seller will not pay the agreed upon repurchase price on the closing date. Although the repurchase agreement provides that, in the event of default, the purchaser is entitled to sell the purchased securities to third parties, the purchaser will incur a loss if such default occurs when the value of the purchased securities is less than the agreed-upon repurchase price. Similarly, the original seller bears the risk that, following the appreciation of the purchased securities, the purchaser will default on its obligation to resell the securities to the original seller. In addition, like all OTC transactions, there is counterparty risk involved in repurchase transactions; for example, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers’ default or bankruptcy prior to or at the settlement of the transaction.

**Rehypothecation and Other Related Risks of Failures of Counterparties.** In exchange-traded as well as off-exchange transactions, the strategies will be exposed to the credit risk (also known as counterparty risk) of the strategies’ futures clearers, brokers and counterparties, as well as central clearing counterparties and exchanges on which the strategies execute trades. The strategies’ futures clearers, brokers and counterparties may hold the strategies’ assets, including assets held as collateral for margin loans or other financing provided to the strategies. Under the terms of such arrangements and under applicable law, a secured party may be permitted to rehypothecate such assets in connection with securities lending or other transactions entered into by the secured party. Depending upon the types of instruments traded, the strategies may be subject to risk of loss of their assets on deposit with a futures clearer, broker or counterparty in the event of the bankruptcy or insolvency of such futures clearer, broker or counterparty, any clearing broker through which such futures clearer, broker or counterparty executes and clears transactions (whether on behalf of the strategies or on behalf of other customers of such futures clearer, broker or counterparty), any affiliate of such futures clearer, broker or counterparty or any central clearing counterparty or exchange on which such futures clearer, broker or counterparty executes trades (whether on behalf of the strategies or on behalf of other customers of such futures clearer, broker or counterparty).

Strategy Risk. Bridgewater has developed and maintains proprietary risk models which seek to project potential risk and returns based on numerous factors, including, but not limited to, observed historical volatilities and correlations. These models, among other things, forecast relative returns for, risk levels of, volatilities of, and correlations among strategies and investments. These models are also used to predict the long-term approximate annual targeted return and targeted risk of the investment portfolio of the strategies. The predictive models used by Bridgewater employ a combination of historical, fundamental, quantitative, and qualitative inputs, including historical volatilities and correlations, which Bridgewater believes reasonably approximate certain characteristics of the strategies' investment portfolios. These models may, for a variety of reasons, fail to accurately predict relative returns for, risk levels of, volatilities of, and correlations among strategies and investments, including because of scarcity of historical data in respect of certain strategies and investments, erroneous underlying assumptions and estimates in respect of certain data, or other defects in inputs and the models, or because future events may not necessarily follow historical norms. Any targets stated herein are objectives and should not be construed as providing any assurance or guarantee as to actual returns that may be realized in the future from any investment or the level of risk that may be associated with the investment portfolio of the strategies.

Bridgewater's systematic approach to the investment process requires programming of software. Mistakes are periodically made in such programming. In addition, technical issues periodically arise in computer hardware or software utilized by Bridgewater in managing the strategies. Although Bridgewater engages in substantial efforts to mitigate the risk and effect of such mistakes, mistakes of such type could affect the strategies and investment returns. Absent a breach of the strategies' investment management guidelines, Bridgewater does not classify the results of such mistakes as trade errors (see Error Policy in Item 12). Furthermore, Bridgewater constantly evolves in an effort to improve the investment process it uses to manage the strategies, and therefore changes and improvements based on the review, diagnosis, evolution, and refinement of processes are generally not classified as errors. Bridgewater believes this process of constant improvement benefits all Clients, and should lead to fewer trade errors. Clients and prospective clients should understand that hardware and software errors and their ensuing risks are an inherent risk of investing with a process-driven, systematic investment manager such as Bridgewater. Moreover, Bridgewater generally does not expect to disclose to Clients hardware or software errors Bridgewater detects.

Effect of Speculative Position Limits. The CFTC and some exchanges have rules limiting the maximum net long or net short positions which any person or group may own, hold or control in certain futures contracts. Dodd Frank significantly expands the CFTC's authority to impose position limits with respect to futures contracts, options on futures contracts, swaps that are economically equivalent to futures or options on futures, swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In addition, Dodd Frank requires the SEC to set position limits on security-based swaps. If implemented, any such limits may prevent Bridgewater from acquiring positions for the strategies or its other Clients that might otherwise have been desirable or profitable. In addition, in applying such limits, the CFTC, SEC and exchanges may generally require aggregation of the positions owned, held, or controlled by Bridgewater. Under such circumstances, the strategies could be required to limit the use of derivatives or liquidate their positions on such exchanges.

In response to this expansion of its authority, in 2012 the CFTC proposed a series of new speculative position limits with respect to futures and options on futures on so-called "exempt commodities" (which includes most energy and metals contracts) and with respect to agricultural commodities. Those proposed speculative position limits were vacated by a United States District Court, but the CFTC has again proposed a new set of speculative position limit rules which are not yet finalized (or effective). If the CFTC is successful in this second attempt, the size or duration of positions available to the strategies may be limited. All accounts owned or managed by Bridgewater may be combined for speculative position limit purposes. The strategies could be required to liquidate positions they hold in order to comply with such limits, or may not be able to fully implement their trading strategies in order to comply with such limits. Any such liquidation or limited



implementation could result in losses to the strategies and limit the ability of the strategies to achieve their investment objectives.

**Sovereign Debt.** The strategies may invest in sovereign debt issued by governments, their agencies and instrumentalities either in the currency of their domicile or in a foreign currency. Investors in sovereign debt may be asked to participate in debt restructuring, including the deferral of interest and principal payments, and may also be requested by the issuer to extend additional loans. Certain events, including the political and economic instability in various European Union countries, have highlighted the risks inherent in investing in sovereign debt. The political crisis in Greece illustrates the extraordinary risks that can arise when political actors are unable to obtain and retain sufficient popular support for austerity measures necessary to avoid sovereign default. In addition, the unwillingness of one or more European Union countries to provide assistance to distressed sovereigns within the European Union underlines the unexpected political dynamics that may arise to undermine investor expectations regarding the safety of sovereign debt. It is impossible to predict whether the strategies will be able to successfully avoid losses relating to sovereign default. There is no current means of collecting on defaulted sovereign debt as part of bankruptcy or other proceedings. In addition to general default risk relating to sovereign debt, if the strategies invest in sovereign debt denominated in a currency other than a subscription currency or the base currency -(or in respect of which payments of principal or interest are paid in a currency other than a subscription currency or the base currency) the strategies will be exposed to the risk that one or more jurisdictions may impose currency controls that would limit the strategies' ability to convert such payments of principal or interest to a subscription currency or the base currency. It is impossible to predict whether any such currency controls will be imposed.

**Swaps and Security-Based Swaps.** The strategies may enter into swaps and security-based swaps. Swap agreements are OTC derivative products that may or may not be privately negotiated and may or may not be centrally cleared. In each case, swaps involve an agreement in which two parties agree to exchange actual or contingent payment streams that may be calculated in relation to a rate, index, instrument, or certain securities, and a particular "notional amount." Swaps and security-based swaps may be subject to various types of risks, including market risk, liquidity risk, structuring risk, tax risk, and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. Non-cleared swaps and security-based swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps and security-based swaps may increase or decrease the strategies' exposure to commodity prices, equity or debt securities, long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, mortgage-backed securities, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates and may increase or decrease the overall volatility of the strategies' portfolios. Swaps and security-based swaps can take many different forms, may be cleared on a clearinghouse or not cleared and are known by a variety of names. The strategies are not limited to any particular form of swap or security-based swap if Bridgewater determines that other forms are consistent with the strategies' investment objectives and policies. A significant factor in the performance of swaps and security-based swaps is the change in individual commodity values, specific interest rates, security prices, currency values, or other factors that determine the amounts of payments due to and from the counterparties. If a swap or security-based swap calls for payments by the strategies, the strategies must have sufficient cash available to make such payments when due. In addition, to the extent a swap or security-based swap is not cleared through a CCP and a counterparty's creditworthiness declines, the risk of non-performance by the counterparty increases, potentially resulting in losses to the strategies. Dodd-Frank requires that certain swaps and security-based swaps be executed in regulated markets and submitted for clearing to regulated clearinghouses. While these provisions are intended in part to reduce counterparty credit risk related to swaps and security-based swaps, and the CFTC has enacted, and the SEC has proposed to enact, regulations to govern these markets, the ultimate success of these rules and regulations is not yet clear and may not become clear for many years.

**Transaction Costs.** The strategies may engage in a high rate of trading activity resulting in correspondingly high transaction costs being borne by the strategies, including substantial brokerage commissions, fees, and

other transaction costs, which could have an adverse effect on the strategies' performance. Transaction costs are increased by the use of leverage. The strategies may limit themselves to the use of custodians, futures clearers, brokers, clearinghouses, exchanges or other counterparties that meet certain criteria determined from time to time by Bridgewater. These limitations may result in the strategies paying more for such services than would be the case if they solely chose such persons on the basis of price.

**Volatile Markets.** Price movements in the markets can be volatile and are influenced by, among other things: changing supply and demand relationships; government trade and fiscal policies; national and international political and economic events; and changes in exchange rates and interest rates. For example, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures, and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The strategies are also subject to the risk of the failure of any exchanges on which their positions trade or of the clearinghouses of such exchanges.

The strategies may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and have other adverse effects. Such conditions may cause certain instruments, including historically liquid instruments, to become less liquid and more difficult to value, and thus harder to dispose of. These issues may be exacerbated by, among other things, uncertainty regarding the potential duration and scope of the problem and the degree of exposure of financial institutions and other market participants. While such conditions persist, the strategies will also be subject to heightened risks associated with the potential failure of custodians, futures clearers, brokers, clearinghouses, exchanges and counterparties, as well as increased systemic risks associated with the potential failure of one or more systemically important institutions.

**BREXIT.** On January 31, 2020, the United Kingdom ("UK") officially withdrew from the European Union (the "EU"). This was subsequent to the UK and EU having agreed to the wider terms of the UK's withdrawal from the EU pursuant to the *Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (2020)*, which provides for a period from February 1, 2020 until December 31, 2021, during which EU law continues to apply in the UK (the "Transitional Period").

During the Transitional Period, the UK and the EU will enter into negotiations with respect to the UK's future relationship with the EU. However, if the UK and the EU fail to agree to the terms of a comprehensive free-trade agreement prior to the end of the Transitional Period, it is anticipated that the UK would be required to trade with the EU and other countries under the rules of the World Trade Organization and thereby lose access to the EU's "Single Market" and "Customs Union".

During and possibly after the Transitional Period, there is likely to be considerable uncertainty as to the position of the UK and the arrangements that will apply to its relationships with the EU and other countries following the end of the Transitional Period. This uncertainty may affect other countries in the EU, or elsewhere, if they are considered to be impacted by these events. The impact of such events on the strategies is difficult to predict but they may adversely affect the return on the strategies' investments. There may be detrimental implications for the value of certain of the strategies' investments, their ability to enter into transactions or to value or realize such investments or otherwise to implement its investment program. Once the position of the UK and the arrangements which will apply to its relationships with the EU and other countries have been established, or if the Transitional Period comes to an end without the UK and the EU having agreed on such arrangements or before such arrangements become effective, it is possible that certain of the strategies' investments may need to be restructured to enable the strategies' objectives to be pursued fully. This may increase costs or make it more difficult for the strategies to pursue their investment objectives.

Benchmarks, such as the London Interbank Offered Rate ("LIBOR"), may be Terminated or Altered. Interest rates and indices which are deemed to be "benchmarks" (including LIBOR) are the subject of recent national and international regulatory reform. The general increased regulatory scrutiny of these "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations. LIBOR is an estimate of the rate at which a sub-set of banks (known as the panel banks) could borrow money on an uncollateralized basis from other banks. The UK Financial Conduct Authority, which regulates LIBOR, has announced that it will not compel banks to contribute to LIBOR after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. These reforms may result in LIBOR and other "benchmarks" performing differently than in the past, disappearing entirely, or having other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the strategies.

The strategies may undertake transactions in instruments that are valued using LIBOR. Nonetheless, the termination of LIBOR presents risks to the strategies. It is not possible at this point to identify those risks completely, but they include the risk that an acceptable transition mechanism may not be found or may not be suitable for the strategies. In addition, any alternative reference rate and any pricing adjustments required in connection with the transition from LIBOR may impose costs on the strategies or may not be suitable to close out positions and enter into replacement trades.

Additional Restrictions Relating to OTC Derivatives. Dodd-Frank requires that certain commonly traded OTC derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin requirements mandated by the SEC, CFTC, and/or other federal prudential regulators. The regulators have also imposed margin requirements on non-cleared OTC derivatives. OTC derivatives dealers are also required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as they have historically been allowed to do. These requirements have increased, and will continue to increase, the costs of swap dealers, which costs are likely to be passed through to other swap market participants in the form of higher fees, including clearing account maintenance fees, and less favorable dealer marks.

The CFTC requires certain derivative transactions that were previously executed on a bi-lateral basis in the OTC markets to be executed through a regulated futures or swap exchange or execution facility and cleared through a CCP. Many CFTC-regulated derivatives trades are now subject to these rules and it is expected that additional derivatives trades will be added over time. The SEC is also expected to impose similar requirements on certain security-based derivatives in the near future, though it is not yet clear when those parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds to enter into highly tailored or customized transactions. They may also render certain strategies in which Bridgewater's strategies might otherwise engage impossible or so costly that they will no longer be economical to implement.

The OTC derivatives dealers that the strategies are facing are now required to register with the CFTC and will ultimately be required to register with the SEC. Registered swap dealers are subject to minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivatives dealers, which may be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks as market changes continue to be implemented. It is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators, which could create uncertainty for the strategies' ability to effectuate OTC derivatives transactions.

Dodd-Frank has created a fragmented CCP clearing mechanism. In connection with future regulations, CCPs may be permitted to clear riskier and less-liquid OTC derivatives. Notwithstanding the financial safeguard systems that the CCPs are required to implement, in the event of a market crisis, if a CCP's financial resources and safeguards are inadequate to resolve one or more clearing member defaults or insolvencies, it is possible that a CCP may itself become insolvent, thus posing a systemic risk to the financial system and a risk of loss to the strategies on its OTC derivatives that are cleared through such CCP.

The regulation of investing in Europe has been the subject of significant change during the last several years, including as a result of MiFID II and AIFMD. This directive introduced new and more extensive requirements for most firms engaged in financial services and investment in the European markets. Further regulatory measures, such as those involving short selling and OTC derivatives regulation, have been proposed and are expected in relation to the conduct of the financial services industry. The regulation in Europe is evolving, and significant changes in such regulation may adversely affect the strategies and their investments.

### **Additional Risks of Investing with Bridgewater**

**Additional Information Available to Certain Clients.** Certain Clients obtain information from Bridgewater regarding the strategies that is not generally available to other Clients, which may provide the recipient with greater insights into the strategies' activities than are included in standard reports to Clients. In determining whether to provide such information to certain Clients, Bridgewater will take into account factors that it deems relevant in its sole discretion, which may include, without limitation, the type or nature of the information requested, confidentiality concerns, potential uses for such information, and the intentions of the requesting Client with respect to such information. Generally, except in circumstances where a particular Client is subject to specific regulatory requirements that limit a Client's ability to maintain certain information as confidential, Bridgewater does not intend to make such reports and information available to a Client unless Bridgewater is satisfied, in its sole discretion, that such Client will maintain the confidentiality of the information being provided.

**Uncertain Economic, Social, and Political Environment.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Furthermore, such confidence may be adversely affected by local, regional or global health crises including but not limited to the rapid and pandemic spread of viruses or other diseases. Such health crises could exacerbate political, social, and economic risks previously mentioned, and result in significant breakdowns, delays and other disruptions to important global, local and regional supply chains affected. A climate of uncertainty, including the contagion of infectious viruses or diseases, may reduce the availability of potential investment opportunities, reduce market liquidity and increases the difficulty of modeling market conditions. In addition, limited availability of credit for consumers, homeowners and businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of Bridgewater to execute its strategies to achieve their investment objectives. Furthermore, such uncertainty, including the uncertainty stemming from the contagion of infectious viruses or diseases, or general economic downturn may have an adverse effect upon the strategies.

**Availability of Investment Opportunities.** There can be no assurance that Bridgewater will be able to find suitable opportunities consistent with its investment approach. Market conditions may limit the availability of investment opportunities. Such limitations may cause delays in deploying the strategies' capital and may negatively impact the strategies' returns.

**Competitive Markets.** The market for investment opportunities is competitive and involves a high degree of uncertainty. The profit potential of the strategies may be materially reduced as a result of competition within the asset management business. Additional funds with similar investment objectives and/or sourcing

methodologies may be formed in the future by other unrelated parties. There can be no assurance that Bridgewater's management will succeed in consistently identifying and securing investments on attractive terms. As a result, there can be no assurance that the strategies will be able to participate and make portfolio investments that satisfy the strategies' return objectives or realize Bridgewater's view of their potential values. There can be no assurance that such opportunities will continue to be available or that the strategies will be able to make any such investments.

**Concentration Risk – Investments.** The strategies may at certain times hold large positions in a relatively limited number of investments. The strategies could be subject to significant losses if they hold a relatively large position in a single issuer, industry, market or a particular type of investment that declines in value, and the losses could increase even further if the investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. The strategies' investments could potentially be concentrated in relatively few strategies, issuers, industries or markets.

**Concentration Risk – Service Providers.** The strategies may at certain times have a material portion of their assets exposed to the credit risk of a particular custodian, futures and derivatives clearer, broker, clearinghouse, exchange or counterparty. Such a concentration could magnify the risks to the strategies of a failure of one or more of such custodians, futures clearers, brokers, clearinghouses, exchanges or counterparties.

The strategies and Bridgewater are also reliant upon the proper performance of duties and obligations of their respective service providers. The strategies may be adversely impacted in a material manner if one or more of the service providers to the strategies or Bridgewater fail to adequately perform their functions. In addition, key activities undertaken in connection with Bridgewater's and the strategies' operations may be concentrated in one or more service providers, which may expose the strategies to risks if one or more of such service providers does not provide or becomes incapable of providing services in the normal course.

**Credit Ratings.** Bridgewater uses credit ratings issued by credit rating agencies as part of its evaluation of the creditworthiness of a counterparty or the safety of principal and interest payments of rated securities. These ratings do not, however, fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the condition of the issuer that affect the market value of the security. Consequently, credit ratings are used only as a partial indicator of investment quality. To the extent that Bridgewater relies on credit ratings, such reliance may expose Bridgewater to the risks that such ratings are not reliable.

**Cybersecurity and Service Provider Risk.** As part of its business, Bridgewater processes, stores and transmits large amounts of electronic information, including information relating to its Clients and transactions entered into on their behalf. Similarly, Bridgewater service providers and its Clients, especially Client administrators, may process, store and transmit such information. Some information is stored in the cloud by certain vetted cloud-based service providers. Bridgewater has controls, procedures and systems in place designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. 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. Network connected services provided by third parties to Bridgewater may be susceptible to compromise, leading to a breach of Bridgewater's network. Bridgewater's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by Bridgewater to its Clients may also be susceptible to compromise. Breach of Bridgewater's information systems may cause information relating to Clients (including client transactions) to be lost or improperly accessed, used or disclosed.



Bridgewater service providers and its Clients are subject to the same electronic information security threats as Bridgewater. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to Clients (including client transactions) may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Bridgewater's or its Clients' proprietary information may cause Bridgewater or its Clients to suffer, among other things, financial loss, business disruption, liability to third parties, regulatory intervention or reputational damage. Any such event could have a material adverse effect on Clients and their investments.

**ERISA Considerations.** Certain assets under Bridgewater's management may consist of "plan assets" subject to Title I of the U.S. Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code, in which case the management and operation of the strategies would, among other things, become subject to ERISA's fiduciary duty and prohibited transaction rules. In such a case, the strategies will be subject to investment limitations and restrictions that would not otherwise be applicable and may materially impact the performance of the strategies. For example, the strategies could be prohibited, or otherwise restricted, from purchasing or holding certain asset backed securities, residential mortgage backed securities, collateralized loan obligations and similar instruments notwithstanding that such instruments might otherwise be appropriate investment opportunities for the strategies.

**EU Short Selling Regulation.** On November 1, 2012, the EU Regulation on Short Selling and Certain Aspects of Credit Default Swaps (the "SSR") became directly applicable in European Union ("EU") member states. The SSR applies to short sales of, and short positions relating to certain corporate issuers in the European Economic Area ("EEA") and debt of sovereigns in the EEA. The SSR imposes certain disclosure obligations and contains certain prohibitions on uncovered or "naked" short sales (including uncovered positions in credit default swaps referencing EEA sovereign debt issuers). National regulators in EU states, and the European Securities and Markets Authority ("ESMA"), are able to take certain additional emergency measures (including complete bans on short-selling activities) if certain conditions are met. The SSR (and any such emergency measures) may prevent Bridgewater from implementing its negative views on certain covered securities and EEA states.

**European Market Infrastructure Regulation.** The European Market Infrastructure Regulation ("EMIR") introduced certain requirements with respect to derivative contracts, which apply to varying degrees to entities established in the EU, regardless of whether they are transacting with counterparties established in the EU or outside of the EU. As such, where the strategies transact in derivatives with EU counterparties, they will likely require the transaction to be EMIR-compliant, with the result that the strategies become subject to additional obligations and/or costs that may not otherwise have applied.

Broadly, EMIR's requirements with respect to derivative contracts are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques for uncleared OTC derivative contracts and (iii) reporting and record-keeping requirements for all derivative contracts. The application of these requirements is dependent on the classification (or deemed classification) of the parties to any in-scope transaction as financial counterparties (as defined in EMIR), non-financial counterparties which are above the EMIR clearing threshold or non-financial counterparties below the clearing threshold.

The EU regulatory framework and legal regime relating to derivatives comprises not only EMIR, but also includes a package of legislation, technical standards and related guidance under MiFID II.

There may be ongoing costs (whether direct or indirect) of compliance with EMIR. EMIR may adversely affect the strategies' ability to engage in certain transactions in derivatives.

**Failure of Custodians.** The custodian, the secondary custodian and/or the banks or brokerage firms selected by Bridgewater, a broker or other counterparty to act as custodians may become insolvent, causing the

strategies to lose all or a portion of the funds or securities held by the custodian, secondary custodian or such banks or brokerage firms or other counterparty acting as a custodian or to encounter delays recovering assets. A Client's assets deposited with a bank or brokerage firm as margin (or collateral) in respect of non-cleared derivative contracts such as OTC currency forwards are not currently required under CFTC regulations or any other regulations to be held in a segregated account for the benefit of the Client. Consequently, assets deposited by Bridgewater or a Client with a bank or brokerage firm as margin in respect of non-cleared derivative contracts may be indistinguishable, for insolvency purposes, from the proprietary assets of such bank or brokerage firm and therefore may be subject to creditors' claims in the event of the insolvency of such bank or brokerage firm and may not be available for timely recall by Bridgewater or its Clients.

**Failure of a Futures Clearer or Broker and Related Matters.** The strategies have credit risk to each of their futures clearer(s) and broker(s) and the exchanges on which such futures clearer(s) and broker(s) trade and clearinghouses on which such futures clearer(s) and broker(s) clear derivative positions. Moreover, the strategies may, in Bridgewater's sole discretion, maintain all of their U.S. exchange-traded futures positions and cleared derivatives positions with a single CFTC-registered futures commission merchant. A futures commission merchant is required by CFTC regulations to segregate from its own assets, and for the sole benefit of its customers (including the strategies), all assets held by the futures commission merchant in respect of exchange traded futures, options contracts on exchange-traded futures and cleared derivative positions, including an amount equal to the net unrealized gain on all such open contracts and cleared derivative positions. Exchange traded contracts and cleared derivative positions are marked to market on a daily basis, with variations in value credited or charged to the customer's account, and any funds received in connection with profits on a futures, options on futures or cleared derivatives position belonging to the customer should be treated as the property of the customer and maintained by a futures commission merchant in a customer segregated account. A futures commission merchant is also required to deposit its own funds into its customer segregated accounts to the extent necessary to ensure that such accounts do not become under-segregated and that no customer's excess funds in the segregated account may be used to meet the margin requirements of another customer. In the event of a futures commission merchant's financial collapse, insolvency, or bankruptcy, the customer funds held in such futures commission merchant's customer segregated accounts, assuming such funds were properly segregated, should be insulated as an identifiable separate pool of assets and, as such, should not be available for distribution to such futures commission merchant's general creditors. Under such circumstances, each customer with assets on deposit in such futures commission merchant's customer segregated account would receive its pro rata share of such assets. As long as such futures commission merchant is collecting adequate margin payments from its customers, properly segregating such customer margin payments, has not suffered malfeasance with respect to the segregated assets and is advancing its own funds in accordance with CFTC regulations, each customer should receive all of its assets from the customer segregated account. To the extent that any segregated account may be undermargined, however, the deficiency would be shared on a pro rata basis by each customer holding assets in such account. While Bridgewater will generally seek to utilize futures commission merchants who have a reputation for maintaining sufficient assets in customer accounts to avoid undermargined accounts, no assurance can be given that Bridgewater will be able to successfully limit the strategies' futures brokerage or cleared derivatives positions to futures commission merchants that fully comply with applicable CFTC regulations.

**Financing Arrangements; Availability of Credit.** The strategies' use of leverage may depend on the availability of credit in order to finance their portfolios and restrictions imposed by governmental and regulatory authorities. There can be no assurance that Bridgewater will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the strategies can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of transactions governed under master trading agreements and cross defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed

suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the strategies to liquidate all or part of its portfolio at disadvantageous prices. The financing available to the strategies from banks, dealers and counterparties is likely to be restricted in disrupted markets.

Increasing the Assets Managed by Bridgewater May Adversely Affect Performance. There may be circumstances in which the rates of return achieved by advisors may degrade as assets under management increase beyond the levels in which such advisors can effectively allocate capital or transact within markets. Although Bridgewater may close the strategies or return capital to existing investors, there is generally no limit on the total amount of subscriptions that may be accepted on behalf of the strategies. In addition, Bridgewater does and may manage other vehicles or accounts with similar or different strategies.

Government Investment Restrictions. The strategies will invest in investments issued by entities located or resident in one or more non-U.S. jurisdictions. Government regulations and restrictions in some countries may limit the amount and type of investments that may be purchased by foreign investors such as the strategies, or the sale of such investments once purchased. Such restrictions may also affect the market price, liquidity and rights of investments that are purchased by the strategies and may increase expenses for the strategies. In addition, the repatriation of both investment income and capital is often subject to restrictions, such as the need for certain governmental consents, and, even where there is no outright restriction, the mechanics of repatriation or, in certain countries, the inadequacy of the relevant currency in which the debt or other obligation owed to the strategies has been denominated that is available to non-governmental entities, may affect certain aspects of the operation of the strategies. Certain countries in respect of whose markets the strategies may seek to obtain exposure prohibit or limit foreign investors, such as the strategies, from making direct investments. In countries that have an inadequate supply of the relevant currency in which the debt or other obligation owed to the strategies has been denominated, issuers that have an obligation to pay the strategies in such currency may experience difficulty and delay in exchanging local currency to such currency and thus hinder the strategies' repatriation of investment income and capital. Moreover, such difficulty may be exacerbated in instances where governmental entities in such countries are given priority in obtaining such scarce currency.

Legal and Regulatory Risks. Legal and regulatory changes could occur during the term of the strategies which may adversely affect the strategies or Bridgewater. For example, the legal and regulatory environment for derivative instruments is evolving, and changes in the regulation of derivative instruments may adversely affect the value of derivative instruments held by the strategies and the ability of the strategies to engage in trades. Similarly, the legal and regulatory environment for leveraged investors and hedge funds is evolving, and changes in the direct or indirect regulation of leveraged investors or hedge funds may adversely affect the ability of the strategies to pursue their investment objectives and/or engage in trades. In addition, certain jurisdictions have imposed restrictions and reporting requirements on short selling. Further, regulators and exchanges are authorized to regulate trading or other activity with respect to certain markets and may impose other restrictions which could have significant adverse effects on the strategies' portfolios and the ability of the strategies to engage in trades and achieve their investment objectives.

The SEC, other regulators and self-regulatory organizations and exchanges are authorized to intervene, directly and by regulation, in certain markets, and may restrict or prohibit certain market practices currently engaged in (or which may be engaged in) by the strategies. The duration of such restrictions and type of securities affected may vary from country to country and may significantly affect the value of the strategies' holdings and their ability to pursue their investment objectives. For example, authorities in various jurisdictions have periodically implemented restrictions on the ability of investors to engage in short selling. In addition, authorities in various jurisdictions have indicated that they may impose additional restrictions and controls on investors in various markets, which could impact the ability of the strategies to achieve their investment objectives. The nature and extent of these restrictions remain unclear and will likely be subject to ad hoc



adjustments when markets experience volatility. The effect of any regulatory change on the strategies could be substantial and adverse.

It is impossible to predict what additional interim or permanent government restrictions may be imposed on the markets and/or the effect of such restrictions on the strategies employed by Bridgewater. In addition, future repeals of Dodd-Frank or other relevant laws could have unexpected, and potentially adverse, impacts on one or more markets or the strategies engaged in by Bridgewater.

Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act. The global financial markets have gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

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

Dodd-Frank seeks to regulate markets, market participants and financial instruments that previously have been unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. Dodd-Frank mandates that regulators enact many new regulations some of which are not yet effective. It is difficult to predict the ultimate impact of Dodd-Frank on the strategies, Bridgewater and/or the financial markets. Dodd-Frank could result in certain investment strategies in which Bridgewater engages or may have otherwise engaged becoming difficult to implement. Dodd-Frank and regulations adopted pursuant to Dodd-Frank could have a material adverse impact on the profit potential of the strategies.

MiFID II. The European Union Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014) (together, “MiFID II”) governs the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes and derivatives. MiFID II was required to be implemented in EU member states from January 3, 2018. Although Bridgewater and its funds are not organized in the EU, and not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an impact on the strategies.

MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with the strategies. Subject to certain conditions and exceptions, the strategies may be unable to trade shares or derivatives with affected counterparties other than as provided by MiFID II.

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

**Non-Controlling Interests.** Pursuant to its trading policies, Bridgewater will generally not seek to take legal or management control of issuers. Such policy will limit Bridgewater's ability to influence the management of the issuer or to elect a representative to the issuer's board of directors or other governing body, potentially increasing the risk of such investments. In addition, the management of the issuer or its shareholders may have economic or business interests which are inconsistent with those of Bridgewater, and they may be in a position to take action contrary to Bridgewater's objectives. Finally, the aggregate positions taken in an issuer by Bridgewater are not expected to permit Bridgewater to take legal or management control of issuers. This limitation will restrict Bridgewater's ability to take actions to control any such issuer.

**Non-Public Information.** Although internal policies are in place to prevent the receipt or use of non-public information, Bridgewater, its affiliates and their respective officers, directors, partners, members, employees and agents may from time to time come into possession of such information. Under applicable securities laws, this may limit Bridgewater's ability to buy or sell portfolio securities. The strategies' investment flexibility may be constrained as a consequence of Bridgewater's inability to use such information for investment purposes.

**Past Performance.** Past performance of Bridgewater and similar investment funds or accounts managed, advised, or sponsored by Bridgewater are not necessarily indicative of future results. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

**Potential Inability to Trade or Report Due to Systems Failure or Impairment.** Bridgewater's strategies are highly dependent on the proper functioning of their internal and external computer systems, data centers and connectivity. Accordingly, failures of or impairments to such systems, data centers or connectivity, whether due to third-party failures or issues upon which such systems are dependent or the failure or impairment of Bridgewater's or a service provider's hardware or software, could disrupt trading or make trading impossible until such failure or impairment is adequately remedied. Any such failure or impairment, and consequential inability to trade (even for a short time), could, in certain market conditions, cause the strategies to experience significant trading losses or to miss opportunities for profitable trading. Any such failures or impairments also could cause a temporary delay in processing investor activity or reports to investors. The strategies will trade on electronic trading and order routing systems, which differ from traditional open outcry trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the instrument. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, trade error policies, and trading limitations or requirements. There are also differences regarding qualifications for access, grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risks with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic mail. Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure or impairment. Any such failure or impairment, and consequential inability to trade or process investor activity (even for a short time), could, in certain market conditions, cause the strategies to experience significant trading losses, cause the strategies to miss opportunities for profitable trading and/or adversely affect the strategies.

**Potential Loss of Investment.** There is a risk that an investment in the strategies will be lost entirely or in part. The strategies are not a complete investment program and should represent only a portion of an investor's portfolio management strategy.

**Reliance on Bridgewater.** The performance of the strategies will depend, among other things, upon the ability of Bridgewater to trade profitably in the markets. No assurance can be given that Bridgewater will be able to do so. Decisions made by Bridgewater may cause the strategies to incur losses or to miss profit opportunities on which they may otherwise have capitalized. Moreover, in managing and directing the strategies' investments, Bridgewater may rely on certain personnel whose departure or inability to fulfill certain duties

may adversely affect the strategies' investments. Bridgewater has a compliance policy that details controls and procedures through which it seeks to minimize compliance risks to its business; however, no assurances can be given that Bridgewater will be able to identify or prevent compliance-related risks. Clients will have no right or power to participate in the day-to-day management or control of the business of Bridgewater, nor an opportunity to evaluate the specific strategies used, or investments made, by Bridgewater or the terms of any investment. Bridgewater is a large and visible participant in the markets and is subject to continuous scrutiny relating to its operations and trading style. Decisions by Bridgewater to enter or exit strategies may be closely followed by fellow investors in the markets and other interested parties. Such scrutiny could affect Bridgewater's ability to enter or exit a position or a strategy or could limit Bridgewater's flexibility in managing a position or strategy. Any such restrictions or limitations could have an adverse impact on the strategies.

**Reliance on Key Personnel.** The operations of Bridgewater and its strategies are substantially dependent upon the skill, judgment and expertise of key personnel. The death, disability or other unavailability of key personnel could be material and adverse to Bridgewater and its strategies.

**Short Selling.** The strategies may engage in short selling of any of the instruments they trade to the extent permitted by local regulations. In selling short, the strategies bear the risk of an increase in the value of the instrument sold short above the price at which it was sold (price net of transaction costs). Such an increase could lead to a substantial (theoretically unlimited) loss, as the market price of instruments sold short may increase continuously, although the strategies may mitigate such losses by replacing the instruments sold short before the market price has increased significantly. Under certain market conditions, the strategies might have difficulty purchasing instruments to meet their short sale delivery obligations (such as to complete a dealer recall of the underlying instrument). The strategies might also have to sell portfolio instruments to raise the capital necessary to meet their short sale margin call obligations at a time when fundamental investment considerations would not favor closing out such short position. Short sales may be used with the intent of hedging against the risk of declines in the market value of the strategies' long portfolio, but there can be no assurance that such hedging will be successful. Many jurisdictions have imposed or proposed restrictions and reporting requirements on short selling which may restrict or prevent the strategies from successfully implementing their investment objectives involving short selling. It is impossible to predict whether additional restrictions and reporting requirements on short selling may be implemented by one or more jurisdictions or whether such restrictions or reporting requirements will be implemented selectively or with respect to any market participants. Such undertaking, in itself, could have an adverse impact on Bridgewater's ability to execute particular investment strategies. The actual implementation of any such restrictions could cause the strategies to suffer material losses, especially given the often ad-hoc and emergency nature of the implementation of such restrictions.

**Value of Investment.** The value of investments in the strategies can fall, as well as rise, potentially resulting in an adverse effect on the investment. All investments risk the loss of capital. The nature of the investments to be purchased and traded by the strategies and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. While Bridgewater will devote its best efforts to the management of the strategies' portfolios, there can be no assurance that the strategies will not incur losses. Investments in the markets may experience extended periods of loss.

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

**Item 9: Disciplinary Information.**

There are no legal or disciplinary events related to Bridgewater that are material to a client's or prospective client's evaluation of Bridgewater's advisory business or the integrity of its management.

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

Bridgewater and/or a related person acts as general partner, managing member, director or other controlling entity in private funds that invest in securities, commodities or other investments in which Bridgewater's Clients may be solicited or wish to invest. Please note that Item 6 and Item 12 discuss Bridgewater's trade aggregation and allocation policies in more detail and discuss how Bridgewater seeks to minimize conflicts between its Client separately managed accounts and funds.

Bridgewater is registered as a Commodity Trading Advisor and a Commodity Pool Operator with the CFTC and is a member of the National Futures Association. Bridgewater does not act in any capacity as a broker-dealer or a futures commission merchant.

As discussed in Item 4, Bridgewater has contracted with Northern Trust and Bank of New York Mellon for middle and back office services, and each of those entities (or their affiliates) serves as an investment manager of certain cash management vehicles which Bridgewater from time to time recommends or selects for its Clients.

As noted in Schedule D Section 7.A. of Bridgewater's Form ADV Part 1, Bridgewater (China) Investment Management Co., Ltd. ("BCIM") is a wholly owned foreign affiliate of Bridgewater Associates, LP located in Shanghai. BCIM was granted a Private Fund Manager ("PFM") license by the Asset Management Association of China in June 2018.

Many of our Clients and prospective Clients retain investment consultants to advise them on the selection and review of investment managers. Bridgewater has certain Clients that were introduced to us through consultants. These consultants or their affiliates can, in the ordinary course of their investment consulting business, recommend Bridgewater's investment advisory services or otherwise place Bridgewater into searches or other selection processes for a particular client. Bridgewater has extensive dealings with investment consultants, both in the consultants' role as adviser for their clients and, in certain cases, through independent business relationships. Specifically, Bridgewater provides consultants with information on portfolios it manages for its mutual clients, pursuant to its Clients' directions. Bridgewater also provides information on its investment processes and performance to consultants, who use that information in connection with searches they conduct for their clients. Bridgewater also responds to "Requests for Proposals" from prospective clients in connection with those searches.

In certain cases, Bridgewater:

- Invites consultants to events or other entertainment hosted by Bridgewater.
- Pays registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences. These conferences or forums can provide Bridgewater with the opportunity to discuss a variety of business topics with consultants, Clients, and prospective Clients.

In general, Bridgewater relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with Bridgewater.

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

Bridgewater's Code of Ethics ("Code"), adopted pursuant to Rule 204A-1 under the Advisers Act, confirms Bridgewater's commitment to the highest ideals of honesty, integrity and openness. Bridgewater demonstrates this commitment through its measures taken to ensure the confidentiality of Client information, prohibition of illegal insider trading and market manipulation, policies governing the acceptance of gifts and provision of political donations, and the scrutiny applied to the personal investments and other outside activities of employees. All employees undergo Code of Ethics training when they begin employment and at least annually after that, in addition to certifying annually that they have read and understand the Code.

A copy of the Code is available to Clients or prospective Clients by submitting a request to Bridgewater's Chief Compliance Officer and Counsel at [Compliance\\_COEReviewers@bwater.com](mailto:Compliance_COEReviewers@bwater.com).

Aspects of Bridgewater's personal trading policy include:

1. All full-time employees and subjected consultants (not just "access persons" as defined by the SEC) are required to provide duplicate account statements or electronic feeds of their accounts to Bridgewater's Compliance group;
2. Pre-clearance of most trades through Bridgewater's automated compliance system;
3. A 60-day holding period for profitable trades;
4. All investments are restricted to a list of permissible instruments and securities;
5. A requirement for employees to hold most types of accounts at an approved broker from which Bridgewater receives a direct electronic feed of trading activity; and
6. Any principal accounts held and/or trades placed through Bridgewater's account management process are exempt from the personal trading rules and pre-clearance requirements since they are subject to the same trading policies, procedures, and guideline monitoring as separately managed Client accounts and fund investments.

Investment decisions are made across Client portfolios by a systematic investment process with parameters set according to specific Client targets and guidelines, not by individuals recommending particular investments to particular Clients. The Compliance group reviews the outcome of this process for consistency across portfolios with similar investment objectives and guidelines. Bridgewater has tight controls around access to the output of the investment process and very few employees have access to forward-looking trade information.

Bridgewater's personal trading policy allows employees to purchase or sell similar securities to those purchased and sold for Client accounts. However, all employees are subject to restrictions and monitoring intended to allow reasonable long-term investing yet prevent short-term trading or the ability to trade in a way that is related to Bridgewater's trading in Client accounts. Personal trading by employees is monitored by Bridgewater's Compliance group.

Bridgewater may recommend to Clients that they buy or sell securities or investment products in which Bridgewater or a related person has a financial interest. Specifically, Bridgewater recommends that Clients invest in commingled funds where Bridgewater or a related person acts as a member manager, manager, investment manager and/or director and recommends that Clients invest in commingled funds in which Bridgewater, one of its affiliates, their respective officers, directors, partners, members, employees or agents or investment funds or accounts managed, advised or sponsored by Bridgewater has made, or may make, an investment. Bridgewater's decision to recommend that a Client invest in any commingled fund or other securities is based solely on the suitability of the investment for the particular Client. In addition, as stated above and in Item 6, Bridgewater's Account Management and Compliance groups review similarly-situated accounts for any discrepancies in performance to ensure that all accounts are treated fairly and in an unbiased manner.

From time to time, Bridgewater uses certain securities to aid in its own corporate cash management and risk management. These decisions are unrelated to the investment decisions made on behalf of Clients. The Clients' investment decisions are based on the output of proprietary investment systems, while the corporate investments are based on cash flow needed for operations. The Account Management and Trading groups oversee the purchases and sales of securities for Client accounts, via a systematic investment process and trade allocation policies. The Finance Department oversees the corporate investments for the management company. However, such investment activity by Bridgewater may result in Bridgewater purchasing or selling securities that it has recommended to Clients.



**Item 12: Brokerage Practices.**

Counterparty Selection. Bridgewater develops and maintains a large, diversified roster of counterparties to seek best execution and risk management. Establishing a large, diversified counterparty roster provides Bridgewater with the flexibility required to (1) compete trades to seek best execution, (2) explicitly limit the information distributed to individual counterparties about Bridgewater trade activity, (3) diversify limited exposure across a broad spectrum of counterparties, and (4) turn off counterparties and shift exposures without affecting the ability to achieve desired positioning.

Before adding a counterparty to its roster, Bridgewater performs thorough due diligence to evaluate the prospective counterparty across three dimensions: (a) competitiveness, (b) risk, and (c) operational capability. To start, the Trading group identifies and evaluates potential new counterparties to assess whether they can provide the desired liquidity and competitive pricing. Then, from a risk perspective, the Account Management group seeks to ensure that Bridgewater can monitor the counterparty's health appropriately and that the counterparty is currently healthy according to its proprietary health metrics. In parallel, the Counterparty Legal group works with the Account Management group to negotiate appropriate risk mitigation terms in the requisite legal agreements (including confidentiality provisions and terms governing collateral for open positions). Finally, potential new counterparties are evaluated by the Back Office to ensure that their operational processes meet Bridgewater's high standards.

Once onboarded, counterparties compete and win business based on the proprietary performance metrics utilized by Bridgewater's Trading group. These metrics are intended to ensure that Bridgewater's execution is consistent with its fiduciary duty to Clients and established standards for best execution. In essence, counterparties earn their share of trading activity based on the quality of their prices, among other factors. Bridgewater also actively limits the extent of the trading activity that each counterparty sees to prevent information leakage and seek best execution over time. Moreover, counterparties are only able to compete to win a share of trading activity if Bridgewater believes they have a track record of good performance, meet health requirements and are within exposure limits. Bridgewater can focus primarily on pricing performance because it (1) does not enter into any formal soft dollar arrangements; (2) requires arm's length relationships between its employees and counterparties (for example, through policy restrictions on providing or receiving entertainment, and other gifts); and (3) does not require research or trade ideas from counterparties. The enforcement of these practices is monitored by our Compliance department.

Soft Dollar Policy. Bridgewater has full discretionary authority to manage Client accounts, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Bridgewater's authority is limited by its own internal policies and procedures and each Client's investment guidelines. In selecting brokers and dealers to effect portfolio transactions for our Clients, Bridgewater seeks to obtain best execution, taking into consideration Bridgewater's best execution policies and procedures as well its fiduciary duties to Clients. Bridgewater does not enter into any formal arrangements for the receipt of brokerage and research services from executing broker-dealers, although it may consider the receipt of proprietary research from a broker as part of its broker selection process.

Bridgewater's best execution policies and procedures are based on several factors including, but not limited to, counterparty reliability, anonymity, minimal market impact, trade clearing and settlement capability in addition to trade execution commission charges.

Bridgewater receives brokerage and research services from its broker-dealers and accepts invitations to educational events. In addition, from time to time, Bridgewater seeks industry color on topics such as regulatory developments, trading new instruments, etc. Again, such research and services are not part of a formal agreement with any broker-dealers but are considered ancillary benefits resulting from Bridgewater's use of such broker-dealers for trade execution. To the extent that the receipt of any ongoing brokerage or



research services by Bridgewater may be deemed a soft dollar arrangement, the arrangement will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

The brokerage services provided by broker-dealers generally include electronic connectivity or direct trading lines related to executing, clearing and settling transactions. The research services provided by broker-dealers generally include internally generated research reports covering topics on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, but may also include telephone contacts or computer-generated data.

Brokerage and research services provided by broker-dealers generally benefit all Bridgewater Clients. In certain circumstances, Bridgewater may execute transactions for only some Clients through broker-dealers who provide brokerage or research services and the brokerage or research services may be used for the benefit of one or more other Clients.

Trade Aggregation and Allocation Policy. Bridgewater's policy is to aggregate transactions where possible and when it is advantageous to our Clients. We prohibit any allocation of trades that would result in Bridgewater's proprietary or affiliated accounts, or any particular Client(s) or group of Clients receiving more favorable treatment than other client accounts.

When we encounter investment opportunities that are appropriate for more than one Client or Fund, or when an aggregated order is only partially filled, we will allocate the investment opportunity or a partially filled order on a fair and equitable basis. Bridgewater seeks to execute trades to minimize transaction and booking costs and ensure fair treatment for all accounts when allocating individual executions. Orders are often executed in blocks (i.e., there are multiple accounts grouped into single orders) to achieve execution efficiency, cost efficiency, anonymity and to minimize volatility in prices across accounts, where possible. In general, Bridgewater allocates the executions to accounts in a pro-rata manner and utilizes randomization in account selection where purely proportional allocation is insufficient. When allocating different fills for a single trade, our account assignment process is intended to fairly distribute the executions to each account.

Cross-Trading Policy. Cross transactions are those in which one Client account purchases or sells securities against another Client account. Given the potential conflicts of interest, as well as the restrictions placed by ERISA, on engaging in cross-trades or similar transactions where a Client account that is subject to ERISA is a participant, Bridgewater generally does not engage on behalf of any of its Clients in cross-trades or other transactions where the Clients could have differing interests in the same transaction, even where Bridgewater could achieve reduced transaction costs for its Clients by doing so. In certain cases, such as the trading of futures, a broker may effect a transaction, subject to applicable laws and regulations and with or without the consent of Bridgewater, for both Bridgewater's Client and another client account managed by Bridgewater that is on the opposite side of the transaction. The broker may receive compensation from the clients involved in such transactions.

Error Policy. In accordance with internal policies, Bridgewater classifies only two types of issues as "trade errors." The first type of trade error is the breach of a Client's guideline objectives. In the event of such error, Bridgewater will resolve the matter in accordance with the terms of the Client's contract. The second type of trade error is a trade execution error by Bridgewater's trading desk that requires reversal due to a deemed inconsistency with the portfolio's investment intent, where, for example, Bridgewater's trading desk sold a security that Bridgewater intended to purchase. When such a trade execution error results in a loss to a Client's portfolio, Bridgewater will make adjustments in the account to restore the Client's portfolio to the position it would have been in had the execution error not occurred and, where required by the terms of the applicable Client contract, provide notification as required by such contract. A trade error will not be deemed to have

occurred unless and until a Client's guideline objectives have been breached or a trade execution error (as described above) has occurred and a Client's account has been financially impacted.

In light of the type of trading strategies and processes Bridgewater implements, the following types of issues would not be considered trade errors unless they resulted in a breach of a Client's guideline objectives (and, accordingly, a Client would not be compensated by Bridgewater for losses related to such issues): (i) trading a different instrument or amount of exposure than instructed, as long as the exposure is deemed consistent with the portfolio's investment intent, or (ii) an issue with an operational or other non-trade execution process.

Bridgewater's investment process is fundamental, systematic and diversified. Systematic means that Bridgewater relies on the programming of its ideas. To do this, Bridgewater utilizes models, computer hardware and software. Mistakes are periodically made in Bridgewater's programming. In addition, technical issues periodically arise in computer hardware and software utilized by Bridgewater in managing a Client's portfolio. Although Bridgewater engages in substantial efforts to mitigate the risk and effect of such mistakes, mistakes of such type could affect a Client's portfolio and investment returns. Absent a breach of a Client's investment management guidelines as described above, Bridgewater does not classify the results of such mistakes as trade errors. Furthermore, Bridgewater constantly evolves and improves the investment process it uses to manage Client portfolios. Changes and improvements based on the review, diagnosis, evolution, and refinement of processes are generally not classified as errors. Bridgewater believes this process of constant improvement benefits all Clients, and should lead to fewer trade errors (as defined above). Clients should understand that hardware and software errors and their ensuing risks are an inherent risk of investing with a process-driven, systematic investment manager such as Bridgewater. Moreover, Bridgewater generally does not expect to disclose to Clients hardware or software errors Bridgewater detects.

The Chief Compliance Officer and a Senior Manager in the Investment Engine are immediately notified of identified trade errors. It is ultimately the responsibility of the Chief Compliance Officer to ensure that any situation involving an identified trade error is resolved in an appropriate manner.

Bridgewater undertakes to correct each trade error as soon as practicable upon its discovery. However, because the time required is dependent upon the nature of the error itself, no absolute timetable exists. The Compliance group maintains a written record of all identified trade errors and the ultimate resolution of the trade errors in accordance with the books and records requirements of Rule 204-2 of the Advisers Act.

Bridgewater does not utilize soft dollar arrangements as a means of resolving trade errors. In the case of an error resulting from the action of any third party, Bridgewater will pursue an appropriate financial remedy on the Client's behalf and/or notify the Client but is not responsible for ensuring third parties compensate Clients in such cases.

Directed Brokerage. Bridgewater may limit itself to use custodians, futures clearers, brokers, clearinghouses, exchanges or other counterparties that meet certain criteria determined from time to time by Bridgewater. Additionally, Clients may sometimes request that a particular broker-dealer or select group of broker-dealers be used to effect transactions in their accounts, or may request that certain broker-dealers be restricted from effecting such transactions. These limitations may result in Clients paying more for such services than would be the case if such decisions were based solely on price.

**Item 13: Review of Accounts.**

Bridgewater's Account Management group is responsible for monitoring a portfolio's positions on a daily basis to seek to ensure compliance with the portfolios' guidelines. The portfolio parameters are coded into Bridgewater's portfolio construction system for purposes of monitoring positions against account guidelines. These parameters, along with Bridgewater's risk control process, are systematically stress-tested at the inception of each new Client portfolio and monitored thereafter. This process essentially hard-wires guidelines into Bridgewater's portfolio management system such that constraints are examined each time a trade is generated. In addition to the enforcement of Client guidelines within the portfolio construction system, a separate and independent "back-end" process assesses whether each portfolio is within Client guidelines.

Middle and back office service providers, monitored by Bridgewater Operations and Accounting staff, perform daily reconciliations of cash, trades and positions with external counterparties and custodians and perform monthly account reconciliations of cash, positions (shares/par amounts and fair value), accruals, and total portfolio value between the account's official books and records and shadow books and records. The shadow books and records are used for the purpose of independently validating the output of the primary books and records.

Investors in Bridgewater's external funds receive monthly performance and valuation statements directly from the funds' administrators. The statements contain the number of shares held in the fund, month-end price and valuation, monthly contributions and redemptions, and monthly returns.

Clients with separately managed accounts receive monthly account statements from both Bridgewater and their qualified custodians. The custodian provides detailed accounting statements that include holdings, valuation, and activity. Clients receive monthly valuation and performance statements from Bridgewater. The valuation statement provides a detailed list of investments, including the quantity held, month-end price, month-end valuation and accruals. The performance statement provides the monthly, quarterly, year to date and inception to date account performance and if applicable, the benchmark return for comparable periods.

Clients typically receive a quarterly report from Bridgewater with portfolio and market commentary.

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

One consultant, who assists Bridgewater's client service efforts outside of the United States, may be compensated in connection with referring foreign investors to Bridgewater or its funds. The consultant is paid for his time only. His compensation is not tied to referrals or investments. In addition, the consultant's compensation is paid entirely by Bridgewater and not by any referred investor or Client. The consultant's arrangement will be disclosed in accordance with Rule 206(4)-3 of the Advisers Act, as necessary.

**Item 15: Custody.**

Bridgewater is deemed to have custody of client assets since it serves as a managing member, or in a similar capacity, to various funds and as such has the authority to obtain possession of such funds' securities or other assets. Each month, fund investors receive valuation statements directly from the fund administrator. Each fiscal year, each of the funds engages a Public Company Accounting Oversight Board-registered independent public accounting firm to conduct an audit of the private investment fund. The audited financial statements are also delivered to all fund investors within 120 days of the end of each fiscal year.

For separately managed accounts, Bridgewater does not have custody since it does not have the authority to hold, directly or indirectly, Client funds or securities or have the authority to obtain possession of them. Each month, separately managed account Clients of Bridgewater receive account statements directly from their qualified custodian, who maintains the Clients' assets, in addition to receiving a statement from Bridgewater.

Bridgewater encourages Clients to compare the account statement received from their custodians to the appraisal reports received from Bridgewater to determine that transactions are properly recorded.

**Item 16: Investment Discretion.**

Bridgewater, through its investment management agreements with its Clients, is generally given discretion and authority to invest, reinvest and manage a Client's assets in accordance with Bridgewater's trading systems, methods, models, strategies and formulas; provided, that Bridgewater complies with the specific investment guidelines and other related terms set forth in each such agreement, which may contain certain parameters or restrictions with respect to Bridgewater's investment discretion and authority. Such parameters and restrictions may include, among others, tracking error or volatility targets, position/exposure limits, counterparty requirements and restrictions, prohibited investments, and applicable legal and regulatory restrictions. To enable Bridgewater to exercise such discretion, Bridgewater is generally authorized, as the Client's agent and attorney-in-fact, to sign and execute all documents and agreements related to its management of the account including, but not limited to, futures account agreements and related acknowledgements and disclosures, repurchase agreements and swap agreements (all either individually or under an umbrella agreement), and fund subscription agreements and redemption notices, and to take all other action that Bridgewater reasonably considers necessary or advisable to carry out its duties.



**Item 17: Voting Client Securities.**

Proxy Voting Policy. To minimize potential conflicts of interest among Bridgewater and its Clients, and to seek to ensure that in cases where Bridgewater votes proxies with respect to Client securities, such proxies are voted in what Bridgewater believes to be the best interests of the Client, Bridgewater engages Glass, Lewis & Co. ("Glass Lewis") to vote proxies on behalf of its Clients, when authority has been delegated to Bridgewater by the Client. In accordance with SEC Rule 206(4)-6 under the Advisers Act (the "Proxy Voting Rule"), Bridgewater generally subscribes to the proxy voting policy adopted by Glass Lewis but reserves the right to direct that Glass Lewis vote in a manner that is contrary to such policy where appropriate, or as specifically directed by a Client for its own account. From time to time, Bridgewater may determine that it is in the Client's best interest to refrain from voting a proxy. For example, Bridgewater may decline to vote if the expected costs associated with voting exceed the expected benefit or where voting would prevent Bridgewater from selling the security for a specified period of time.

A copy of the Glass Lewis Paper Guidelines, the Bridgewater Proxy Voting Policy, and actual proxy voting records, if applicable, are available to Clients upon request.

The Chief Compliance Officer or her delegate is responsible for oversight of the proxy voting policy and procedures and for confirming that proxies have been voted in accordance with such policies and procedures.

Class Action Policy. From time to time, class action lawsuits involving trades entered into by one or more of Bridgewater's funds result in notices being sent to class members for participation in the lawsuit. Bridgewater or a third-party vendor, on behalf of any applicable current Bridgewater fund, may submit certain proofs of claims for payment against settlements or awards in actions for which the fund(s) have received notice, unless Bridgewater determines that the costs of participating in such class actions or settlements outweigh the benefits. Amounts received as a result of participation in class actions will be credited to the participating Bridgewater fund(s) at the time the recovery amounts are received, excluding any third-party administrator fees. As a matter of policy, unless otherwise contractually obligated, Bridgewater generally refrains from serving as the lead (or named) plaintiff in class action matters. Bridgewater will generally opt out of class membership if Bridgewater determines that the risk of information leakage, and the effort required to submit a claim (including the effort required to gather, consolidate, and format large volumes of transaction data) outweigh the amount of the expected recovery. Bridgewater will generally not file claims in class action lawsuits on behalf of (i) funds that have closed or commenced the process of closing prior to Bridgewater's receipt of notice of the lawsuit, or (ii) Clients for whom Bridgewater manages separately managed accounts.

Certain jurisdictions outside of the United States have legal systems that do not provide for class action lawsuits. Lawsuits may occur from time to time in such jurisdictions under proceedings that are analogous to class actions, but which require each plaintiff to individually opt in and become a named plaintiff in the proceeding. Bridgewater will generally opt in to such a proceeding only if Bridgewater determines that it is in the best interests of the applicable Bridgewater fund to do so.

**Item 18: Financial Information.**

There is no financial condition that is reasonably likely to impair Bridgewater's ability to meet contractual commitments to its Clients. Bridgewater has not been subject to a bankruptcy petition within the past 10 years.

**Item 19: Requirements for State Registered Advisers.**

Bridgewater is not registered as an investment adviser with any state. This item is therefore not applicable.