

Edgestream Partners, L.P.
Part 2A of Form ADV
The Brochure

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March 27, 2020

Edgestream Partners, L.P. is registered as an investment adviser with the United States Securities and Exchange Commission and is registered as a commodity pool operator and a commodity trading advisor with the United States Commodity Futures Trading Commission. Registration with the United States Securities and Exchange Commission and the United States Commodity Futures Trading Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Edgestream Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (609) 681-2200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Edgestream Partners, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 MATERIAL CHANGES

Edgestream Partners, L.P. is updating this Form ADV Part 2 dated March 27, 2020 as an annual update. Changes since our last annual updated brochure, dated March 29, 2019, include:

ITEM 4: We have updated Regulatory Assets Under Management as of December 31, 2019.

ITEM 5: We have updated our explanation of expense allocations and the fees and allocations charged to employees and affiliated persons of the Firm.

ITEM 7: Additional language has been added describing separate arrangements with investors.

ITEM 8: We have added risk factors regarding Epidemics, Pandemics, and COVID-19, Brexit, Discontinuation of LIBOR, and Privacy and Data Protection Laws.

No other changes deemed material are reflected in this brochure, but we recommend that you read this updated brochure in its entirety.

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ITEM 4 ADVISORY BUSINESS

Edgestream Partners, L.P. (“Edgestream,” the “Firm,” “we” or “us”), is an investment management firm, founded in 2001,¹ specializing in alternative investment strategies for institutional and private investors. The Firm uses a proprietary technical trading system that utilizes mathematical models designed in an attempt to identify profitable trading opportunities in various global futures contracts, foreign exchange instruments and securities markets.

Peter N. Yianilos, Chief Executive Officer, is the principal owner of Edgestream Partners, L.P.

Generally, Edgestream provides investment advisory services to privately offered investment funds in three distinct fund structures: 1) Nias/Sumatra Funds, which invest in a combination of a short- and medium-term quantitative trading strategies across global futures, foreign exchange and securities markets, 2) Extended Tactical Funds, which employ a medium-term quantitative trading strategy across global futures, foreign exchange and securities markets, and 3) Extended Tactical Futures Funds, which employ a medium-term quantitative trading strategy across global futures and foreign exchange markets (each of the master funds in these structures, a “client” and the feeder funds in these clients, each a “Feeder Fund,” with the Feeder Funds in some cases being a client as well).

The Firm adheres to the investment strategy set forth in the offering documents for the Feeder Funds. We do not modify our securities recommendations to our clients according to the particular interests of the underlying investors in the Feeder Funds, nor do we allow these investors to place restrictions on the trading we conduct for our clients. In addition, we do not participate in wrap fee programs.

As of December 31, 2019, we managed client assets in the amount of \$3,101,099,257 (calculated as Regulatory Assets Under Management), all of which are managed on a discretionary basis.

ITEM 5 FEES AND COMPENSATION

We offer fee arrangements that vary by strategy and involve management fees (generally a percentage of assets) and performance fees (generally a percentage of profits). Under certain circumstances, fees are negotiable and management fees for certain investors in our clients have been reduced and/or modified. Individual arrangements are based on investor-specific factors including but not limited to, the relationship between us and the investor, or the aggregate amount subscribed into our clients by an investor and its related parties and affiliates. Performance fees and management fees have been reduced or waived entirely with respect to investments by Edgestream’s partners, the members, managers and employees of the Firm, and their respective family members and affiliates; however, these investments are subject to the

¹Prior to January 1, 2013, Edgestream Partners, L.P. conducted its securities advisory business through its wholly-owned subsidiary, Merfin, LLC, a California limited liability company. Merfin, LLC was founded in 1995 and in 2007 became a wholly-owned subsidiary of Edgestream Partners, L.P. Effective as of December 31, 2012, Merfin, LLC was merged with and into Edgestream Partners, L.P. Edgestream Partners, L.P. began in 2001 as a joint venture between Yianilos Labs Corp., owned by Peter Yianilos, and Merfin, LLC.

same rights and obligations, including redemption rights and expense and transaction costs, as those of other investors.

Asset Based Compensation

Investors in the Feeder Funds pay us management fees based on the net asset value of each investor's capital at a rate of up to 2% per annum (though as noted, such rates are lower for certain investors). Management fees are calculated by the client's administrator, accrue monthly and are paid to us quarterly in arrears from the client's account under our instruction.

Performance-Based Compensation

Currently, we are entitled to receive performance-based compensation from our clients ("incentive allocations") in amounts ranging from 20% to 27.5% of the net profits attributable to each investor's investment in the Feeder Funds subject to a "high watermark" limitation. This means that we only receive an incentive allocation when net profits for the performance period have recovered losses from prior performance periods, as described in the offering materials of the Feeder Funds. The performance period is quarterly for some investors and annually for others. Additionally, certain investors invested in Feeder Funds that are managed pursuant to the medium-term strategy do not pay incentive allocations until management fees paid in prior periods are offset, thereby reducing incentive allocations paid by these investors. Incentive allocations are paid to an affiliate of ours and are calculated by the client's administrator and deducted from the client's account under our instruction.

The short-term Feeder Funds invest a portion of their capital in the medium-term Feeder Funds. Investors in the short-term Feeder Funds pay the same management fees and incentive allocations for their investment in the medium-term Feeder Funds as they would have paid for investment in the short-term Feeder Funds instead of the management fees and incentive allocations charged to the medium-term Feeder Fund investors.

Fees and Expenses Applicable to All Clients

We do not receive asset-based fees or performance-based compensation in advance. If an investor withdraws or redeems from a Feeder Fund before the end of a payment period, the applicable asset-based fee or incentive allocation is charged or taken at the time of withdrawal or redemption on the withdrawn or redeemed amount.

Our Feeder Funds bear all their own expenses (administrative and operationally-related expenses) which include their pro rata share of our clients' expenses through which the Feeder Funds participate. The following summarizes the types of expenses our Feeder Funds incur:

- brokerage commissions;
- dealer spreads;
- interest expenses;
- dividends payable with respect to securities sold short;
- custodial fees;

- exchange fees;
- give-up fees;
- fees of proxy advisory services (medium-term strategy only);
- automated order routing fees and expenses and related transactional fees and expenses;
- data feeds and third-party data center hosting fees and expenses;
- costs of dedicated communication facilities;
- accounting, tax and other reporting expenses;
- fees and expenses associated with the preparation and filing of Forms PF, CPO-PQR and other regulatory filings which seek information about the clients and the Feeder Funds;
- legal, administrative and accounting fees and expenses;
- ongoing regulatory expenses;
- administrator fees and expense;
- governmental, registration, license and membership fees (including, without limitation, exchange memberships);
- expenses associated with compliance with applicable laws, rules and regulations;
- costs and expenses related to the offer and sale of interests in the Feeder Funds (including the cost of preparing and updating the Feeder Funds' offering memoranda);
- taxes and other governmental charges (including the cost of compliance with the Foreign Account Tax Compliance Act and any similar or related regulations, intergovernmental agreements or information-sharing agreements);
- expenses incurred in connection with any threatened, pending or anticipated litigation or examination or proceeding;
- insurance expenses for directors and officers and errors and omissions insurance;
- organizational costs and expenses to the extent not fully amortized;
- compensation to the directors of non-U.S. entities and related travel, hotel and other expenses incurred by them in connection with their attendance at meetings or otherwise in connection with their services; and
- extraordinary or non-recurring expenses.

If one or more Feeder Funds, other clients, and/or Edgestream are responsible for all or a portion of a particular expense, we allocate that expense among all such entities in a fair and equitable manner. When making such allocations among Feeder Funds and other clients, we generally allocate expenses based on the Feeder Funds' and clients' respective capital balances. Some expenses may be advanced by a client or by Edgestream and reimbursed promptly and in the same period by the respective client or Feeder Fund. Client and Feeder Fund administrator fees are charged based on net assets under management, subject to a minimum charge. In addition, the administrator receives certain fees charged at each entity level.

For more information on brokerage transactions and costs, please see Section 9: "Brokerage Practices."

Neither our Firm nor any of our supervised persons accepts compensation for the sale of securities or other investment products.

ITEM 6 PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

An affiliate of ours receives performance-based compensation in the form of an incentive allocation from our clients as discussed in Section 2, “Fees and Compensation.” The existence of the performance-based compensation may create an incentive for the Firm to make riskier or more speculative investments on behalf of our clients. Our Firm’s and our partners’ proprietary investment in our clients through the Feeder Funds aids in aligning our interests with the interests of our clients.

The existence of differing performance fee amounts for our Feeder Funds creates an incentive to favor one client over another based on incentive allocation amounts. We attempt to mitigate this conflict by following policies designed to allocate trading opportunities fairly and equitably among the various strategies that the Firm manages without regard to incentive allocation amounts. These policies are outlined in the offering materials of the Feeder Funds. In addition, the Feeder Funds pursuing a shorter-term strategy invest a portion of their capital in the Feeder Funds pursuing a medium-term strategy to access the corresponding medium-term opportunities. The investors in the Feeder Funds pursuing a short-term strategy pay the same management fees and incentive allocations they would have paid if they had invested solely in the Feeder Funds pursuing the short-term strategy, so that certain fee-related conflicts that might otherwise arise from this arrangement are mitigated.

ITEM 7 TYPES OF CLIENTS

Our Firm provides investment advice to its clients, each of which is a pooled investment vehicle. The types of investors that indirectly invest in our clients (through the Feeder Funds) include individuals, institutions, other investment entities, pension and profit-sharing plans, trusts, estates and charitable organizations, corporations and other business entities. Investors must meet certain standards of net worth and knowledgeability regarding the Firm’s investment program.

We do not provide investment advice to any person other than our clients. This brochure is not intended to be an offer to invest in our clients or the Feeder Funds or to open a managed account with us.

In addition, certain investors in the Feeder Funds have separate arrangements with respect to their investments. The Feeder Funds, from time to time, establish such arrangements, without the consent of or notice to the existing investors, by entering into a side letter concerning an investor’s or prospective investor’s investment in a Feeder Fund that have the effect of establishing rights, providing information flow, or altering or supplementing investment terms. Such arrangements may provide an advantage to those investors that is not available to others, for example by giving them transparency rights and/or different fee/allocation arrangements.

Edgestream and its affiliates may also provide certain information to investors or prospective investors in response to questions, requests, side letter agreements, portfolio reviews, and/or in connection with due diligence or portfolio monitoring meetings or other communications. Such

information will generally not be distributed to other investors and prospective investors who do not request such information. Each investor or prospective investor is responsible for asking such questions or requesting information as it believes is necessary in order to make its own initial and ongoing investment decisions and must decide for itself whether the information typically provided by Edgestream is adequate for its investment evaluation.

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

We seek to maximize long-term returns for our clients through capital appreciation by investing our clients' assets pursuant to our proprietary technical trading systems, generally described below. Since the trading methods used by the Firm are both proprietary and confidential, the following discussion is general in nature and is not intended to be exhaustive.

Our Firm's technical trading systems are automated with respect to the generation of signals and utilize mathematical, machine-driven models to identify profitable trading opportunities in various markets. Our trading decisions are based on strategies that seek to take into account certain "technical" factors in identifying price patterns. The buy and sell signals generated by the systems are not based on analysis of fundamental supply and demand factors, general economic factors or anticipated world events. Instead, they are generally based upon an analysis of actual price movements and other quantitative market data. For our short-term strategies, we anticipate typically holding our clients' positions for no longer than a few days, but we will from time to time hold certain positions for longer periods. For our medium-term strategies, we generally hold our clients' positions for several weeks to one year, but we will from time to time hold certain positions for longer or shorter periods. We intend to continuously research and develop modified trading systems and deploy these systems from time-to-time. We also intend to follow the signals generated by the trading systems in determining the trades and investments to place on behalf of our clients. While we retain the right to override the systems at any time and for any reason, it is generally not our intent to do so in the ordinary course of business (e.g., we anticipate the possibility of overriding the systems only in times of significant market upheaval). We establish the risk parameters within which the trading systems operate. From time to time, we also revise these risk parameters in our sole discretion.

Additionally, on a limited basis as it relates to cash management, discretionary investment decisions are made regarding cash, deposit accounts, money market funds, U.S. Treasuries and foreign exchange translation to U.S. Dollars.

We invest our clients' assets in diversified portfolios of U.S. and non-US futures contracts, foreign exchange and other derivatives, in addition to U.S.- and non-U.S. listed equity securities, equity linked swaps, contracts for differences and similar instruments. The investments of our clients are not described in detail in this brochure and are instead described in the appropriate Feeder Fund offering documents.

Our clients (and their indirect investors) should be aware of certain special considerations and risk factors relating to our investment strategies. The following explanation of certain risks is not intended to be exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. Feeder Fund investors should review the risk factors set forth in the

applicable offering document, which contains additional explanations of strategies, risks and other related details not discussed herein.

- *Trading Strategies.* There can be no assurance that the specific trading strategies we utilize will produce profitable results. Profitable trading is often dependent on anticipating trading patterns. Markets are subject to random price fluctuations, rather than defined trends or patterns, which may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. The best trading strategy, whether based on fundamental or technical analysis, will not be profitable if there are no patterns of the kind it seeks to follow. No assurance can be given that our techniques and strategies will be profitable in the future.
- *Trading Decisions Based on Analytical Models.* Trading decisions made by the Firm are based on a variety of analytical models which require sophisticated mathematical calculations and complex computer programs. The profitability to our clients depends on the effectiveness of the models. Although we use good faith efforts to create effective models, and make every effort to correctly express them as computer programs, reasonably test them and use them effectively to carry out the required calculations, there can be no assurance that we will be successful. Errors and suboptimal choices could occur at any stage of the process. Errors and suboptimal choices may be difficult to detect, may not be detected for a significant period of time despite our vigilance and our efforts to make reasonable repairs or improvements, and could have a material effect on our clients. Any such flaws or deficiencies in our models could prevent our clients from achieving their investment objectives. Our investment strategies are expected to include execution of a significant number of trades over a particular time period and, therefore, this risk may be exacerbated before any detection or correction. The models are subject to inherent limitations and may be improved upon as strategies are refined and markets change. However, there can be no assurance that we will be able to or will implement any improvements, and our ability or failure to make improvements could have a material adverse effect on our clients.

Furthermore, it is not possible for us to integrate all relevant data into the analytical models we develop and we make subjective decisions regarding which data to integrate. In making such determinations, we consider only those factors we deem relevant, which may include the cost of obtaining such data, the technology cost of incorporating such data into our research and trading infrastructure, and the reliability of the third party providing such data. No assurance can be provided that our selections will result in our clients' achieving their investment objective.
- *Human Error and Use of Discretion.* While our trading strategies utilize quantitative models and automated processes, the activities and decisions of our personnel play a vital role in our investment approach. Our personnel make subjective decisions in designing, implementing, monitoring and executing trading strategies, including determinations in connection with developing and making changes to analytical models (e.g., the timing of implementation, the level of testing required and the setting of various parameters and other settings), implementing risk limits, monitoring the clients'

trading and infrastructure, and trading orders manually. Subjective decisions by individuals could prove to be wrong, which could result in losses. For example, a decision to increase a risk limit or not to turn off trading in response to an automated alert could cause a strategy to trade more than intended. Because trade orders are typically placed through automated systems, there is a heightened risk of human error occurring in connection with any trades that are placed manually. The research and modeling processes we utilize rely on theories, research and models being accurately translated into computer code. Any errors made by individuals in such translation to computer code or with respect to the input of data may be difficult to detect and could result in errors in the models that result in losses. Given the manner in which we trade, a single software coding error could result in the execution of many unwanted trades. If we believe that a severe or significant event outside the scope of our analytical models has occurred or will occur, we may exercise our discretion to override any recommendation generated by our models. There is, therefore, a risk that we might act in a manner that is detrimental to our clients' performance, possibly even doing so in a systematic and sustained manner.

- *Systems Failure.* A failure of our internal computer systems, upon which our trading strategies are dependent, whether due to third party failure or the failure of our hardware or software, would disrupt trading and could adversely affect results and make trading impossible until such failure is remedied. While we have backup systems, if for some reason both systems were to fail, such failure, and consequential inability to trade, could, in certain market conditions, cause our clients (and its indirect investors) to experience significant trading losses or to miss opportunities for profitable trading.
- *Trade Errors, Systems Exceptions and Hardware Failures.* Trade errors, system exceptions, and hardware failures are intrinsic to our use of proprietary, machine-learning trading systems and are likely to occur notwithstanding the existence of procedures reasonably designed to prevent their occurrence. In addition, from time to time, we have direct market access to various securities exchanges through brokers. While the brokers providing access must supervise our direct market access, engaging in direct market access may increase the risk of trade errors. Unless a trade error, system exception or hardware failure is found by a court of competent jurisdiction upon entry of a final judgment to have been the result of our or our affiliates' fraud, gross negligence or willful misconduct, any losses associated as a result of the trade error, system failure or hardware exception that are not recovered from a third party are borne by our clients. To the extent a trade error, system failure or hardware exception is due to fraud, gross negligence or willful misconduct, any gains and losses as a result thereof or a series of related trade errors, system failures or hardware exceptions with the same root cause may be netted (unless prohibited by applicable law or regulation), and we will pay our clients the net loss, if any. In all cases, gains resulting from trade errors, system failures or hardware exceptions, including any net gains determined according to the immediately preceding sentence, will be retained by our clients.
- *Cybersecurity.* Cybersecurity risks are especially significant given the sophisticated mathematical calculations and complex computer programs required for our trading strategies. The computer systems, networks and devices used by us and service

providers to us and our clients to carry out our trading strategies and our routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. Our trading strategies, our clients and their indirect investors could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt trading, operations, business processes, or website access or functionality. Cybersecurity breaches could disrupt the models we use to trade or otherwise disrupt and impact business operations, potentially resulting in financial losses to our clients; interference with our ability to calculate the value of an investment; impediments to trading; entering of improper trades for market manipulation purposes by unauthorized persons; the inability for us and service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

- *Inability to Receive Timely and Accurate Market Data.* Our trading systems rely heavily on market data in order to trade. Any failure to receive, process or store timely and accurate market data would likely disrupt trading and/or adversely affect our trading on behalf of our clients until such failure or inaccuracy is corrected. Our clients (and their indirect investors) will ultimately bear the burden of our failure to receive timely and accurate market data that could or would have resulted in a different trade decision.
- *Increased Costs of Frequent Trading.* Our strategy requires taking frequent trading positions. Portfolio turnover and brokerage commission expenses resulting from frequent trading will significantly exceed those of other investment entities of comparable size that use a more traditional buy and hold strategy.
- *Trading Decisions Based on Technical Strategy.* The profitability of any technical trading strategy depends upon the occurrence in the future of price moves or patterns in the instruments traded. In the past, there have been periods without discernible patterns and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no patterns of the kind it seeks to follow. Any factor that may lessen the prospect of significant patterns in the future (for example, increased governmental control of markets or increased government participation in markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at a system's signaled prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability. We regularly refine, modify and alter our strategies so that a trading strategy used in the future may differ from our current strategy. Investors are normally not notified of modifications and alterations, and thus will have no opportunity to evaluate the potential of their investment with regard to the modified strategy.

- *Competition among Quantitative Managers; Correlated Trading.* There are a large number of investment managers that utilize quantitative models in their trading strategies. There may be attempts by other participants in the market to duplicate our models or trading strategies. To the extent that such persons are utilizing models that are similar to those used by us for our clients, our clients will be competing for investment opportunities and the trading by such other persons may impact the opportunities and profitability of our clients. To the extent that such participants take the same action with respect to a particular position as our clients, the ability of our clients to purchase or dispose of their investments at attractive prices may be adversely affected. In addition, the liquidation of a large number of positions in a short period of time by market participants that utilize quantitative models in their trading strategies could have a material adverse effect on the value of our clients' portfolios. Such liquidation crises are independent of any fundamentals and might be similar to the crises that occurred in September 1998 and August 2007. Moreover, it is difficult to determine whether the total amount of funds traded on a mathematical-technical basis, for example for futures as a whole or for a particular contract, is greater in proportion to the overall volume and liquidity of markets than in the past. The effect of the increase, if any, in the proportion of funds traded pursuant to mathematical-technical strategies in recent years cannot be predicted. Any increase, however, could alter trading patterns or affect execution of trades to the detriment of our clients.
- *Disclosure of Intellectual Property.* The intellectual property we develop for our trading activities could be copied or stolen by third parties (including, potentially, by rogue employees or through failures in our security systems or processes) who may provide such intellectual property to our competitors or competitors of our clients. Even absent a security breach, we or our clients could inadvertently disclose confidential information to third parties. In addition, new regulations or additional scrutiny by regulators may require additional transparency with respect to the trading strategies used by firms deploying quantitative or algorithmic strategies. For example, additional position-level disclosure obligations have been put in place, as has the tagging of model-driven orders. Even if regulations often only require reporting to governmental agencies, it is possible that the information will leak out to the public. In each case, disclosure of our intellectual property would make it more likely that our investment strategies could become known by competitors and could lead to opportunities for competitors to reverse-engineer all or part of our strategies. As a result, our clients may have correlated trading with funds that trade on the basis of such intellectual property, which could have a materially adverse impact on our clients' trading results.
- *No Formal Diversification Policies.* Although diversification is an integral part of our overall portfolio risk management process, we are not restricted as to the percentage of our clients' assets that may be invested in any particular instrument, market or asset class. Our clients have not adopted fixed guidelines for diversification of their investments among instruments or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximize our clients' returns, we may concentrate our clients' holdings in those instruments or markets which, in our sole

judgment, provide the best profit opportunity in view of our clients' investment objectives.

- *Counterparty and Custodial Risk.* To the extent our clients invest in swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments and over-the-counter transactions, or, in certain circumstances, non-US securities, our clients take the risk of non-performance by the other party to the contract. This risk includes credit risk of the counterparty, the risk of settlement default and, generally, the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. These risks could subject our clients to substantial losses. These risks differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking to market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In an effort to mitigate such risks, we will attempt to limit transactions on behalf of our clients to counterparties which we believe are established, well capitalized and creditworthy.

In addition, there are risks involved in dealing with the custodians and brokers who settle trades, particularly with respect to non-US investments. We expect that all securities and other assets deposited with custodians and brokers will be clearly identified as being assets of our clients. Therefore, our clients should not be exposed to a credit risk with respect to these parties. However, it may not always be possible to achieve this segregation and there may be practical or timing problems associated with enforcing our clients' rights to their assets in the case of an insolvency of one of these parties.

- *Interest Rate Fluctuations.* The prices of securities tend to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to our clients of borrowed securities and leveraged investments. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose our clients to losses.
- *Equity Securities Generally.* We trade equity securities on behalf of our clients in addition to trading futures contracts. Market prices of equity securities as a group recently, as well as on several occasions in the past, have both dropped dramatically and risen dramatically in a short period of time, and they may do so again in the future.
- *Short Selling.* We will engage in selling securities short on behalf of our clients. Selling securities short inherently involves leverage because the short sale of a security will involve the sale of a security not owned by the seller. The seller may borrow the security for delivery at the time of the short sale. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If

the price of the security at such later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, however, the seller realizes a loss. Selling a security short which is borrowed exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which a security can rise.

- *Use of Swaps.* Our clients invest in non-U.S. equities through the use of swaps. In general, a swap contract typically involves leverage (i.e., it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the swap contract). Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the swap contract. These contracts involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. These transactions are also expected to involve significant transaction costs.
- *Recent Developments in Financial Markets.* Recent developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of such recent market turmoil and the overall weakening of the financial services industry, our clients, the Firm and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on our clients' business and operations.
- *Epidemics, Pandemics and Covid-19.* Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, the coronavirus "Covid-19" which the World Health Organization has declared to be a pandemic. Countries that already have suffered outbreaks of Covid-19 are likely to suffer a continued increase in recorded cases of the disease. Furthermore, the disease has been spreading to additional countries and regions around the world. A continued escalation in the COVID-19 outbreak could see a continual decline in global economic growth (some economists have warned that global economic growth could be severely curtailed or even become negative and that countries and the global economy could be plunged into recession or depression). Most businesses around the world have severely curtailed their travel and meeting plans. This is likely to slow business activity, including in particular international business activity. The spread of Covid-19 may have an adverse impact on the Fund. The impact of a viral pandemic in certain areas with large and crowded cities may be especially severe. In consumer goods, for example, customers may delay discretionary spending and travel plans because of concern about the pandemic. The banking industry, and in particular, the consumer finance sector, may be significantly affected by credit losses resulting from financial difficulties of borrowers impacted by Covid-19. Certain governmental regulators have imposed limitations on short sales of equity securities, which may impact the Firm's ability to trade in certain equities and/or equity index derivatives. Covid-19 may trigger employees of the Firm

and certain other service providers to the clients to be absent from work or work remotely for prolonged periods of time. The ability of the employees of the Firm and/or other service providers to the clients to work effectively on a remote basis may adversely impact the day-to-day operations of the clients. Any similar future outbreak or pandemic could have similar potential adverse effects on the global economy, the Firm and/or the clients.

- *Privacy and Data Protection Laws.* The Firm and/or clients may be directly or indirectly subject to the requirements of various privacy laws, rules and regulations (collectively, “Privacy Rules”), including the European Union’s General Data Protection Regulation (Regulation (EU) 2016/679) which created a range of new compliance obligations regarding the handling of personal data. The Firm intends to comply with any obligations arising out of applicable Privacy Rules, but may not be able to accurately anticipate the way in which regulators and courts will apply or interpret them. If Privacy Rules are interpreted or applied in a manner inconsistent with the Firm’s policies and practices that are designed to ensure compliance, the Firm may be fined or ordered to change its business practices in a manner that adversely impacts clients. The Firm and certain of its clients currently are subject to data protection laws passed by certain states and localities and by the Cayman Islands that require enhanced levels of cybersecurity and notification to users and/or regulators when there is a security breach for personal data. Compliance with these regulations, including the obligation to timely notify stakeholders in the event of a cybersecurity incident, may divert the Firm’s time and effort and entail substantial expense. Any failure by the Firm to comply with these laws and regulations may subject clients to significant costs associated with litigation, settlements, regulatory action, judgments, liabilities and other penalties.
- *Investments in Futures Contracts.* The Firm invests in commodity, interest rate, equity index, foreign currency and other futures on behalf of client accounts and such futures prices can be highly volatile. Because of low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested. Also, any large losses incurred would likely affect our clients’ ability to make investments in securities due to a decrease in available capital.
- *Money Market Funds.* Investments in money market instruments generally (i) target a stable asset value, (ii) are considered to be low risk and, (iii) because by definition they are short-term securities, are highly liquid. Nonetheless, money market funds are subject to risk, including default risk, depreciation risk and liquidity risk, including risks relating to the assets in which the money market fund invests, which are generally perceived as low risk. Money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation and may not be guaranteed by the Exchange Stabilization Fund and, as a result, are subject to a risk of loss.

- *Real Estate Investment Trusts.* The Firm may invest in REITs on behalf of client accounts. The risks of REITs include the risk that the value of a REIT security will fluctuate because of changes in property values, vacancies of rental properties, overbuilding, changes in local laws, increased property taxes and operating expenses and other risks associated with real estate. Equity REITs may be affected by changes in property value, while mortgage REITs may be affected by credit quality and the interest rate environment.

- *Exchange Traded Funds.* The Firm may invest in exchange-traded funds on behalf of client accounts. ETFs are a type of investment security representing an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. The shares of ETFs are not purchased and redeemed by investors directly, but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. In addition to bearing the risks related to investments in equity securities, investors in ETFs designed to replicate a securities index bear the risk that the ETF's performance may not correctly replicate the performance of that particular index. Investors in ETFs bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs and other expenses. Trading in ETFs also entails payment of brokerage commissions and other transaction costs. Clients' trading in ETFs includes exposure to non-U.S. securities, which involve additional risks related to (i) differences in currency values between the ETF and the securities or other investments underlying the ETF and (ii) potential inefficiencies in the market for the underlying assets that may interfere with the secondary marketing pricing process of ETFs.

- *Exchange-Traded Notes.* The Firm may invest in ETNs on behalf of client accounts. Unlike U.S. ETFs, U.S. ETNs are not registered with the Securities and Exchange Commission under the Investment Company Act of 1940. For ETNs that are not backed by a pool of assets, owners are general creditors of the issuer of the ETNs and have no claim to or interest in any segregated pool of assets. ETNs are similar to ETFs in that they trade on the secondary market and have many of the same types of risks, such as index or referenced-asset tracking error and market and share price risks, as well as similar fee and expense structures. ETNs typically do not engage in regular creation and redemption activities.

- *American Depositary Receipts and Global Depositary Receipts.* The Firm invests in ADRs and GDRs on behalf of client accounts, which are negotiable receipts similar to stock certificates issued by a depositary bank. The receipts evidence depositary securities, which in turn evidence underlying securities of a foreign issuer deposited with a custodian bank in the foreign issuer's home country. Investing in ADRs and GDRs involves a variety of material risks associated with international investing or investing in instruments where the underlying securities are of a foreign issuer denominated in foreign currencies. These risks include changes in exchange rates and exchange control

regulations, political and social instabilities that influence foreign markets, imposition of taxes in the foreign jurisdiction, less liquid markets and less available information than is generally the case in more developed economies and markets, higher transaction costs, foreign government restrictions, greater price volatility, inflation and deflation risks in foreign countries that may be more, or less, prone to inflation and deflation than more developed economies, difficulty in enforcing contractual obligations in foreign jurisdictions, reliance on foreign legal remedies, lack of uniform accounting and auditing standards and different market operations. Accordingly, these systemic and systematic risks may adversely affect the performance of the underlying securities of a foreign issuer which, in turn, may adversely affect the performance of the ADRs and GDRs and the return realized on our clients' investments. In addition, ADRs and GDRs that represent debt securities are subject to the risk of an issuer's inability to meet principal and/or interest payments on debt obligations. Therefore, we may indirectly expose our clients to credit risk by means of investing in such ADRs and GDRs.

- *Fixed-Income Investments.* The Firm may invest in fixed-income instruments on behalf of client accounts. The value of fixed-income instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income instruments can be expected to rise. Conversely, when interest rates rise, the value of such instruments can be expected to decline. To the extent that interest rates move in a direction contrary to the direction we anticipated, the overall investment performance of our clients will be affected. The market value of fixed-income instruments also varies according to the relative financial condition of the issuer. Investments in lower-rated or unrated fixed-income instruments, while generally providing greater opportunity for gain and income than investments in higher rated instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such instruments).
- *Multiple Client Accounts.* Even though our clients employ systematic models that are substantially similar, the application of our proprietary systems and models to our clients' trading results in a trading strategy that is materially different from each other. It will be the case that trading conducted for each of our clients may have some impact on the successful implementation of the respective strategies, although we impose periodic checks to attempt to ensure that the cross-impact of trading for one strategy is not materially adverse to the trading for others. We will seek to address any issues that may arise on an overall equitable basis between all client accounts. In addition, we follow procedures designed to allocate trading opportunities fairly and equitably on an overall basis among our clients. If our clients attempt to place orders in the same instrument, in the same direction, and at the same time, the relevant order will generally be filled first for our short-term strategy due to the shorter-term nature of the investments in this strategy. We have cross-trading procedures designed to prevent our clients from simultaneously trading opposite each other in the same instrument. The application of the anti-cross trading procedures will delay the execution of opposing trades.
- *Discontinuation of LIBOR.* The London Interbank Offered Rate ("LIBOR"), which has been commonly used as a reference rate within various financial contracts (any

such rate, a “Reference Rate”), will not be published after the year 2021. In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which a client is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and/or (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including a client and its counterparties. With respect to financial contracts to which a client is a party, including corporate and municipal bonds and loans, consumer loans, bank loans, floating rate debt, certain asset-backed securities, and interest rate swaps and other derivatives, any such contract that has a maturity that extends beyond 2021 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume resources and may result in disputes among counterparties, the result of which may be adverse to a client. Considered in their entirety, the impact of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which a client is a party may adversely affect the performance of a client portfolio.

- *Brexit.* The United Kingdom formally left the European Union on January 31, 2020. The ongoing transition period could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have from an economic, financial or regulatory perspective, but any such impact could have material consequences for clients.
- *Regulatory Focus on Algorithmic Trading.* Algorithmic trading is the subject of ongoing regulatory attention. The Commodity Futures Trading Commission, European Parliament, the Securities and Exchange Commission, the United Kingdom Financial Conduct Authority, and the Monetary Authority of Singapore, among others, have undertaken efforts to review the impact of algorithmic trading on the functioning of markets and to suggest systems and controls for trading participants to ameliorate any adverse impact. For example, in 2014, the European Parliament adopted the amended Markets in Financial Instruments Directive (MiFID II) and Markets in Financial Instruments Regulation (MiFIR), both of which became effective on January 3, 2018 and govern the algorithmic trading activity of firms that are established in the EU or that trade on EU venues – including registration requirements for certain firms that trade on a high frequency basis. Furthermore, in 2015 and 2016, the CFTC proposed a series of rules with respect to algorithmic trading and held a public roundtable with respect to such proposed rules. While the impact of such regulatory focus on our clients is not yet clear, it is possible that new regulations (including new national regulations developed by European Union member states) may require our clients to implement additional technology and other controls, which could consume limited internal resources and

thereby impede our ability to pursue other initiatives, including improvements to our strategies. High-frequency trading, in particular, is subject to intense regulatory focus. Minimum resting periods, higher fees for cancelled trades and circuit breakers have been proposed. Germany has imposed a specific identifier to each algorithm. Moreover, it is possible that our clients may be subject to inquiries and/or examinations by regulators in connection with any investigation of the practices of trading firms that employ algorithmic trading strategies. Any such inquiry or examination is likely to be distracting for us and (indirectly) our clients and consume limited internal resources, and could result in additional expenses that would impact the performance of our clients.

We do not recommend any single type of security. Our clients generally hold a diverse range of investments, yet we still encourage our clients (as well as their indirect investors) to consider all of the risk factors we have described above and in the applicable offering document. Any investment can be risky and our clients and their indirect investors must be prepared to assume the consequent risks and any potential loss.

ITEM 9 DISCIPLINARY INFORMATION

Neither the Firm nor any management person has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither the Firm nor any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither the Firm nor any management person has been subject to a proceeding before any self-regulatory organization.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Edgestream Partners, L.P. is registered with the National Futures Association as a commodity pool operator and commodity trading advisor. Edgestream Partners, L.P. acts as commodity pool operator to several private investment funds that we sponsor, but relies on exemptions from certain disclosure, recordkeeping and reporting requirements for these private investment funds pursuant to Commodity Futures Trading Commission Rule 4.7. These exemptions are based on the qualifications of each private investment fund's investors. Some employees of the Firm are also registered as "associated persons" of the Firm.

Affiliations with Pooled Investment Vehicles

Edgestream GP, L.P., our affiliate, serves as the general partner of our clients and Feeder Funds that are structured as limited partnerships. In addition, we select the directors for our corporate clients and corporate Feeder Funds. Although these arrangements give us heightened control and discretion over our clients, we manage potential conflicts of interest by fully disclosing these relationships and adhering to the investment strategy in the applicable offering documents of the Feeder Funds. In addition, we have entered into investment management agreements with our clients. While these are related-party agreements, the material terms of each applicable

agreement are fully disclosed to investors. In addition, the short-term Feeder Funds invest a portion of their capital in the medium-term Feeder Funds to obtain some exposure to the medium-term strategy. This investment and the conflict it creates are more fully disclosed under “Item 11—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.”

Other than as described above, we do not have material arrangements with any other related persons who are service providers to our clients.

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

The Firm has adopted a Code of Ethics (the “Code”) in compliance with applicable law and Securities and Exchange Commission requirements. The Code obligates the Firm and our employees to act solely in the best interest of our clients and make full and fair disclosure of all material facts, especially where the Firm’s interests may conflict with those of our clients. Employees are required to annually certify compliance with the Code. The Code focuses on specific areas where employee conduct has the potential to affect our clients’ or investors’ interests adversely, such as insider trading, outside activities, gifts and entertainment, the influence of personal relationships and political contributions.

The Code also contains our personal trading policy. Employees may invest in securities and futures contracts, as well as the same securities that we buy and sell for our clients, subject to specified trading restrictions, including a holdings and transactions reporting requirement, the submission of quarterly statements to the Firm’s compliance department (“Compliance”), and direct broker feeds of transactions and holdings pursuant to our compliance monitoring system for each employee and certain of his/her family members and affiliated entities. In addition, employees are subject to a holding period requirement. Personal securities transactions are subject to ongoing review by Compliance. All personal securities transactions require pre-approval from Compliance, with the exception of certain instruments detailed in the Code, such as government securities and open-ended mutual fund shares. We also maintain a “Restricted List” which is comprised of (i) companies for which the Firm may be in possession of material non-public information and (ii) other companies with respect to which Compliance has determined that the Firm and/or employees should not be trading for various reasons. Absent an exception granted by Compliance, employees are restricted from trading the securities of issuers that are on the Firm’s Restricted List on behalf of clients or in personal trading accounts until such security is removed from the Restricted List. Given our strategy, we do not anticipate having material non-public information. The summary of this Code is qualified in its entirety by the Code itself. The Firm will provide a copy of the Code upon request to our clients and to investors in the Feeder Funds.

The Firm and its affiliated persons may take positions in certain securities that are the same as or opposite to the positions taken on behalf of clients. If so, a conflict of interest could arise because the Firm’s and its affiliates’ proprietary trading may affect the market prices of the target securities. Further, such trading could increase the level of competition experienced by clients’ accounts, including with respect to order entry. Our clients’ brokers effect transactions

for customers in addition to our clients. Because the identities of the purchaser and seller are not disclosed until after a trade, it is possible that the brokers could effect transactions through the market at market prices for such persons and the other parties to the transactions could be affiliates of the Firm. Because our proprietary trading system does not coordinate with our client systems and client trades are placed automatically, we will have no knowledge of such transactions. Such persons might also compete with our clients in making purchases or sales of investments without knowing that our clients are also bidding on such investments, so that transactions for the Firm and our affiliates might be effected while similar trades for our clients are not executed or are executed at less favorable prices. As described in the Code, we have established procedures designed to limit conflicts of interest in cases where the Firm and our affiliates buy or sell, for our/their own accounts, securities that we recommend to our clients.

The Firm has maintained a proprietary account that, from time to time in the past, was used to trade early-stage strategies as part of our investment process. As part of this proprietary trading, the Firm and its affiliates invested in the same securities that may be bought or sold on behalf of client accounts. In addition, the Firm and its affiliates have bought and sold securities for clients' accounts at or about the same time that the Firm and its affiliates bought and sold the same securities for our/their own accounts. Any proposed trading strategy and any such trading in the Firm's proprietary account will be reviewed and approved in advance by Compliance.

We expect the conflicts of interest related to trading by the Firm and its affiliated persons to be limited by our advanced planning that considers the nature, duration and scale of any such trading. In particular, we anticipate limiting the scale of any such trading to a level that we reasonably believe will not materially impact the Firm's trading on behalf of clients.

Although our employees have in the past, and may in the future from time to time, invest in the same securities as our clients, our principals and employees do not recommend to our clients, nor do they have discretion to buy or sell for our clients' accounts, securities of any kind, including any securities in which they have a financial interest.

As described in Items 6, 8 and 10, the short-term Feeder Funds invest in the medium-term Feeder Funds to participate in a portion of the medium-term investment strategy. While this creates a conflict of interest, the investment is disclosed and structured so that there is only a single level of fees.

All the futures positions held by accounts owned, managed or controlled by the Firm and its trading principals are aggregated for purposes of applying speculative position limits. As a result, we will not be able to enter or maintain certain positions on behalf of our clients if such positions, when added with the positions already held by the Firm and its affiliates, would exceed the applicable limits. Such aggregation could limit our ability to trade our clients' accounts according to our regular trading methods and it could require us to liquidate some of our clients' positions in order to comply with such speculative position limits.

In order to address some of the above, and other conflicts of interest, the Firm established a majority-independent board and, where appropriate, a majority-independent advisory committee for our clients (the "Independent Party"). The Independent Party is currently made up of the

individuals serving as directors of the corporate Feeder Funds, a majority of whom are not affiliated with the Firm or its affiliates. We are required to obtain the consent of the Independent Party before we can exercise certain rights, duties and powers under our clients' constituent documents including delegating our powers to other people, approving transfers of interests in our clients, suspending the valuation of our clients' assets, suspending withdrawals or distributions from our clients to their investors, appointing independent accountants, approving annual audited financial statements and amending the constituent documents without the consent of our clients' investors.

ITEM 12 BROKERAGE PRACTICES

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, we strive to achieve "best execution" by taking into account some or all of the following factors:

- Reputation, financial strength and stability;
- Quality of execution (accurate and timely execution, clearance and dispute resolution);
- Overall costs of a trade (i.e., net price paid or received), including commissions, mark-ups, mark-downs and spreads in the context of the Firm's knowledge of negotiated commission rates then available and other current transaction costs;
- Error correction capabilities;
- Availability and costs of securities to borrow in relation to short sales;
- Willingness to execute difficult transactions;
- Willingness and ability to commit capital;
- Ongoing reliability;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Confidentiality of trading activity;
- Market intelligence regarding trading activity; and
- The receipt of brokerage or research services (including special execution products or services such as cross-connects).

In addition, our employees from time to time participate in "capital introduction" events sponsored by broker-dealers. Capital introduction events are designed to bring asset managers

together with investors in a single forum. While we do not compensate broker-dealers for organizing these events or for any successful investor relationships, we consider potential invitations to capital introduction events when selecting broker-dealers to execute our clients' trades and we have an incentive to favor these broker-dealers, although our selection of broker-dealers is always made in consideration of our overall obligation to seek best execution on behalf of our clients. We do not, however, have a policy to refer clients or our clients' trading activities to those broker-dealers.

"Soft Dollar" Benefits

While we currently don't receive research or other products or services other than execution from broker-dealers or other parties in connection with our clients' securities transactions, our clients' documents give us the flexibility to receive these products or services in the future. Our clients' documents also give us the flexibility to pay more than the lowest available commission rate in exchange for those non-execution products and services (i.e., "pay up").

We Intend for Any Use of Soft Dollar Benefits That May Occur to Fall Within the Safe Harbor

The Securities and Exchange Commission has created a safe harbor that protects financial advisers from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements for certain services at other than the lowest transaction costs if they make a good faith determination that the amount of the commission was reasonable in relation to the value of the research services received. We intend that any soft dollar arrangements that we employ will fall within this safe harbor.

The Use of Soft Dollars Can Create a Conflict of Interest

Although our policies require us to always obtain the best execution for our clients by taking into account all applicable factors, using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. If we were to use client markups or markdowns in the future to obtain research products and services, we would receive a benefit because we would not have to produce or pay for the research products and services. The availability of these benefits may influence us in the future to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of in our clients' interest in receiving the best execution prices. Obtaining these benefits may in the future cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services would create a conflict of interest between the Firm and our clients because our clients would be paying for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of the Firm. To the extent that we choose to acquire these products and services without expending our own resources in the future, our use of such soft dollar benefits would increase our profitability.

We Use Particular Procedures to Direct Transactions

We direct our clients' transactions to broker-dealers based on overall best execution, as described above.

Except for “Capital Introduction” (described above), We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers.

Trade Aggregation and Allocation

We are not required to, nor do we expect to, aggregate sale and purchase orders simultaneously across clients. The Firm has policies designed to allocate trading opportunities fairly and equitably among the various strategies that it manages. The short-term and medium-term client accounts access an instrument’s market at different times. The short-term strategy will generally be granted access to the market first because the medium-term strategy is expected to be less time sensitive.

ITEM 13 REVIEW OF ACCOUNTS

Due to the frequent trading that characterizes one or more of our trading strategies, our back office team and our clients’ administrator review all trading related to our clients on a daily basis. Our accounting team reviews our clients’ cash and securities values and profit and loss on a monthly basis.

Investors in the Feeder Funds receive the following information, among other information:

- Unaudited monthly final net asset value/capital account statements;
- Quarterly investor letters;
- Weekly estimated performance and risk reports;
- Monthly estimated risk reports;
- Quarterly Transparency Report prepared by the clients’ third party administrator; and
- Annual audited financial statements.

Additional information on a more frequent or detailed basis may be provided to certain investors as requested and agreed by us.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

Except as described in Item 12 above regarding participation in “capital introduction” events, we do not, nor do any of our principals or employees, compensate anyone for client or investor referrals.

ITEM 15 CUSTODY

We do not have actual possession of client assets. While it is our practice not to accept or maintain physical possession of our clients’ funds and securities, we are deemed to have custody of clients’ funds and securities under Rule 206(4)-2 of the Investment Advisers Act of 1940 because we have the authority to access our clients’ funds and deduct fees and expenses from those accounts.

In order to comply with Rule 206(4)-2, we utilize the services of “qualified custodians” (as defined in Rule 206(4)-2) to hold clients’ funds and securities. We also ensure that the qualified custodian maintains these funds and securities in an account that contains only our clients’ funds and securities under our clients’ names. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our clients at the end of each fiscal year and (2) distribute to all investors in the Feeder Funds within 120 days after the end of the fiscal year the results of the audit in audited financial statements that are prepared in accordance with generally accepted accounting principles.

ITEM 16 INVESTMENT DISCRETION

Scope of Authority

We have discretionary authority to manage our clients’ accounts. This means that, among other things, we have the authority to determine, without obtaining specific consent from our clients or their indirect investors, which securities and other financial instruments to buy and sell and the amount of securities and other financial instruments to buy and sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in the offering memoranda of the Feeder Funds. In addition, various securities and tax laws and our internal compliance policies impose limitations on the investments we can make on behalf of our clients.

Procedures for Assuming Authority

Before accepting subscriptions for interests or shares, we provide potential investors in the Feeder Funds with an offering memorandum that sets forth our investment strategy and program. By completing our subscription documents to acquire an interest or shares in a Feeder Fund, each investor gives us complete authority to manage investments in accordance with the offering memorandum received.

ITEM 17 VOTING CLIENT SECURITIES

Due to the quantitative trading strategies and short holding periods employed by us on behalf of short-term strategy clients, we expect not to vote proxies in almost all circumstances. We generally intend to vote proxies with respect to the securities held by our medium-term strategy clients with the assistance of our proxy advisory firm, Glass, Lewis & Co (“Glass Lewis”), and will generally rely on their recommendations. If the proxy adviser does not have a recommendation, we expect that the Firm generally will abstain from voting.

Due to the nature of our strategy, we do not expect that material conflicts of interest will arise between us and our clients over proxy voting. We recognize, however, that such conflicts may arise from time to time between us and our clients or between the proxy adviser and our clients. Compliance intends to review proxy votes to identify potential conflicts of interest and determine whether any such conflict is material, and, if so, will address such conflict in the best interest of the Firm’s clients.

If we determine that the foregoing proxy voting policies do not adequately address a material conflict of interest related to a proxy, we intend to consult the Independent Party to assist us in resolving the conflict of interest.

Compliance will maintain written or electronic copies of each proxy statement received and of each executed proxy (if applicable) and will maintain records relating to each proxy including the voting decision (if applicable) and any documents that were material to making the voting decision.

Compliance is responsible for ensuring, if requested, that we provide our clients and investors in the Feeder Funds with (i) a description of our proxy voting policies and procedures and (ii) instructions about how investors may obtain information from us on how we voted with respect to our clients' securities. Compliance is responsible for responding to requests from investors regarding how we voted proxies and will maintain a record of each written request from an investor for proxy voting information and our written response to any such request (oral or written) for proxy voting information.

Class Actions

The Firm, its clients and the Feeder Funds typically refrain from participating in class actions. We generally believe that the recovery amounts are likely to be *de minimis*. Additionally, we are not confident in the security measures to protect data submissions in connection with proofs of claims. If we do participate and later receive recovery amounts, they will be distributed to the applicable client or Feeder Fund at the time the recovery amounts are received from the settlement agent.

ITEM 18 FINANCIAL INFORMATION

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

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our clients.

The Firm has never been the subject of a bankruptcy petition.