

Form ADV Part 2A: Firm Brochure

HGI Capital Management, LLC

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This brochure provides information about the qualifications and business practices of HGI Capital Management, LLC (“HGI Capital”). If you have any questions about the contents of this brochure, please contact Lucinda W. Klevecz, Chief Compliance Officer at 757-961-2032 or email lklevecz@harborg.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about HGI Capital is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Any reference to HGI Capital Management, LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure has been updated from the last firm brochure dated March 2019 to include certain routine updates and other changes including, but not limited to, new risk factors and additional conflicts of interest. In addition, HGI Capital Management, LLC routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies and procedures, as well as to respond to evolving industry best practices.

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Item 4: Advisory Business

HGI Capital is a Delaware limited liability company that was formed in 2013. HGI Capital is wholly owned by HGI RES, LLC, an affiliate of Harbor Group International, LLC.

Jordan E. Slone owns 25% or more (directly or indirectly) of HGI Capital.

HGI Capital serves as an investment manager and provides discretionary advisory services to several related privately-offered pooled investment vehicles (collectively, the “Funds”), including: (i) Harbor Group International Real Estate Securities Fund, LP. (the “Onshore Fund”), a Delaware limited partnership; (ii) Harbor Group International Real Estate Securities Master Fund, LP (the “Master Fund”), a Cayman Islands exempted limited partnership; and (iii) Harbor Group International Real Estate Securities Offshore Fund, Ltd. (the “Offshore Feeder Fund”), a Cayman Islands exempted company incorporated with limited liability. The non-U.S. domiciled Funds operate through a mini-master-feeder structure pursuant to which the Offshore Feeder Fund invests substantially all of its assets in the Master Fund. The operating and trading activities of the Funds are conducted, and the portfolios of the Funds are held, by the Onshore Fund and the Master Fund. The Onshore Fund and the Master Fund are managed *pari-passu*, except to the extent HGI Capital determines it would not be appropriate to do so for tax, regulatory, operational or other reasons.

HGI Asset Management, LLC, a Delaware limited liability company, is the general partner (“General Partner”) of the Onshore Fund and Master Fund. The General Partner is controlled by HGGP RES, LLC, a Virginia limited liability company and an affiliate of HGI Capital. Unless and only to the extent that the context otherwise requires, references to “HGI Capital” includes the General Partner, except with respect to the sub-advisory account described below.

HGI Capital makes all investment decisions on behalf of the Funds, including identifying, reviewing and selecting investment opportunities for the Funds, subject to the supervision of the investment committee appointed by the General Partner (“Investment Committee”). With respect to the Funds, investment advice is provided directly to the Funds and not individually to the limited partners or members of the Funds. HGI Capital manages the assets of the Funds in accordance with the terms of each Fund’s applicable confidential offering and/or private placement memorandum, individual limited partnership or operating agreement, investment advisory or management agreement and other governing documents applicable to a Fund (the “Governing Fund Documents”).

The investment objective of the Funds is to seek total return from both capital appreciation and current income through investing in a portfolio comprised primarily of publicly-traded or otherwise liquid securities of or relating to the real estate industry, with a focus on preservation of investor capital and risk mitigation through the employment of various hedging strategies, which may include investments across the various components of the capital structure and/or the short selling of securities. There can be no assurance that the investment objective of the Funds will be achieved.

HGI Capital serves as a sub advisor to and actively manages a sub-account in each of three private funds (the “Sub-Accounts”) in accordance with sub advisory agreements (the “Sub-Advisory Agreements”). The Sub-Advisory Agreements require HGI Capital, or a related party (a “Special Limited Partner”) to invest a designated amount of capital in the applicable Sub-Account; such capital is subordinated with respect to the performance allocation each Special Limited Partner will receive. The Sub-Advisory Agreements contain provisions and trading restrictions specific to HGI Capital and are generally aligned with, but not identical to the investment strategy of the Funds.

HGI Capital serves as an investment manager and provides discretionary advisory services to several separate accounts (each, an “Account” and the clients for whom such Accounts are maintained, “Separate Account Clients”) in accordance with investment management agreements (the “Investment Management Agreements”). The Investment Management Agreements contain provisions and investment restrictions that are generally aligned with, but broader than, the investment strategy of the Funds. Specifically, the investment objective of the Separate Account Clients is to seek total return from both capital appreciation and current income through investing in a portfolio comprised primarily of publicly-traded or otherwise liquid securities, with a focus on preservation of client capital and risk mitigation through the employment of various hedging strategies, which may include investments across the various components of the capital structure and/or the short selling of securities. The Funds, the Sub-Accounts and the Separate Account Clients are referred to herein as the “Clients.”

HGI Capital is not undertaking to provide any investment advice (impartial or otherwise), or to give advice in a fiduciary capacity in connection with making an investment in the Funds available.

HGI Capital manages the Clients’ assets on a discretionary basis. As of December 31, 2019, the total assets under management of HGI Capital were \$305,873,629.

Item 5: Fees and Compensation

HGI Capital’s compensation for the discretionary investment advisory services it provides to the Funds and the Accounts is comprised of an asset-based management fee and a performance allocation that is based on the performance achieved for the account of each investor or Separate Account Client, as applicable. A brief summary of fees and expenses is provided below.

Management Fee

HGI Capital receives a quarterly management fee, calculated, accrued and payable in advance at the beginning of each quarter, equal to 0.3125% of the value of an investor’s investment in the Fund (approximately 1.25% annually) (the “Management Fee”). The Management Fee is paid by the Onshore Fund and the Master Fund.

The Management Fee will be prorated for capital contributions and withdrawals during any calendar quarter and for any calendar quarter during which HGI Capital does not serve as the investment manager of the Fund for the entire calendar quarter.

HGI Capital does not charge the Sub-Accounts or Separate Account Clients a management fee, however, it is entitled to performance allocations as described below.

Performance Allocation

Subject to a loss carryforward as described below, HGI Capital is entitled to receive an annual performance-based allocation equal to fifteen percent (15%) of the increase in value of an investor's investment in the Funds, if any (the "Performance Allocation"). The Performance Allocation is made by the Onshore Fund and the Master Fund.

The Performance Allocation is generally calculated and allocated at the end of each fiscal year. A separate Performance Allocation will be calculated with respect to all funds invested in or withdrawn by an investor in a Fund during a fiscal year.

The Performance Allocation is calculated subject to a loss carryforward whereby an investor will not be subject to a Performance Allocation on an investment, unless the value of such investment (net of any losses, for all years since admission) exceeds the higher of the following amounts: (i) the highest value of such investment as of the close of any year since admission; and (ii) the value of such investor's investment on the date of admission. A Performance Allocation is not made with respect to any period in which an investor's investment in a Fund decreases in value.

HGI Capital is entitled to sub advisory performance based fees calculated as a percentage of the net gain with respect to each Sub-Account. The performance fees are paid by allocation to the applicable Special Limited Partner in accordance with the terms of definite agreements between HGI Capital and each private fund.

HGI Capital is entitled to Performance Allocation with respect to each Separate Account Client. The Performance Allocation with respect to a Separate Account Client is paid in accordance with the terms of definite agreements between HGI Capital and each Separate Account Client.

HGI Capital may provide investment advisory services to additional Clients in the future that may have similar or different fees than the fees and/or allocations than those of the Funds, the Sub-Accounts or the Accounts. HGI Capital may waive, reduce or rebate the Management Fee or Performance Allocation attributable to any investor, including, without limitation, any employee, agent or affiliate of HGI Capital. HGI Capital may also pay and/or allocate a portion of the Management Fee or Performance Allocation to certain investors and/or other third parties.

Other Fees and Expenses

The Clients bear all of their investment and operating expenses. HGI Capital bore the organizational expenses of the Clients in connection with their organization and the initial offering of their interests or shares, as applicable. "Investment Expenses" means the expenses associated with the investment program of the Clients, which includes, without limitation, brokerage expenses, commissions, dealing and spread costs (which vary depending on a number of factors,

including, without limitation, the bank, broker or dealing counterparty utilized for the transaction, the particular instrument traded and the volume and size of the transaction), execution, give-up, exchange, clearing and settlement charges, delivery, custodial fees, escrow expenses, insurance costs, third party research, interest and borrowing charges on margin accounts and other indebtedness, bank, broker and dealer service fees, interest expenses and consulting, advisory, investment banking and other professional fees relating to particular investments or contemplated investments and all other research expenses (including, without limitation, travel expenses related to research) and all other expenses directly or indirectly related to the Clients' investment program. "Operating Expenses" means the Clients' operating expenses, including, without limitation, administrative expenses, custodial expenses, legal expenses, compliance and regulatory expenses, internal and external accounting expenses, audit and tax preparation expenses, interest, taxes, costs, all expenses incurred in connection with the offer and sale of interests or shares and all other expenses associated with the operation of the Clients, including, without limitation, all extraordinary expenses (such as the cost of litigation or indemnification payments, if any).

The Funds and, indirectly, the investors, will bear the costs of prosecuting or defending any legal action for or against the Funds, the Funds' General Partner, HGI Capital or their affiliates in connection with the offering of the Funds' securities to investors as well as the Funds' investments and operations. The Sub-Accounts will bear the costs of prosecuting or defending any legal action for or against HGI Capital or their affiliates in connection with the Sub-Account's investments and operations. The Separate Account Clients will bear the costs of prosecuting or defending any legal action for or against HGI Capital or their affiliates in connection with the Separate Account Client's investments and operations. In addition, the Clients will indemnify and hold harmless certain parties in connection with certain acts or omissions as further described in the applicable Governing Fund Documents, Sub-Advisory Agreement or Investment Management Agreement, as applicable.

Investors must refer to detailed information found in each Fund's Governing Fund Documents for specific information about the fees that may be earned by HGI Capital and the fees and expenses potentially charged to the Funds. Investors in a Sub-Account must refer to the detailed information found in each Sub-Advisory Agreement for specific information about the fees that may be earned by HGI Capital and the fees and expenses potentially charge to the Sub-Accounts. Separate Account Clients must refer to the detailed information found in each Investment Management Agreement for specific information about the fees that may be earned by HGI Capital and the fees and expenses potentially charge to the Separate Account Client.

Allocation of Expenses

From time to time HGI Capital will be required to decide whether certain fees, costs and expenses should be borne by a Client, on the one hand, or HGI Capital on the other hand. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to inherent biases in the process.

Brokerage Fees

When HGI Capital chooses to use a broker-dealer for particular transactions relating to a particular Client such Client will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see *Item 12 (Brokerage Practices)* below.

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

HGI Capital receives annual Performance Allocations from the Funds, which are based on a percentage of the net capital appreciation of their assets. These Performance Allocations may create an incentive for HGI Capital to make more speculative or riskier investments than would otherwise be made, or make decisions regarding the timing and manner of realization of investments differently than if such Performance Allocations were not received. For more information, see Item 5 (Fees and Compensation).

Additionally, the receipt from some, but not all, Clients of Performance Allocation or the receipt of Performance Allocations at varying rates creates an incentive for HGI Capital to disproportionately allocate time, services or functions to Clients from which HGI Capital receives Performance Allocations or receives Performance Allocations at a higher rate.

Item 7: Types of Clients

HGI Capital currently provides investment advisory services solely to the Funds and Separate Account Clients, and sub-advisory services to the Sub-Accounts. With respect to the Funds, investment advice is provided directly to the Funds, subject to the supervision of the Investment Committee and, with respect to the Offshore Feeder Fund, the overall management and policies of the Board of Directors, and not individually to the investors. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, fund of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, and corporate or business entities. HGI Capital may offer investment advisory services to other entities or private investment funds in the future.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended (the “Securities Act”) and the Investment Company Act of 1940, as amended (the “1940 Act”). All Investors in a Fund must represent in writing that they are “accredited investors” (as defined in Rule 501 of Regulation D, adopted under the Securities Act), and in certain Funds “qualified purchasers” (as defined in the 1940 Act) and “qualified clients” (within the meaning of Rule 205-3(d)(1) under the Advisers Act.

The minimum commitment for an investor is generally \$1 million for each of the Onshore and Offshore Fund. However, HGI Capital maintains discretion to accept less than the minimum investment threshold.

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

Investment Strategy and Methods of Analysis Generally

The Funds and the Sub-Account will primarily invest in the common equity, preferred equity and other securities of companies that are principally engaged in the real estate industry (“Real Estate Companies”). Real Estate Companies include real estate investment trusts (“REITs”), as well as real estate operating companies (“REOCs”). HGI Capital defines a Real Estate Company as an entity which has, as its primary objective, owning, operating, leasing, developing, managing, brokering and/or selling commercial or residential real estate, land or infrastructure. Such companies may include, but are not limited to, companies that offer exposure to rental apartments, office buildings, shopping centers and malls, industrial facilities, warehouses, storage facilities, and hotels. The Funds may also invest in companies that directly or indirectly supply goods and services to, or in support of, Real Estate Companies.

The Funds may also at times invest in companies where the company’s principal activity is not real estate as defined above, but where HGI Capital believes that value can potentially be extracted from such an investment via liquidation of assets or capital restructuring based on certain real estate related valuation metrics.

The Funds may also invest directly in financial institutions that originate real estate loans such as commercial banks, finance companies, investment banks, and other entities, as well as financial institutions that are unrelated to real estate but which provide opportunities for interest rate hedges. In the future, HGI Capital may also employ other hedging strategies not yet identified.

The Accounts will primarily invest in the common equity, preferred equity and other securities of companies and they may also invest in companies where HGI Capital believes that value can potentially be extracted from such an investment via liquidation of assets or capital restructuring based on certain valuation metrics. The Accounts may also invest directly in financial institutions that originate loans such as commercial banks, finance companies, investment banks, and other entities, as well as financial institutions which provide opportunities for interest rate hedges. In the future, HGI Capital may also employ other hedging strategies not yet identified.

HGI Capital utilizes a multi-step investment process for constructing the Clients’ investment portfolio that combines a broad fundamental driven geographic and property sector allocation with a detailed investment selection process.

Fundamental Analysis. HGI Capital first selects property sectors and geographic sub-regions in which to invest, and determines the degree of representation of such sectors and sub-regions, through a systematic evaluation of listed and direct real estate market investment trends and conditions. Among the factors considered during the fundamental driven allocation process are economic drivers that directly affect supply and demand of various property types including job growth, absorption, pending additions to supply, financial market liquidity and interest rate trends. HGI Capital conducts intensive market reconnaissance by conducting physical market and asset specific site visits as well as interviews with market leading property brokers and capital markets professionals.

In addition to the foregoing, analysis for the Separate Account Clients includes a top down macro approach, review of economic strengths, geography, interest rate impacts and additional market sectors. The Separate Account Clients invest in any sector and geographic region.

Investment Selection Process. HGI Capital then applies a proprietary underwriting process to identify investments that it believes demonstrate superior current income and growth potential relative to peers. HGI Capital's proprietary valuation process examines several factors, including the geographic location of underlying real estate, value and quality of a company's properties, its capital structure, strength of balance sheet, its strategy and ability of its management team to execute strategic objectives and previous track record. Among other investment techniques, HGI Capital will focus on investing in companies trading at a substantial discount to intrinsic value or otherwise referred to as net-asset-value, which generally can be defined as the private-market liquidation value of the underlying real estate in a portfolio. Additionally, long positions are generally established where HGI Capital believes that a combination of compelling valuation, earnings momentum, strengthening real estate fundamentals and a high quality management team will drive value and serve as a catalyst for a higher stock price. Companies that are considered over-valued or lack a positive catalyst, once applying HGI Capital's proprietary investment process, are considered for potential short positions.

The investment selection process includes, but is not limited to the following steps:

- 1) Screening the listed property sector investment universe and understanding the property type and geographic exposures of each of the companies.
- 2) Reviewing company disclosures (press releases, financial statements, presentations) as well as third-party independent research reports on the companies.
- 3) Research real estate market fundamentals relating to the company's portfolio. This involves interaction with investment professionals and acquisition officers employed by affiliates of HGI Capital, as well as discussions with industry experts and reputable equity research analysts.
- 4) Meet with senior management of listed property companies to discuss strategy and assess track record.
- 5) Tour properties and meet with company asset and property managers.
- 6) Forecast cash-flows, dividend growth, internal rate of returns (IRRs), implied cap rates, and net-asset-values (NAVs). Analyze assumptions and drivers with various sensitivities in place. Crosscheck output with industry experts and equity research analysts and reports.
- 7) Analyze valuation metrics on an absolute basis and relative to peers within specific property type and/or capital structure position.
- 8) Recommend Buy/Hold/Sell(Short). Outline investment case based on risk profile, company management, liquidity, absolute and relative valuation as well as other relevant factors.
- 9) Portfolio Construction – Portfolio constructed with diversification and liquidity considerations.

- 10) Portfolio Monitoring – Portfolio will be monitored for potential rebalancing of securities. Each security holding is regularly reassessed and reviewed by HGI Capital and categorized as a Buy, Hold, or Sell (short) investment opportunity.

There can be no assurance that the Clients will achieve their investment objectives. Investing in securities involves risk of loss that the Clients and their investors should be prepared to bear. HGI Capital has included the following risks that are applicable to the Clients. Not all risks are applicable to each investment strategy. Please review each Fund's Governing Fund Documents, each Sub-Accounts Sub-Advisory Agreement and each Account's Investment Management Agreement for a complete description of risks associated with the Client's investment strategy.

Summary of the Principal Investment Risks

Investing involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. No guarantee or representation is made that the Funds' investment program, including, without limitation, the Funds' investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Investors should bear in mind the following risk factors:

Market Risks

Risk of Loss - The profitability of the Clients ultimately depends upon HGI Capital correctly assessing the future price movements of the securities, commodities and other financial instruments in which the Clients invest as well as the movement of interest rates. Such price movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by HGI Capital. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war) which may affect investments in general or a specific security, commodity or other financial instrument in which the Clients invest. There can be no assurance that HGI Capital will be successful in accurately predicting price movements. Accordingly, investors may incur substantial losses on their investments in the Clients, and it is possible that the Clients' performance will fluctuate substantially from period to period.

Competition - The securities industry, the various markets in which the Clients participate and the varied strategies and techniques engaged in by HGI Capital are extremely competitive and each involves a high degree of risk. The Clients, the General Partner and HGI Capital compete with firms, including, without limitation, many of the larger securities and investment banking firms, which have substantially greater financial resources, larger research staffs and more traders than HGI Capital has or expects to have in the future, which may place the Clients at a competitive disadvantage.

Market Volatility - In recent years, U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and

instability. While the United States economy has experienced growth since “the Great Recession”, such growth has slowed relatively in the most recent period and could continue in the near future. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Clients and may affect the Clients’ ability to make investments and the value of the investments held by the Clients. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Clients’ investments. The public securities markets have seen increased volatility and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil. It is unclear what the repercussions of this market turmoil may be. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well continue to be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio investments and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the recent volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Clients will be able to exit from their investments in portfolio investments by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio investment may not be sufficiently liquid to enable a Client to sell these securities when HGI Capital believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the Clients to buy, sell and partially dispose of their portfolio investment investments. The Clients may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Client may find itself unable to dispose of investments at prices that HGI Capital believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more of a Client’s investments. Weakness in both the capital markets generally and the fundamental real estate markets could recur and have a negative impact on the performance of the Clients’ investments. Further, credit markets could experience significant contraction, deleveraging and reduced liquidity. These market conditions may impair borrowers’ ability to refinance or sell their properties, which may contribute to higher delinquency and default rates. Borrowers seeking to refinance borrowings due to expire may not be able to find available replacement loans at comparably low interest rates, if at all. As a general matter, the prices of certain of the assets in which the Clients will invest have recently exhibited high volatility in line with the heightened volatility and fluctuations of global capital markets. There can be no assurance that HGI Capital will be successful in accurately predicting price and interest rate movements despite efforts to identify and, if applicable, hedge such risks.

Failure of Brokerage Firms - U.S.-registered broker dealers which may carry the accounts of the Clients generally segregate all customer funds to be allocated to listed securities trading in compliance with SEC and FINRA regulations. If such assets were not so segregated, the Clients would be subject to the risk of the failure of the broker. Even given proper segregation, in the

event of the insolvency of the broker, the Clients may be subject to a risk of loss of its funds and may be able to recover only a *pro rata* share (together with all other securities customers of such broker) of its assets specifically traceable to the Clients' account. In certain broker insolvencies, customers have, in fact, been unable to recover from the broker's estate the full amount of their "customer" funds. In addition, under certain circumstances, such as the inability of another client of the broker or the broker itself to satisfy substantial deficiencies in such other client's account, a customer (including the Clients) may be subject to a risk of loss of its funds on deposit with a broker dealer, even if such funds are properly segregated. In the case of any such bankruptcy or loss, the Clients might recover, even in respect of property specifically traceable to it, only a *pro rata* share of all property available for distribution to all of the broker's clients. The Clients may trade with or hold accounts at foreign broker dealers registered under the laws and regulations of other countries. Such brokers and/or dealers may not be subject to the same or similar customer fund regulations (including, without limitation, customer segregation requirements) as those existing in the United States. The financial failure of the parties with which the Clients trade in OTC markets could also result in substantial losses, as the Clients will deal with such persons as principal and there is no requirement that such parties segregate counterparty funds held by them in respect of such trading. Further, the Clients are subject to additional risks where it is a party to a securities lending arrangement and the counterparty to the arrangement becomes insolvent and/or defaults on its obligations, including, without limitation, the risk that collateral will not be returned and/or repurchased or the Clients will not be permitted to exercise its remedies in accordance with the provisions of the relevant securities lending agreement.

Electronic Trading Facilities - The Clients, in their trading activities, may, in the sole and absolute discretion of HGI Capital, make use of electronic trading and/or communication networks. Most electronic trading facilities are supported by computer- (including, without limitation, internet-) based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary or prolonged disruption or failure. Trading on an electronic trading system may differ not only from trading in an open-outcry market or telephonic market but also from trading on other electronic trading systems. The Clients, in undertaking transactions on an electronic trading system, will be exposed to risk associated with the system, including, without limitation, the failure of hardware and software. The result of any system failure may be that a trade order is either not executed according to its instructions or is not executed at all. The Clients' ability to limit or recover certain losses may be subject to limits on liability imposed contractually or by, without limitation, foreign or domestic law or regulation, the Clients' own or its brokers' internet service provider, other systems providers, market factors, foreign or domestic banking or other market regulations and/or telephonic or other communications providers.

Cybersecurity - The Clients and/or one or more of their respective service providers may be subject to operational, information security and related risks resulting from failures of or breaches in cybersecurity. A failure of or breach in cybersecurity (a "cyber incident") refers to both intentional and unintentional events including the theft or corruption of data maintained online or digitally, denial of service attacks on websites, the unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential information, unauthorized access to relevant systems, compromises to networks or devices that are used to service operations, and operational disruption or failures in physical infrastructure or operating systems. Cyber incidents may adversely impact

the Clients, potentially resulting in, among other things, the inability to transact business, potentially resulting in financial losses, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Additional costs may also be incurred in mitigating the risks of, or trying to prevent, cyber-incidents.

Leverage - When deemed appropriate by HGI Capital and subject to applicable regulations, the Clients intend to utilize leverage, and may do so through, among other things, margin lending agreements, collateralized borrowing, securities lending, short-selling and through the use of futures, forwards, contracts, options and other derivative instruments. While strategies, techniques and instruments that employ leverage increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. If the Clients use leverage with respect to a position, any losses would be more pronounced than if leverage were not used, and a relatively small price movement in a security or other financial instrument may result in immediate and substantial losses to the Clients, including, without limitation, losses in excess of the amount invested. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the Clients. In addition, the lender or counterparty, as the case may be, may have a security interest in, or otherwise acquire, all or a portion of the Clients' assets. In the event that the Clients default under any such arrangement, such lender or counterparty may have the right to become or remain the owner of all or that portion of the Clients' assets secured pursuant to such arrangement. If such arrangement is terminated, the Clients' ability to meet its investment objective may be adversely impaired. The Clients will bear all of the costs and expenses incurred in connection therewith, including, without limitation, any interest expense charged on funds borrowed or otherwise accessed.

In addition, certain securities, commodities and other financial instruments which the Clients acquire may incorporate a certain, and sometimes high, degree of embedded leverage. Accordingly, even if not leveraged in the sense of being acquired with borrowings, the Clients may have highly leveraged exposure to certain securities, commodities and other financial instruments it acquires.

Subject to applicable regulations, the Clients have not imposed a limit on the leverage it may employ. If the amount of borrowings which the Clients may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Clients' portfolio will have disproportionately large effects in relation to the Clients' capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of the Clients to rise more rapidly than would otherwise be the case.

Liquidity - Investments that are made by the Clients may lack liquidity or be thinly traded. Illiquidity may result from the absence of an established market for the investments, adverse changes to market conditions and real estate values as well as legal, contractual, or other restrictions on their resale by the Clients. Dispositions of investments may be subject to legal, contractual and other limitations on transfer (including pre-payment penalties) or other restrictions that would interfere with the subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. This could impact achieving the prices

quoted and in effectively trading the position(s). The Clients may invest in less liquid investments which could result in significant loss in value should the Clients be forced to sell the less liquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. Accordingly, the Clients may be forced to sell more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of less liquid investments. The possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss. In certain circumstances, the Clients may also be contractually prohibited from disposing of investments for a specified period of time.

The disposition of less liquid investments often requires more time and results in higher transaction costs than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. For the avoidance of doubt, HGI Capital will not designate any of the securities or other financial instruments held by the Clients as “side pockets”.

Accuracy of Public Information – HGI Capital selects investments for the Clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to HGI Capital by the issuers or through sources other than the issuers. Although HGI Capital evaluates all such information and data and ordinarily seeks independent corroboration when HGI Capital considers it appropriate and reasonably available, HGI Capital is not in a position to confirm the completeness, genuineness or accuracy of such information and data and, in some cases, complete and accurate information is not available.

Concentration of Holdings - The Funds’ and Sub-Accounts’ assets will be highly concentrated within a particular industry, and may become highly concentrated, including, without limitation, within a particular company, asset category, trading style or financial or economic market. As a result, the Funds’ and Sub-Accounts’ portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular industry, company, asset category, trading style or financial or economic market, than a less concentrated portfolio would be. As a result, its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. HGI Capital is not obligated to hedge the Funds’ and Sub-Accounts’ positions. Nonetheless, it is anticipated that the Funds and Sub-Accounts would limit specific company concentration risk.

The Separate Account Clients’ equity is allocated among a number of investments, which may or may not be highly concentrated within a particular industry, however there are no fixed allotments. While HGI Capital seeks a diversified portfolio, there is a risk that one of the investments may have a disproportionate share of the Separate Account Clients’ assets or that the Separate Account Clients’ portfolio will be highly concentrated and more susceptible to adverse conditions, poor investment decisions or other factors which may negatively affect the performance of the Separate Account Clients.

Equity Securities - The Clients will invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Clients may suffer losses if they invest in equity instruments of issuers

whose performance diverges from HGI Capital's expectations or if equity markets generally move in a single direction and the Clients have not hedged against such a general move. In its equity derivatives, the Clients are exposed to risks that issuers will not fulfill their contractual obligations to the Clients, such as, for example, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Preferred and Hybrid Securities - The Clients may invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Clients own a preferred or hybrid security that is deferring its distributions, the Clients may be required to report income for tax purposes even though it has not yet received such income. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid.

There is no assurance that dividends or distributions on non-cumulative preferred securities in which the Clients invest will be declared or otherwise made payable or paid. Preferred and hybrid securities are subordinated to bonds and other debt instruments in an issuer's capital structure in terms of priority to corporate income and liquidation payments and, therefore, will be subject to greater credit risk than more senior debt instruments. Because preferred stock and hybrids are generally junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of such instruments than senior debt securities with similarly stated yield characteristics. Preferred and hybrid securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities. The Clients do not anticipate having absolute control over the underlying properties and will have rights that are subordinate to those of lenders. Accordingly, the Clients may not be able to take the steps necessary to protect their investments in a timely manner or at all and there can be no assurance that the rate of return objectives of the Clients or any particular investment will be achieved. The residual value of the underlying property (after any outstanding debt) may be less than the outstanding amount of the Clients' investment. In cases in which a Client invests in preferred equity interests, its rights and level of security will generally be less than if it held a secured or unsecured loan.

Convertible Securities - The Clients may invest in convertible securities. Convertible fixed income securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stocks in an issuer's capital structure and consequently entail less risk than the issuer's common stock. The Clients may invest in convertible securities of any maturity and will determine whether to hold, sell or convert any security in which it has invested, depending upon HGI Capital's outlook for the market value for such security, the security into which it converts and/or other factors.

Small Companies - The Clients may invest a portion of their assets in securities of small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. Such companies may not be well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Clients may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Smaller capitalization securities may be followed by relatively few securities analysts with the result that there tends to be less publicly available information concerning these securities compared to what is available for exchange-listed or larger companies. The securities of these companies may have limited trading volumes and may be subject to more abrupt or erratic market movements than the securities of larger, more established companies or the market averages in general, and the Clients may be required to deal with only a few market makers when purchasing and selling these securities. Transaction costs in smaller capitalization stocks may be higher than those for larger-capitalized companies. It is anticipated that the Clients would limit investments in smaller-capitalization companies and would generally require higher risk-reward ratios.

Material, Nonpublic Information - From time to time (including, without limitation, in connection with providing investment management services to other pooled investment vehicles and/or client accounts), certain personnel of the General Partner, HGI Capital, the Investment Committee and/or their respective affiliates may come into possession of material, nonpublic information that would limit the ability of the Clients to buy and sell investments. The Clients' investment flexibility may be constrained as a consequence of HGI Capital's inability to take certain actions because of such information. The Clients may experience losses if it is unable to sell an investment that it holds because certain personnel have obtained material, nonpublic information about such investment.

Short Sales - The Clients will sell securities short. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Clients may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the Clients are otherwise unable to borrow securities which are necessary to cover its positions. Although the Clients may utilize short selling as a hedging technique, short selling may also be used for speculative purposes.

Options - HGI Capital may utilize options in furtherance of its investment strategies. Option positions may include both long positions, where the Clients are the holder of put or call options, as well as short positions, where the Clients are the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a higher level of risk compared with their underlying securities. For example, the expiration of unexercised long options

effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the Clients' cost of selling or purchasing the underlying securities, commodities or other financial instruments in the event of exercise of the option.

Hedging Transactions - Hedging involves special risks, including, without limitation, the possible default by the other party to the transaction, illiquidity and, to the extent HGI Capital's view as to certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if such investment strategies had not been used. HGI Capital may utilize financial instruments for risk management purposes. The success of the hedging strategy of the Clients will be subject to HGI Capital'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. Because the characteristics of many assets change as markets change or time passes, the success of the Clients' hedging strategy will also be subject to HGI Capital's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if it had not engaged in any such hedging transactions. For a variety of reasons, HGI Capital may not seek to hedge certain portfolio holdings, or may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Moreover, the portfolio may be exposed to certain risks that cannot be hedged.

When conducted outside the United States, hedging may not be regulated as rigorously as in the United States, may not involve a clearing mechanism and related guarantees and will be subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies, commodities and other financial instruments. The value of positions taken as part of non-U.S. hedging also could be adversely affected by (i) other complex foreign political, legal and economic factors; (ii) lesser availability of data on which to make trading decisions than in the United States; (iii) delays in the Clients' ability to act upon economic events occurring in foreign markets during non-business hours in the United States; (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States; and (v) lower trading volume and liquidity.

Non-U.S. Investments - The Clients may invest a portion of their assets in non-U.S. securities and interests denominated in non-U.S. currencies and/or traded outside of the United States. Such investments require consideration of certain risks not typically associated with investing in securities traded in the United States or other assets. Such risks include, among other things, (i) unfavorable currency exchange rate developments and costs associated with conversion of investment principal and income from one currency to another; (ii) differences in conventions relating to documentation, settlement, corporate actions, shareholder rights and other matters; (iii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance, including potential currency control regulations, and potential restrictions on repatriation of investment income and capital; (iv) imposition of exchange control regulation; (v) differences between U.S. and foreign securities and real estate markets, including potentially higher price volatility and relative illiquidity of some markets; (vi) economic, political, or social instability in foreign nations, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation and other adverse economic and political developments;

(vii) the possible imposition of non-U.S. taxes on income and gains and gross sales or other proceeds recognized with respect to such investments; (viii) less developed corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and investor protections; and (ix) political hostility to investments by foreign or private equity investors. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, requirements, and government supervision comparable to or as uniform as those of U.S. companies.

United Kingdom Exit from the European Union - On June 23, 2016, the people of the United Kingdom voted in a referendum to leave the European Union. Under the process for leaving the European Union contemplated in article 50 of the Treaty on the Functioning of the European Union, the United Kingdom left the European Union on January 31, 2020 and entered an 11-month transitional period. During the transitional period, the United Kingdom and the European Union will negotiate the terms of their future relationship and during this period most European Union laws will continue to apply to the United Kingdom. There is no guarantee that an agreement between the United Kingdom and the European Union will be reached at the end of the transitional period. Accordingly, it is currently unclear under what terms the United Kingdom will cease to be a member of the European Union. As a result of the United Kingdom ceasing to be a member of the European Union, the manner in which the Clients invest in assets located within the European Union may be impacted. The terms of the United Kingdom's exit from the European Union are not clear, and the shape of the regulatory landscape following exit is not yet defined; the legal, political and economic uncertainty generally resulting from the United Kingdom exit from the European Union may adversely impact United Kingdom-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more European Union Member States.

Emerging Markets - Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property. In addition, the Clients' investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

Counterparty Creditworthiness and Risk - The Clients will engage in transactions in securities, commodities and/or other financial instruments that involve counterparties, and no counterparty exposure limits have been imposed on these transactions. Under certain conditions, a counterparty to a transaction could default or the market for certain securities, commodities and/or other financial instruments may become illiquid. In addition, the Clients could suffer losses if there were a default or bankruptcy by third parties, including, without limitation, brokerage firms and banks with which the Clients does business, or to which securities have been entrusted for custodial purposes.

The loan counterparties with which the Clients may effect transactions may not be subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with Clients’ lending activities. This exposes the Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus subjecting the Clients to suffer a possible loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Clients have concentrated its transactions with a single or small group of counterparties. The Clients are not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Clients to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients. The Clients intend to diversify and mitigate counterparty risk as appropriate.

Swap Agreements - The Clients may enter into swaps, total return swaps and other derivative instruments with or through third parties. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Clients’ exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Clients are not limited to any particular form of swap agreement if consistent with the Clients’ investment objective and policies. Swap agreements tend to shift the Clients’ investment exposure from one type of investment to another. For example, if the Clients agree to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the Clients’ exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Clients’ portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Clients. If a swap agreement calls for payments by the Clients, the Clients must be prepared to make such payments when due. This is only true in default and not part of mark-to-market. In addition, if a counterparty’s creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Clients.

Other Derivative Instruments - The Clients may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Clients and legally permissible. Special risks may apply to instruments that are invested in by the Clients in the future that cannot be determined at this time or until such instruments are developed or invested in by the Clients. Certain swaps, options and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Temporary Investments in Liquid Assets - The Clients may at times keep a portion of its assets in cash, cash equivalents or other liquid assets, including, without limitation, currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including, without limitation, money market instruments or investments in shares or units of money market funds) and/or government securities (both short-term and long-term). Such investments may be financed by entering into repurchase agreements and/or reverse repurchase agreements with the Clients' brokers or by other means. Investors should be aware that such investments may produce a lower return than other investments contemplated by the Clients and, therefore, may impact the overall performance of the Clients. The fact that a portion of the Clients' assets are held in cash or cash equivalents should not be taken as an indication that the Clients have not fully invested all of its assets. Further, Investors should not assume that an investment in the Clients is less risky due to the fact that the Clients may, from time to time, hold a significant portion of its assets in cash and cash equivalents.

Global Economic Trends and Regulations - The range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. The effect of any such political, regulatory, economic or market outcomes on the Clients could be adverse.

Evolving trade deals between the U.S. and various countries remain uncertain and the volatility of such trade deal negotiations could have an adverse effect on the U.S. economy and the global markets. The upcoming 2020 U.S. Presidential election has also increased uncertainty regarding future political, legislative or administrative changes that may impact the Clients, their subsidiaries, investors and the Clients' portfolios. Significant uncertainty will be reflected in the market regarding the consequences of the upcoming election, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. Uncertainty regarding the consequences of the election may have an adverse effect or may cause volatility in the U.S. or global economies and currency and financial markets in the short or long term, as well as the values of the Clients' investments and the Clients' ability to execute their investment strategies. Such changes could impact the laws and regulations applicable to the Clients, their subsidiaries, investors or the Clients' portfolios. While certain of such changes could beneficially impact the Clients, their subsidiaries or certain of their investments, other changes may more beneficially impact competitors of the Clients, or could adversely impact the Clients, their subsidiaries, Investors or their portfolios.

Market Dislocation and Illiquidity - Relatively recent events in the sub-prime mortgage market and other areas of the fixed income markets in the United States have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. These events have had repercussions on the global financial markets, including, without limitation, the markets in which the Clients trade and invest, by restricting the availability of credit generally and reducing liquidity levels across virtually all markets globally. Similar events could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of the Clients' investments. Such marketplace events also may restrict the ability of the Clients to sell or liquidate investments (including, without limitation, equity investments) at favorable times and/or for favorable prices and/or cause the Clients to have limited access to credit. The Clients may be adversely affected by a decrease in market liquidity (e.g., by impairing the Clients' ability to adjust its positions and risk in response to trading losses or other adverse developments). The size of the Clients' positions may magnify the effect of a decrease in market liquidity for the instruments traded. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Clients positions.

Currency Risk – HGI Capital generally may or may not cause the Clients to enter into arrangements in an attempt to hedge the Clients' exposure to significant currency fluctuations between the U.S. Dollar and other currencies. Therefore, the Clients may be exposed to fluctuations in currency and interest rates to the extent the movement in such rates affects the Clients' portfolio. Price movements of currencies and interest rates are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. HGI Capital cannot guarantee that the Clients' portfolio will not be effected substantially by currency price and interest rate movements and the Clients may suffer significant losses as a result thereof.

Inflation Risk - Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Clients purchase a 5-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Clients, if it were to invest in bonds, would be exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Systemic Risk - World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. For example, a default by one institution may cause a series of defaults by the other institutions. This systemic breakdown may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Clients interact. Such events could result in the Clients losing substantial value caused

predominantly by liquidity and counterparty issues, which could result in the Clients incurring substantial losses.

General Economic Conditions - The success of any investment activity is affected by general economic conditions, which include the level and volatility of interest rates, credit spreads and equity valuations and the extent and timing of investor participation in the markets for both equities and interest-sensitive instruments. Unexpected volatility or illiquidity in the markets in which the Clients hold positions could cause the Clients to incur losses.

Market Disruption, Health Crisis, Terrorism and Geopolitical Risk - A Client is subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Client's investments. War, terrorism and related geopolitical events, as well as global health crises and similar pandemics have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic, political and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Client's investments. At such times, a Client's exposure to a number of other risks described elsewhere in this section can increase.

Coronavirus Outbreak Risks - The recent global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect the Clients' investments and the industries in which they operate. Furthermore, HGI Capital's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out the Clients' investment strategies and objectives and HGI Capital's business and to satisfy its obligations to the Clients, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of COVID-19 among HGI Capital's personnel and its service providers would also significantly affect HGI Capital's ability to properly oversee the affairs of the Clients (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of a Client's investment activities or operations.

Real Estate Related Risks

Sector Concentration – HGI Capital intends to invest all of the Funds' and the Sub Accounts' assets in a single industry sector: real estate. By investing solely in the real estate sector, the Funds' and the Sub Accounts' assets are exposed entirely to the risks of such sector without the

protections against loss afforded by diversification. Concentration of investments in a single sector or industry has the effect of exposing the Funds' and the Sub Accounts' capital to the same or similar risks, as well as return or other characteristics, and thereby increases investment risk as well as the portfolio volatility. Accordingly, the value of the Funds' and the Sub Accounts' investment may fluctuate more widely given such concentration, as compared with a broadly diversified portfolio.

Real Estate Industry Risks - The Clients will invest in companies in the real estate industry and, therefore, may be subject to risks associated with the direct ownership of real estate, including: (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks that properties may not perform in accordance with expectations, including projected occupancy and rental rates; (v) risk that entities in which the Clients invest may have overpaid for properties or real estate related investments; (vi) risk that HGI Capital or the sponsors of a project in which HGI Capital is making a passive investment may have underestimated the cost of improvements required to bring an acquired property up to standards established for its intended use or its intended market position; (vii) unforeseen environmental or other hazards resulting in unexpected costs; (viii) structural or property-level latent defects; (ix) risks and operating problems arising out of the absence of certain construction materials; (x) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (xi) the financial condition of tenants, buyers and sellers of properties; (xii) tenant turnover and the ability to collect rent from all tenants on a timely basis; (xiii) changes in availability and cost of debt financing; (xiv) energy and supply shortages; (xv) compliance with applicable laws, including regarding zoning and usage; (xvi) changes in the tax, real estate, environmental and zoning laws and regulations; (xvii) various uninsured or uninsurable risks; (xviii) natural disasters, acts of war and terrorism, and similar events; (xix) acts of God and other factors beyond the control of the Clients; (xx) political or social instability or uncertainty; (xxi) increased operating costs (including real estate taxes and utilities) that may not be passed through to tenants; and (xxii) the ability of the funds or third-party borrowers to manage the real properties and/or obtain necessary occupancy or operating permits.

Certain significant expenditures associated with investments in real estate (such as mortgage payments, real estate taxes, insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in rental revenues from the property. Also, the amount of available rentable square feet of commercial property is often affected by market conditions and may, therefore, fluctuate over time. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

With respect to investments in equity or debt securities that relate to real estate assets, the Clients in large part are dependent on the ability of third parties to successfully operate the underlying real estate assets, subject to the foregoing risks. In addition, the Clients may invest in mortgage loans that are structured so that all or a substantial portion of the principal is not paid until maturity, which increases the risk of default at that time. The Clients' acquisition of distressed or underperforming assets in a leveraged capital structure involves a high degree of legal and

financial risk and there can be no assurance that the Clients' rate of return objectives will be realized or that there will be any return of capital with respect to these investments.

The performance of real estate investments is influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner behavior. Since mid-2007, the financial system (including the real estate and MBS market) in the United States and Europe has experienced an unprecedented market disruption and significantly changed economic conditions that may adversely affect the performance and market value of real estate investments. Financial institutions have experienced extreme financial hardships, including bankruptcies and government takeovers. Legacy commercial and residential mortgage loans have had elevated levels of delinquencies, defaults and foreclosures and the performance of RMBS originated during this period have been impacted by such delinquencies, defaults and foreclosures. As a result of the foregoing, the market for MBS may be adversely affected for a significant period of time.

There is particular uncertainty about the prospects for growth in the United States economy in general. A number of factors influence the potential uncertainty, including, but not limited to, high current unemployment, rising government debt levels, the downgrade of the sovereign credit rating of the United States, prospective Federal Reserve policy shifts, the withdrawal of or new government interventions into the financial markets, changing United States consumer spending patterns, and changing expectations for inflation and deflation. Income growth and unemployment levels affect borrowers' ability to repay mortgage loans, and there is risk that economic activity could be weaker than anticipated. Even if economic indicators begin to show that the United States economy is improving, delinquencies and defaults on mortgage loans may continue to rise, or may remain at high levels, as a result of such factors.

The global markets have seen an increase in volatility due to uncertainty surrounding the level and sustainability of sovereign debt of certain countries that are part of the European Union, including Greece, Spain, Ireland, Portugal and Italy, and the sustainability of the European Union itself, as well as other worldwide events. There can be no assurance that this uncertainty will not lead to further disruption of the credit markets and overall economic prospects, in the United States.

If the investments do not generate revenues sufficient to meet operating expenses, including debt service, tenant improvements, leasing commissions and other capital expenditures, the Clients may be required to borrow additional amounts to cover fixed costs, and the cash flow of a Client and its ability to make distributions to its limited partners will be adversely affected. Although the Client will be investing in a range of investments, all real estate investments are speculative in nature and the possibility of partial or total loss of capital exists. Investors should not subscribe to or invest in the Clients unless they can readily bear the consequences of such loss.

Risk of Prolonged Economic Slowdown or Recession - Interest rate movements and various economic indicators have resulted in concerns of a possible economic slowdown or recession in the near future. HGI Capital believes the risks associated with a Client's operations will be more severe during periods of economic slowdown or recession, especially if these periods are accompanied by declining real estate values. Declining real estate values will likely reduce the

level of new bond originations since borrowers often use appreciation in the value of their existing properties to support the purchase of additional properties. Borrowers may also be less able to pay principal and interest on the bonds if the value of real estate weakens. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain and protect equity in the property declines. Further, declining real estate values significantly increase the likelihood that the Clients will incur losses on the bond portfolio in the event of default because the value of the collateral may be insufficient to cover the bond portfolio costs. Any sustained period of increased payment delinquencies, foreclosures or losses could materially adversely affect both a Client's net interest income from the bond portfolio as well as the Client's ability to acquire, sell and securitize the bonds, which would significantly harm its returns and the Client's ability to make distributions to the Investors.

Investing in REITs and Other Real Estate Securities - The Clients may invest in securities issued by entities which qualify as real estate investment trusts ("REITs") under the Internal Revenue Code of 1986, as amended (the "Code"), and in securities of development and management companies. The Clients may invest in the common or preferred stock or other securities of an individual REIT and/or it may also gain exposure to REITs by purchasing index funds or exchange traded funds. As a result, some of the Clients' investments are subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally, including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and re-letting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to re-let space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated with the management by REITs of properties owned by third parties, including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are based will decline as a result of general real estate market conditions or specific market factors. Investments in REITs are also subject to special risks, including, without limitation: (i) restrictions on ownership (which may

prohibit ownership of more than 9.9% of a REIT's shares by one investor), which are designed to ensure that the REIT does not violate certain share accumulation restrictions imposed by federal tax laws on REITs and which may also deter possible acquisitions of, or changes in control of, a REIT; (ii) many REITs have small-to-medium sized market capitalizations which may be more volatile than prices of large-capitalization securities and an investment in such securities may be less liquid; and (iii) tax risks, including risk of changes in the tax laws that may cause a REIT to fail to qualify as a REIT or cause REITs, generally, to be subject to corporate taxation.

Commercial MBS - The Clients may invest in commercial mortgage-backed securities ("CMBS") and other mortgage-backed securities, including subordinated tranches of such securities. The value of CMBS will be influenced by factors affecting the value of the underlying real estate portfolio, and by the terms and payment histories of such CMBS. Some or all of the CMBS contemplated to be acquired by the Clients may not be rated, or may be rated lower than investment-grade securities, by one or more nationally recognized statistical rating organizations. Lower-rated or unrated CMBS, or B-pieces, in which the Clients may invest have speculative characteristics and can involve substantial financial risks as a result. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic or real estate market conditions or individual issuer concerns. Existing credit support and the owner's equity in the property may be insufficient to protect the Clients from loss. To the extent invested in the most subordinated CMBS class or tranche in particular, the Clients will be first in line among debt holders to bear the risk of loss from delinquencies and defaults experienced on the collateral. In general, subordinated tranches of CMBS are entitled to receive repayment of principal only after all principal payments have been made on more senior tranches and also have subordinate rights as to receipt of interest distributions. Such subordinated tranches are subject to greater risk of non-payment than senior tranches of CMBS or CMBS backed by third-party credit enhancement. In addition, an active secondary market for such subordinated tranches is not as well developed as the market for certain other tranches. Accordingly, such subordinated CMBS may have limited marketability and there can be no assurance that a more efficient secondary market will develop. The value of CMBS and other mortgage-backed securities in which the Clients may invest generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline.

The most subordinated class in a securitization structure is the first in that transaction to bear the loss upon a default on, restructuring or liquidation of the underlying collateral and is typically the last to receive payment of interest and principal. Such class is subject to special risks, including a substantially greater risk of loss of principal and non-payment of interest than a more senior, rated class. In the event of default and the exhaustion of any cash reserves or letter of credit, such support from equity holders, mezzanine loan holders and holders of any classes of equity securities or debt junior to those in which the Clients invests, the Clients may not be able to recover all of its investment in such security, which the Clients typically purchase at a discount. In addition, if losses are incurred or if the values subsequently decline and, as a result, lower valued collateral is available to satisfy interest and principal payments due on the related CMBS, the securities in which the Clients invests may effectively become the most subordinated position, which may result in losses to the Clients to the extent that such loss is greater than the discount at which the Clients acquires such assets.

Risks Relating to CMBS Collateral - The collateral underlying CMBS generally consists of mortgage loans secured by income producing property, such as regional malls, other retail space, office buildings, apartment buildings, industrial or warehouse properties, hotels, nursing homes, senior living centers and self-storage properties. Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

Successful management and operation of the related business (including property management decisions such as pricing, maintenance and capital improvements) will have a significant impact on the performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, terrorism, social unrest and insurance coverage are among the factors that may impact both performance and market value. The value of commercial real estate is also subject to a number of laws, and limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Property-specific issues with respect to the underlying mortgaged property, such as significant government regulation of a particular industry, reliance on franchise, management or operating agreements, transferability on purchase or foreclosure of related valuable assets such as liquor and other licenses and ease of conversion of a commercial property to an alternative use will impact both risk of loss and loss severity with respect to the underlying mortgage loan pool and the CMBS.

Certain of the commercial mortgage loans underlying the collateral debt securities may bear interest at adjustable rates based on LIBOR or other established interest indices. Accordingly, debt service for any such commercial mortgage loan will increase as interest rates rise. In contrast, rental and other income on the related mortgaged properties is not expected to rise significantly as interest rates rise. Accordingly, debt service coverage ratios of the underlying floating rate commercial mortgage loans generally will be adversely affected by rising interest rates, and a borrower's ability to make all payments due on such floating rate commercial mortgage loans may be adversely affected.

Mortgage loans underlying a CMBS issue may provide for no amortization of principal or may provide for amortization based on a schedule substantially longer than the maturity of the mortgage loan, resulting in a balloon payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. As a result, the related issue of CMBS could experience delays in cash flow and losses.

Geographic or Tenant Concentration in Commercial Mortgage Loans - Certain pools of mortgaged properties securing the commercial mortgage loans underlying the CMBS in which the Clients may invest may have a higher degree of geographic concentration in a few states or regions or may be leased by the same tenant, affiliated tenants or tenants with related principals or tenants in the same industry.

Any deterioration in the real estate market or economy or events in such states or regions where there is a high degree of geographic concentration, including earthquakes, hurricanes and other natural disasters, may increase the rate of delinquency experience (and as a consequence, losses) with mortgage loans related to properties in such state or region. As a result, realized losses may occur on the mortgage loans in such pools.

In addition, the bankruptcy or insolvency of, or other financial problems with respect to, any tenant that is, directly or through affiliation, associated with a large pool of mortgaged properties securing the commercial mortgage loans could have an adverse effect on all of those properties where there is a high degree of tenant or industry concentration and on the ability of those properties to produce sufficient cash flow to make the required payments on the related commercial mortgage loan.

Character and Use of the Commercial Property Underlying CMBS - Additional risks may be presented by the character and use of a particular commercial property. For example, hotel and motel properties are often operated pursuant to franchise management or operating agreements that may be terminable by the franchisor or operator; and the transferability of a hotel's operating, liquor and other licenses upon a transfer of title, whether through purchase or foreclosure, is subject to stringent local law requirements. Also, nursing homes may present special risks due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Furthermore, a particular commercial property (e.g., a hotel or nursing home) may not be converted to an alternative use without significant time and expense. In such cases, the conversion of the commercial property to an alternative use would generally require substantial capital expenditures. Thus, if a borrower becomes unable to meet its obligations under the related commercial mortgage loan, the liquidation value of such commercial property may be substantially less, relative to the amount outstanding on the related commercial mortgage loan, than would be the case if such commercial property were readily adaptable to other uses.

Residential MBS - The Clients may invest in residential mortgage-backed securities ("RMBS") directly and through externally managed pools. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. RMBS investments may include, without limitation, RMBS Agency Securities, RMBS Residential A Mortgage Securities, RMBS Residential B/C Mortgage Securities and RMBS Home Equity Loan Securities. Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. Typically, residential mortgage loans that underlie RMBS may be prepaid at any time, are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower's equity in the mortgaged property

and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called “jumbo” mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than fully-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions. If the borrower is unable to make such balloon payment, the related issue of RMBS may experience losses.

One or many of the factors described above, or others, may result in a borrower under a mortgage loan seeking to modify such loan to lower payments, reduce unpaid principal, extend its term or otherwise alter the original terms of the loan. The servicer of the loans that underlie RMBS may not have the same incentive to pursue such modification as would the holders of RMBS of which the loan is a part. Accordingly, the failure of a loan servicer to modify a loan may make it more likely to become a non-performing loan, and thereby reduce the value of RMBS to which it is related. Furthermore, even where a modification is pursued, there is no assurance that the modified terms will be honored by the loan obligor, or that such terms will result in a greater payment amount than if such loan were allowed to default and be foreclosed on.

Terrorist Activity - The properties underlying the Clients’ investments will generally be located in or near major metropolitan areas. Such properties, or any other properties, or the areas in which they are located could be subject to future acts of terrorism. In addition to the potential direct impact of any such future act, future terrorist attacks and the anticipation of any such attacks could have an adverse impact on the U.S. financial and insurance markets and economy, thus harming leasing demand for and the value of the properties. It is not possible to predict the severity of the effect that such future events would have on the U.S. financial and insurance markets and economy or the properties. These events may have a negative effect on the business and performance results of one or more of acquired or subsequently acquired properties, including by raising insurance premiums and deductibles and limiting available insurance coverage for the properties.

Regulatory Risks

Strategy Restriction - Certain prospective investors may be restricted from directly utilizing investment strategies of the type the Clients currently engage in and may engage in. Such prospective investors should consult their own advisors, counsel and accountants.

Trading Limitations - For all securities and commodities, including, without limitation, options and regulated futures contracts listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances, including, without limitation, the right to impose position limits and price limits on persons or groups of persons. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Clients to loss.

General Business and Regulatory Risks of Hedge Funds - Legal, tax and regulatory changes could occur during the term of the Clients that may adversely affect the Clients. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Clients and the ability of the Clients to pursue its investment strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Clients could be substantial and adverse.

Risk of Litigation - From time to time, the Clients may be named as a defendant in a lawsuit or regulatory action. As a result of such action, the assets of the Clients may be frozen, and the Clients may not be able to liquidate its investments. In certain cases, the Clients may be called on to testify and/or provide information (including, without limitation, a list of investors) in connection with such lawsuit or regulatory action. Litigation and regulatory actions can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. The outcome of such proceedings may materially adversely affect the value of a Client and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Possibility of Fraud and Other Misconduct of Employees and Service Providers - Misconduct by employees of HGI Capital, service providers to HGI Capital or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. HGI Capital has controls and procedures through which it seeks to minimize the risk of

such misconduct occurring. However, no assurances can be given that HGI Capital will be able to identify or prevent such misconduct.

The descriptions of risk factors contained above are a brief overview of the different risks related to HGI Capital's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Clients.

Item 9: Disciplinary Information

Neither HGI Capital nor any of its officers, directors, or employees or other management persons, has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

Item 10: Other Financial Industry Activities and Affiliations

HGI Capital provides investment advisory services to the Funds and Accounts and sub-advisory services to the Sub-Accounts, as more fully discussed in Item 4 (Advisory Business). HGI Asset Management, LLC is the general partner of the Onshore Fund and the Master Fund.

The General Partner has appointed the Investment Committee which is responsible, among other things, for supervising HGI Capital and satisfying itself as to the ongoing suitability of HGI Capital to provide investment management services to the Funds.

HGI Capital is an affiliate of Harbor Group International, LLC, a large global organization and also registered with the SEC as an investment adviser, that sponsors real estate and real estate related investment opportunities, and as such has numerous related persons that serve as a sponsor, general partner, managing member (or equivalent) to related pooled investment vehicles. HGI Capital has chosen not to list each related person here purely because of their number. HGI Capital will provide a list of the related persons upon request. For a description of material conflicts created by the relationship among HGI Capital and its affiliates, as well as a description of how such conflicts are addressed, please see *Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading)*.

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

Code of Ethics

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), HGI Capital has adopted a written Code of Ethics (the "Code"). The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of HGI Capital (the "Employees"). The Code establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Employees and their families and households may purchase

investments for their own accounts, including the same investments as may be purchased or sold for a Client, subject to the terms of the Code. Under the Code, Employees are also required to file certain periodic reports with HGI Capital's Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code helps HGI Capital detect and prevent potential conflicts of interest.

Employees who violate the Code may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware. Employees are required to annually certify compliance with the Code.

A summary of the Code is provided below. However, a full copy of the Code will be made available to investors or prospective investors in the Funds upon request to: Lucinda W. Klevecz, General Counsel and Chief Compliance Officer at 757-961-2032 or email lklevecz@harborg.com.

Participation or Interest in Client Transactions

HGI Capital, its Employees or affiliated entities (collectively "Related Persons"), will generally have an investment in the Funds managed by HGI Capital. As a result, Related Persons have an interest in an investment that may also be recommended to the Funds.

Personal Trading

The Code places restrictions on personal trades by Employees, including that they disclose their personal securities holdings and transactions to HGI Capital on a periodic basis, and requires that certain Employees pre-clear certain types of personal securities transactions. HGI Capital and its Related Persons may invest on behalf of themselves in securities that would be appropriate for, held by, or may fall within the investment guidelines of the Funds, subject to a pre-clearance process.

Conflicts of Interest

HGI Capital and its affiliates engage in a broad range of activities, including investment activities for their own account and for the account of other clients. In the ordinary course of conducting its activities, the interests of a Client will, from time to time conflict with the interests of HGI Capital, other Clients or their respective affiliates.

The material conflicts of interest encountered by a Client include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Client. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Resolution of Conflicts

In the case of all conflicts of interest, HGI Capital's determination as to which factors are relevant, and the resolution of such conflicts, will be made using HGI Capital's best judgment, but

in its sole discretion. In resolving conflicts, HGI Capital will consider various factors, including the interests of the applicable Clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) HGI Capital has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Governing Fund Documents, Sub-Advisory Agreements and Investment Management Agreements; and
- (3) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Client and its ability to achieve its investment objectives.

Other Potential Conflicts

HGI Capital and its affiliates may enter into more separately account arrangements, raise additional private funds or form additional investment entities, including but not limited to those described above, with the same or substantially similar investment objectives as the Clients. Any such additional entities would compete with certain Clients for the time and expertise, services or functions of HGI Capital employees.

In addition, HGI Capital and its affiliates receives and generates various kinds of investment data and other information, including related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics. This information may, in certain instances, include material non-public information received or generated in connection with efforts on behalf of one Client's investment (or prospective investment) or on behalf of an affiliate's client's investment (or prospective investment). As a result, HGI Capital believes it is better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies. HGI Capital and its affiliates have in the past and are likely in the future enter into information sharing and confidentiality arrangements with investments and other sources of information that may limit the internal distribution and use of such data. HGI Capital and its affiliates have already and are likely in the future in certain instances to use this information in a manner that may provide a material benefit to HGI Capital, its affiliates, or to certain other Clients or affiliate's clients without compensating or otherwise benefitting the Client or Clients (or affiliate's client or clients) from which such information was obtained. In addition, HGI Capital may have an incentive to pursue investments based on the data and information expected to be received or generated. HGI Capital and its affiliates have in the past and are likely in the future to utilize such information to benefit HGI Capital, its affiliates, certain Clients or its affiliate's clients in a manner that may otherwise present a conflict of interest but does not intend to specifically disclose such conflicts to the relevant Clients.

HGI Capital and its affiliates may also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow HGI Capital, the Clients and the Clients' portfolio investments to better discern economic or other trends and developments. HGI Capital believes that all Clients benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across HGI Capital's businesses and the Clients' portfolio investments. However, information sharing may involve conflicts of interest between the Clients and/or between the Clients and HGI Capital. For example, data analytics based on inputs from one portfolio investment may inform business decisions by other portfolio investments, or investment decisions by HGI Capital and its affiliates, without the source of the data being directly compensated. HGI Capital and its affiliates may utilize such data outside of Client activities in a manner that may provide a material benefit to HGI Capital, without directly compensating or otherwise benefiting the Clients. As a result, HGI Capital and its affiliates may have an incentive to pursue investments (on their own behalf or on behalf of the Clients or clients of the affiliates) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits HGI Capital, its affiliates, and/or investments held by other Clients or clients of the affiliates.

HGI Capital, its affiliates, and members, officers, principals and employees of HGI Capital and its affiliates may buy or sell securities or other instruments that HGI Capital has recommended to Clients. Officers, principals and employees of HGI Capital may also buy securities in transactions offered to but rejected by Clients. A conflict of interest may arise because such investing HGI Capital personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by HGI Capital on behalf of the Client. In such circumstances, expenses incurred by the relevant Client(s) and/or HGI Capital in connection with the investment opportunity will generally be allocated between the investing personnel and the relevant Client(s). The transactions described above are subject to the policies and procedures set forth in the Code and investors in a Fund and Separate Account Clients will not benefit from any such investments.

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. As a consequence, conflicts of interest arise in connection with decisions made by HGI Capital or its affiliates, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, HGI Capital and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

HGI Capital and/or its affiliates may engage certain service providers to provide services to HGI Capital, the Clients and/or portfolio investments, including services during the due diligence and acquisition process. Such service providers are, in certain circumstances, investors in a Fund or affiliates of such investors and may include, for example, investment or commercial bankers, outside legal counsel pension consultants and/or other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider may be concurrent with an investor's admission to a Fund, or during the term of such investor's

investment in the Fund. This creates a conflict of interest, as HGI Capital and/or its affiliates may give such investor preferred economic or other terms with respect to its investment in a Fund or an investment in a client of an affiliate, or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Additionally, employees of HGI Capital or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships that HGI Capital may have with a service provider can influence HGI in determining whether to select, or recommend such service provider to perform services for a Client. HGI Capital will have a conflict of interest with the Clients in recommending the retention or continuation of a service provider to the Clients or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Clients or will provide HGI Capital or its affiliates information about markets and industries in which HGI Capital or its affiliates operates or is interested or will provide other services that are beneficial to HGI Capital or its affiliates. Although HGI Capital selects service providers that it believes will enhance portfolio investment performance (and, in turn, the performance of the relevant Client(s)), there is a possibility that HGI Capital, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain other service providers to HGI Capital, the Clients, and/or investment, or affiliates of such service providers, also provide goods or services to or have business, personal, financial or other relationship with HGI Capital, its affiliates, or their respective investments. Such service providers (or their employees) may also source in investment opportunities, be co-investors or commercial counterparties or entities in which HGI Capital and/or the Clients have an investment, and payments by a Client and/or such investments may indirectly benefit HGI Capital and/or such Client.

HGI Capital, its affiliates, or their personnel and service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by HGI Capital, its affiliates or their personnel differ from those required by the Clients and/or their portfolio investments, HGI Capital, its affiliates, or their personnel will pay different rates and fees than those paid by the Clients and/or their portfolio investments.

Services required by a Client (including some services historically provided by HGI Capital or its affiliates to the Clients) may, for certain reasons including efficiency and economic considerations be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of HGI Capital or its affiliates. HGI Capital and its affiliates have an incentive to outsource such services at the expense of the Clients to, among other things, leverage the use of HGI Capital personnel. Such services may include, without limitation, investment sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custodial, marketing and marketing-reviews, accounting, valuation, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Clients and

accordingly, certain costs may be incurred by a Client for a third-party service provider that is not incurred for comparable services by other Clients. The decision by HGI Capital to initially perform a service for a Client in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future and HGI Capital has no obligation to inform such Clients or investors of such a change. In addition, certain internal service providers (such as internal accountants) may “shadow” or otherwise review the reports of other service providers provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Clients.

HGI Capital and its affiliates have in the past and may, from time to time hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, an investment or service provider. Although HGI Capital uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee HGI Capital can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest.

HGI Capital and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Client or HGI Capital. For example, airline travel or hotel stays which may be incurred as Client expenses may result in “miles” or “points” or credit in loyalty/status programs to HGI Capital and/or its personnel, and such rewards and/or amounts will exclusively benefit HGI Capital and/or such personnel.

Item 12: Brokerage Practices

Selection of Brokers and Dealers

HGI Capital has complete discretion in deciding 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.

In selecting brokers to effect portfolio transactions for the Clients, HGI Capital considers such factors as the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm’s risk in positioning a block of securities; the quality, comprehensiveness and frequency of related services considered to be of value; access to company management; and the competitiveness of commission rates in comparison with other brokers satisfying our selection criteria. Accordingly, if HGI Capital determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Clients may pay commissions to such broker in an amount greater than the amount another broker might charge for effecting the same transaction.

Soft Dollar Benefits

HGI Capital may be deemed to be paying for research and other services with “soft” or commission dollars. Although HGI Capital believes the Clients will benefit from many of the services obtained with soft dollars generated by the Clients’ trades, it will not benefit exclusively. HGI Capital and/or its affiliates may also derive direct or indirect benefits from some or all of these services, particularly to the extent that HGI Capital uses “soft” or commission dollars to pay for expenses it would otherwise be required to pay itself.

Section 28(e) of the Exchange Act provides a safe harbor that allows an investment adviser to pay more than the lowest available commission in order to obtain brokerage and research services (commonly referred to as a “soft dollar” arrangement). That practice involves a conflict of interest, but Section 28(e) of the Securities Exchange Act of 1934 provides that it does not breach HGI Capital’s fiduciary duty to the Clients if the services and products consist of “research” and “brokerage” services and products and certain other conditions and requirements are met. Notwithstanding the authority granted in the investment management agreement for each Client, HGI Capital does not currently intend to use soft dollars (i.e., to consider criteria other than execution quality and expenses) to any material extent.

Cross Transactions

The investment management agreement for each Client authorizes HGI Capital and/or any of its affiliates to enter into agency cross transactions on behalf of the Client with other accounts and/or other private pooled investment vehicles that are managed by HGI Capital and/or any of its affiliates; provided, however, that the Client receives full written disclosure with respect to any such agency cross transaction in accordance with the Advisers Act and the rules promulgated by the SEC thereunder. Such agency cross transactions may include, without limitation, transactions undertaken to rebalance the portfolios of the Clients and/or such other accounts. In certain circumstances, HGI Capital and/or any of its affiliates may receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such agency cross transactions.

Order Aggregation and Allocation

When HGI Capital determines that it would be appropriate for the Clients and one or more other investment accounts to participate in an investment opportunity, HGI Capital will seek to execute orders for all of the participating investment accounts on an equitable basis. If HGI Capital has determined to invest at the same time for more than one of the investment accounts, HGI Capital will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, HGI Capital will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the Clients could be disadvantaged because of the investment activities conducted by HGI Capital for other investment accounts.

Client or Investor Introductions

HGI Capital may receive introductions to prospective Separate Account Clients and Fund investors through broker-dealers that execute trades on behalf of HGI Capital. HGI Capital does not believe that it pays any additional fees or higher commissions as a result of these introductions. HGI Capital seeks best execution on all transactions. However, HGI Capital may have an incentive to select or use a broker-dealer based on receiving investor referrals from that counterparty.

Trade Errors

HGI Capital has adopted a policy for the purpose of addressing trade errors that may arise, from time to time, with respect to the securities transactions of the Clients. HGI Capital will seek to identify and correct any trade errors in an expeditious manner, including by cancelling, breaking, or reallocating the trade. HGI Capital will only remain liable for trade errors that are the result of HGI Capital's fraud, gross negligence or willful misconduct. The determination of whether or not a trade error has occurred will be made in the sole and absolute discretion of HGI Capital. HGI Capital may not be able to prevent a trade error from occurring with respect to securities transactions of Clients.

Item 13: Review of Accounts

The Clients' portfolios are reviewed on a continuous basis. HGI Capital's investment personnel hold investment meetings, as necessary, to discuss investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

HGI Capital provides each investor in the Funds with monthly performance updates, quarterly performance update and market commentary, annual audited financial reports, and annual tax information necessary to complete any applicable tax returns.

Separate Account Clients will typically negotiate reporting requirements specific to their account. In the event of individually negotiated terms for Separate Account Clients, HGI Capital will provide the reporting mutually agreed to by the parties as described in their Governing Documents of such Separate Account Client.

Item 14: Client Referrals and Other Compensation

HGI Capital does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients.

HGI Capital may periodically engage third party placement agents (i.e. solicitors) to introduce prospective investors to the Funds. The fees and expenses of any third-party placement agents will be paid by HGI Capital.

Item 15: Custody

HGI Capital is deemed to have custody of the Funds' assets because of the authority that HGI Capital and/or its affiliated entities have over those assets. The Funds' financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each investor in the Funds. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end.

Item 16: Investment Discretion

HGI Capital generally has discretionary authority to determine, without obtaining specific consent from the Funds or its investors, the securities and the amounts to be bought or sold on behalf of the Funds.

Item 17: Voting Client Securities

HGI Capital will be responsible for voting client proxies. HGI Capital has developed a written policy and procedures governing its activities in this area. In general, the policy requires HGI Capital to vote proxies in the interest of maximizing shareholder value. In addition, HGI Capital maintains a record of all proxy votes cast on behalf of the Funds. A copy of HGI Capital's proxy voting policies and procedures is available upon written request.

Item 18: Financial Information

HGI Capital has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.