

ITEM 1  
COVER PAGE

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PART 2A OF FORM ADV: FIRM BROCHURE

ENGINEERS GATE MANAGER LP

MARCH 2020

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*This brochure (this "Brochure") provides information about the qualifications and business practices of Engineers Gate Manager LP (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at [legal@engineersgatelp.com](mailto:legal@engineersgatelp.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*This Brochure also relates to EGMF GP LP (the "Fund General Partner"); however, to the extent the qualifications and business practices of the Fund General Partner are substantially similar to those of the Investment Adviser, no specific mention of the Fund General Partner is made herein.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

## ITEM 2

### MATERIAL CHANGES

In this Item 2, we are required to identify and discuss material changes to this Brochure since the last annual update.

As of July 1, 2019, the Incentive Fee structure has changed to an Incentive Allocation structure. Additional detail can be found in Item 5, below.

We last filed an update to this Brochure in February 2020 and it disclosed several Material Changes. As of January 31, 2020, Glenn Dubin (and his affiliated entities) and Engineers Gate Manager LP (the "Investment Adviser") have mutually agreed to separate from one another (the "Transition").

Prior to the effective date, Mr. Dubin and his affiliated entities held a majority interest in Engineers Gate GP LLC ("GP LLC"), the general partner of the Investment Manager and EGMF GP LP (the general partner of EGMF Domestic LP (the "Domestic Fund") and EGMF Master LP (the "Master Fund")) (the "Fund General Partner"), (ii) Mr. Dubin and his affiliated entities had investments in the Domestic Fund and EGMF Offshore Ltd. (the "Offshore Fund" and together with the Domestic Fund and the Master Fund, the "Funds"), and (iii) Mr. Dubin's affiliate, the G&E Dubin Family Foundation, held the management shares of the Offshore Fund. In addition, Mr. Dubin served as chairman of the Investment Manager and was a member of the GP LLC's board of managers and the Investment Manager's risk committee.

Effective as of the close of business on January 31, 2020 (the "Separation Date"), (i) Mr. Dubin and his affiliates withdrew all of their interests in GP LLC thereby relinquishing majority control over GP LLC, the Investment Manager and the Fund GP, (ii) Mr. Dubin and his affiliated entities withdrew their entire investments in the Domestic Fund and the Offshore Fund, (iii) the G&E Dubin Family Foundation transferred the management shares of the Offshore Fund to the Fund GP, and (iv) Mr. Dubin no longer serves as chairman of the Investment Manager and no longer is a member of the GP LLC's board of managers or the Investment Manager's risk committee.

Greg Eisner, previously the President of the Investment Manager, is now the Chief Executive Officer of the Investment Manager. Stephen Owen, PhD continues to serve as Chief Architect and Portfolio Manager of the Investment Manager.

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ITEM 4  
**ADVISORY BUSINESS**

**General Description of Advisory Firm.**

*Engineers Gate Manager LP.*

Engineers Gate Manager LP (the "Investment Adviser", "we" and "us") is a Delaware limited partnership that was formed in 2013.

We have offices located in New York, NY; Stamford, Connecticut; Lexington, Massachusetts; Evanston, Illinois; and Albuquerque, New Mexico.

Our general partner, Engineers Gate GP LLC, is a Delaware limited liability company (the "Investment Adviser General Partner"). Greg Eisner, indirectly through a wholly owned subsidiary, and Stephen Owen indirectly through a wholly owned subsidiary, together own a majority interest in the Investment Advisor General Partner. The Investment Adviser General Partner has ultimate responsibility for the management, operations, and investment decisions of the Investment Adviser.

*EGMF GP LP.*

Our registration on Form ADV also covers EGMF GP LP (the "Fund General Partner"), a limited partnership organized under the laws of the state of Delaware. The Fund General Partner is an affiliate of the Investment Adviser and serves as the general partner of Funds (as defined below) that are U.S. partnerships or Cayman Islands exempted limited partnerships. The Fund General Partner's facilities and personnel are provided by the Investment Adviser.

*EG Manager UK LLP.*

Our registration on Form ADV also covers EG Manager UK LLP (the "U.K. Sub-Adviser"), a subsidiary of the Investment Adviser. The U.K. Sub-Adviser maintains an office in London, England and assists the Investment Adviser in the management of a portion of the assets of the Funds (as described below), subject to the direction of, and the policies established by, the Investment Adviser.

In addition to its interests in the Master Fund, EGMF Offshore Ltd. holds the class B share of EG Private Limited (the "U.K. Ltd."), the parent company of the U.K. Sub-Adviser, which was acquired at no cost and is held by EGMF Offshore Ltd. for regulatory reasons. Such class B share has no economic rights and affords the board of directors of EGMF Offshore Ltd. the right to appoint the director(s) of the U.K. Ltd. For the avoidance of doubt, EGMF Domestic LP invests all of its investable assets in the Master Fund (as defined below) and has no interest in the U.K. Ltd.

**Description of Advisory Services.**

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

*Advisory Services.*

We serve as the investment adviser, with discretionary trading authority, to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "Fund" and

collectively, the "Funds"). In addition, we have engaged the Third-Party Sub-Adviser to provide advisory services to a portion of the Funds' assets. The Funds currently include:

- EGMF Domestic LP, a Delaware limited partnership;
- EGMF Offshore Ltd., a Cayman Islands exempted company; and
- EGMF Master LP, a Cayman Islands exempted limited partnership (the "Master Fund"), which serves as the master fund into which EGMF Domestic LP and EGMF Offshore Ltd. each invest all (or, in the case of EGMF Offshore Ltd, substantially all) of their investable assets pursuant to a "master feeder" structure.

As used herein, the term "client" generally refers to each Fund. Each of EGMF Domestic LP and EGMF Offshore Ltd. is referred to herein as a "Feeder Fund" and collectively as the "Feeder Funds."

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Regulation D, "qualified purchasers" as defined in the Investment Company Act, or non-"U.S. Persons" as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

#### *Investment Strategies and Types of Investments.*

The investment objective of the Master Fund is to generate attractive absolute and risk-adjusted returns on invested capital over a multi-year period.

We seek to achieve this objective through a research intensive, data-driven quantitative and systematic trading and investment program. Specifically, the Investment Adviser, either directly or by engaging third-party sub-advisers, develops and acquires statistical quantitative techniques and programs and applies them to a large body of data in an effort to isolate and identify potentially profitable trading and investment strategies.

We (and any third-party sub-adviser) may, among other things, seek to identify positive or negative correlations between securities or other instruments, assets, or economic/financial conditions and to profit when prices or values related to those instruments, assets or conditions diverge. We may apply quantitative analysis to datasets in an attempt to identify patterns in historical data and predict the future prices or values of instruments or markets based on these patterns. These strategies may entail the use of proprietary computer software systems and technology in making and managing investments across a broad range of instruments, involving both long and short investment holdings. These opportunities can be extremely short-lived (which necessitates a trading system that can make decisions and effect executions quickly) or can exist for a somewhat longer period (which can allow for more of a focus on strategic timing). Trading and investment strategies may involve trading any asset, instrument or security including, without limitation, publicly traded equities, equity swaps, listed futures, equity options and options on futures, cleared swaps and other derivatives.

While our quantitative analysis and implementation of various strategies may be managed by specific personnel within the organization (or by third-party sub-advisers) from time to time, the Investment Adviser will exercise either overall management and control of such strategies (to the extent managed by our personnel) or levels of oversight consistent with the Investment Adviser's fiduciary duties and other relevant responsibilities (to the extent managed by third-party sub-advisers). The development of any trading strategy is reliant on the abilities of the Investment Adviser's or a third-party sub-adviser's personnel and on the technical resources made available to the personnel researching and implementing the strategies.

It should also be noted that not necessarily all of our strategies will be employed at the same time, that there is an overlap of markets, instruments, themes, and other attributes among strategies, that each strategy group employs a number of distinct and different sub-strategies, and that we may modify, supplement, discontinue, or substitute strategies and sub-strategies from time to time without notice.

In addition, we may at any time employ active or passive hedges for a number of reasons, including risk management. Hedges can be specific to one or more positions or strategies or to the Funds' portfolios as a whole.

We may cause the Funds to invest any excess funds in money market instruments, commercial paper, certificates of deposit, U.S. government obligations, and bankers' acceptances among other instruments or may hold such excess funds in interest-bearing or non-interest bearing bank accounts. We may cause the Funds to reinvest any income earned from such investments in accordance with the relevant Fund's investment program.

We may cause the assets of the Funds to be invested, directly or indirectly, on margin or otherwise, in securities, other financial instruments issued by, entered into by or referenced to U.S. or non-U.S. entities and other assets, including, without limitation, capital stock; shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes and debentures (whether subordinated, convertible or otherwise); currencies; commodities; physical and intangible assets; interest rate, currency, commodity, equity and other derivative products, including (i) futures contracts (and options thereon) relating to stock indices, currencies, U.S. government securities and securities of non-U.S. governments, other financial instruments and all other commodities, (ii) swaps, options, swaptions, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; repurchase and reverse repurchase agreements; loans; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds, exchange traded funds and similar financial instruments; money market funds; obligations of the United States or any non-U.S. government, or any country, state, governmental agency or political subdivision thereof; commercial paper; certificates of deposit; bankers' acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature that exist now or are hereafter created (all such items being called herein "Financial Instruments"); in each case, of any person, whether or not publicly traded or readily marketable.

The Investment Adviser or its affiliates employ certain investment teams and/or investment consultants (each, an "Investment Team" and together, the "Investment Teams"), each of which will apply quantitative analysis to datasets and subsequently manage, or advise on the management of, certain of the Master Fund's assets pursuant to various investment strategies.

We intend to continually review and refine our existing strategies, and to examine new ideas and opportunities. The descriptions set forth in this Brochure of specific strategies in which we may cause the Funds to engage should not be understood to limit in any way the Funds' investment activities. We may cause the Funds to engage in any investment strategy, including strategies not described in this Brochure, that we consider appropriate in order to pursue the Master Fund's investment objectives.

#### *Third-Party Sub-Advisers.*

The Investment Adviser has entered into, and may from time to time enter into additional, sub-advisory relationships with third-party sub-advisers. In connection with these relationships, we will delegate investment discretion over the management of a portion of the Master Fund's assets to a third-party sub-adviser, generally through the use of a managed account. Upon any such delegation, such third-party sub-adviser will have discretionary authority over the investment and reinvestment of the Master Fund's assets in the relevant managed account. A third-party sub-adviser may purchase, sell, exchange, convert, short or otherwise trade or deal in any Financial Instruments for such prices and on such terms as such third-party sub-adviser deems appropriate.

#### *Risk Management.*

Risk is managed on a continuous basis and measured using quantitative risk management techniques and models based on academic research, among other tools deemed appropriate by us. We have and will continue to develop processes reasonably designed to systematically identify, assess, and prioritize risks which may relate to, without limitation, (i) trading-related issues, (ii) technological issues, (iii) legal/regulatory issues and (iv) personnel-driven issues including rigorous hiring procedures, retention, succession and motivation policies, training and performance feedback.

Risk management will also entail the coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of adverse events or to maximize the realization of opportunities. Risks can come from uncertainty in financial markets, political developments on a global basis, threats from project failures (at any phase in design, development, production, or sustainment life-cycles), legal liabilities, credit risk, accidents, natural disasters as well as deliberate attack from an adversary, or events of uncertain or unpredictable origin.

#### *Leverage and Borrowing.*

We cause the Master Fund to use leverage as part of our investment process and in pursuit of the Master Fund's investment objective. Leverage comes through a variety of sources, including, without limitation, by investing in instruments that may have embedded leverage, the retention of different amounts of cash or cash equivalents in a feeder fund, short sales of securities and other Financial Instruments, the use of derivatives, securities lending and repurchase agreements, and any other instruments we may deem appropriate. We have the ability to cause the Master Fund to borrow, trade on margin, utilize derivatives and otherwise obtain leverage from U.S. or non-U.S. brokers, banks and others on a secured or unsecured basis. The amount of (direct and/or indirect) borrowing may vary depending on market conditions, as determined appropriate in our discretion, and the amount of leverage may vary across the various Investment Teams (as defined in the confidential private placement memorandum of the applicable Feeder Fund) and their strategies. Leverage use will vary over time, and there is no cap or other restriction on the type or amount of leverage we may cause the Master Fund to utilize. The amount of leverage we may cause the Master Fund to utilize may be significant. We also have the authority to cause the Master Fund to borrow for cash management purposes, such as to satisfy redemption requests.

Leverage may present opportunities for increasing the total return on investments but may also increase losses. Events that negatively affect the value of investments may be magnified as a result of the use of leverage and may result in a substantial loss to the Funds. In particular, portfolio positions and strategies of the Master Fund may experience significant and rapid losses in times of market disruption or when the predictions of the models are incorrect. In addition, changes in interest rates may have a material adverse effect on the Funds.

#### *Trading Vehicles.*

The Master Fund may carry out its investment program either directly by purchasing securities and other financial instruments or indirectly, for tax, regulatory or other reasons, by investing through one or more trading vehicles organized by the Investment Adviser.

#### *Changes in the Investment Program.*

Subject to applicable law and any express restrictions set forth in the Funds' governing documents, we may change the Funds' investment strategies or policies at any time and without notice.

#### *Wrap Fee Programs.*

We do not currently participate in any Wrap Fee Programs.

#### *Assets Under Management.*



We manage approximately \$3,668,176,941 of client assets, all on a discretionary basis. This amount was calculated as of December 31, 2019 and was calculated on a "regulatory AUM" methodology. We do not manage any assets on a non-discretionary basis.

ITEM 5  
FEES AND COMPENSATION

**Advisory Fees and Compensation.**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. Fees, expenses and incentive compensation may be assessed at the Feeder Fund level or at the Master Fund level; a brief summary of such fees, expenses and incentive compensation is provided below. We calculate and assess expenses to clients based on a "pass through" approach that reimburses us for many categories of our expenses.

*Expense Reimbursement; Incentive Allocation; Performance Amount.*

Expense Reimbursement. Given the "master feeder" structure of the Funds, investors in each respective Feeder Fund will be responsible for their *pro rata* portion of all expenses allocated exclusively to the Feeder Fund, as well as for their *pro rata* portion of the Feeder Fund's share of the Master Fund's expenses.

The Master Fund will be responsible for all costs and expenses of establishing and maintaining the operations of the Master Fund and the Feeder Funds (other than the taxes and certain other expenses that relate solely to a particular Feeder Fund, which will be borne by such Feeder Fund).

The Feeder Funds (through their investment in the Master Fund) will be responsible for their allocable portion of all or substantially all of (i) the Investment Adviser's (and its affiliates') expenses, including overhead and employee compensation (both of which could be considerable) and (ii) the expenses of each third-party sub-adviser, subject to the terms of and limitations in any relevant agreement with a third-party sub-adviser. This "expense pass through" arrangement with the Investment Adviser, and by extension, its application with respect to third-party sub-advisers, differs from that of many other private fund structures and private fund managers, where the adviser receives a management fee in lieu of a reimbursement for its overhead and similar expenses. In this instance, the Investment Adviser receives only a reimbursement of its expenses.

The compensation and other costs and expenses borne by the Master Fund which may be incurred by any Feeder Fund, the Master Fund, any trading subsidiary or other collective investment or special purpose vehicle, the Investment Adviser or any subsidiary of the Investment Adviser, a general partner of any of the Funds or any of their respective affiliates (each, an "EG Entity" and collectively, the "EG Entities") in respect of the Master Fund or any Feeder Fund or in furtherance of the Master Fund's investment program, and any third-party sub-adviser in respect of the management of the Master Fund's assets, will include, without limitation, expenses in the following categories. Details regarding the "expense pass through" arrangement are contained in the private placement memoranda for the Feeder Funds.

- investment program expenses, whether or not any investments are consummated;
- investment management services and operational expenses and other compensation;
- other operational expenses of any EG Entity;
- any expenses, fees or compensation incurred by a third-party sub-adviser in connection with management of the Master Fund's assets (subject to the terms of and limitations in any applicable sub-advisory (or similar) agreement, which in certain circumstances will include limitations on the total amount of expenses).

Generally, Fund expenses, other than the Incentive Allocation, the Performance Amount, any Profits Interest Allocation (as defined below) and any expenses that the Fund General Partner determines should be borne by a particular investor or investors (e.g., any tax withheld from the Funds or paid over by the Funds, in each

case, directly or indirectly, with respect to or on behalf of an investor or a direct or indirect beneficial owner of the Master Fund, and interest, penalties and/or any additional amounts with respect thereto, including without limitation, (i) a tax that is determined based on the status, action or inaction (including the failure of an investor or a direct or indirect beneficial owner of the Master Fund to provide information to eliminate or reduce withholding or other taxes) of an investor or a direct or indirect beneficial owner of the Master Fund, or (ii) an "imputed underpayment" within the meaning of Section 6225 of the Internal Revenue Code and any other similar tax, attributable to an investor or a direct or indirect beneficial owner of the Master Fund, as determined by the Fund General Partner in its sole discretion ("Investor-Related Taxes")), will be charged to all of the applicable Master Fund's capital accounts on a *pro rata* basis; *provided* that if a particular expense is only attributable to a particular tranche or tranches of interests (each a "Tranche" and collectively, the "Tranches"), such expense will be charged to the Master Fund's capital accounts corresponding to such Tranche or Tranches on a *pro rata* basis *provided, further*, that any expense that is reasonably likely to cause a legal, contractual or regulatory issue for a particular investor will not be borne by such Investor, but could result in varying expense ratios for other investors. The *pro rata* portion of such expense that would otherwise be borne by such investor will generally not be borne by the other investors. The Fund General Partner (or its affiliates) may decide, in its sole discretion, to bear more than its *pro rata* share of certain Master Fund expenses for the benefit of certain investors. Each Master Fund capital account will bear its share of any Performance Amount and/or any Profits Interest Allocation that is accrued during the period that such Master Fund capital account was in existence (*i.e.*, taking into account mid-year subscriptions and mid-year withdrawals or redemptions). To the extent that expenses to be borne by the Master Fund are paid by the Fund General Partner or the Investment Adviser, the Master Fund will reimburse such party for such expenses, unless the Fund General Partner or the Investment Adviser determines otherwise. Such reimbursements will be done on a monthly basis. Pursuant to an investment management agreement, payments owed to the Investment Adviser in respect of expenses will be made by the Master Fund to the Investment Adviser by March 15 following the fiscal year in which such expenses are incurred.

The Investment Adviser (or any other EG Entity) may provide investment management or other services to clients other than the Funds (including, without limitation, investment funds, separately managed accounts, proprietary accounts, certain affiliated entities and other investment vehicles. The Investment Adviser will allocate expenses in accordance with the Investment Adviser's expense allocation policy, which is designed to allocate expenses in a fair and equitable manner over time. Allocations may be based on factors and methodologies deemed appropriate by the Investment Adviser, including, among others, actual usage of a specific service or product, relative capital amounts, and relative trading volumes, as described in greater detail in the private placement memoranda for the Funds. Allocations of expenses incurred by a third-party sub-adviser among the Master Fund, on the one hand, and any other investor of such third-party sub-adviser, on the other hand, will be allocated *pro rata* among the third-party sub-adviser's other investors and the Master Fund, and governed by the internal policies of such third-party sub-adviser and the applicable sub-advisory (or similar) agreement; *provided* that the Investment Adviser will ensure that the expenses allocated to the Master Fund will be incurred and allocated in a manner consistent with the best interests of the Master Fund. The Investment Adviser may adjust its expense allocation policy, without notice; *provided* that the Investment Adviser determines the adjusted policy continues to be reasonably designed to allocate expenses in a fair and equitable manner over time.

Certain expenses that are not specifically related to the Investment Teams or to a third-party sub-adviser may be shared by all of the Funds (including all Tranches (as defined in Item 5, Section B.4, below) of the Feeder Funds and the Master Fund), or may be allocated only to those accounts with respect to which such expenses were incurred, including overhead and employee compensation (both of which could be considerable). All expenses borne by the Funds shall be subject to the expense policy of the Investment Adviser as in effect from time to time.

The Master Fund's actual annual operating expenses are disclosed in the Master Fund's year-end audited financial statements, which are provided to each investor in the applicable Feeder Funds.

Incentive Allocation. The Master Fund will reallocate from each relevant sub-account to the capital account of the Fund General Partner (the "Incentive Allocation") an amount equal to:

- i. in respect of the net capital appreciation (expressed as a percentage) attributable to such sub-account that is less than or equal to 7.5%, 10% of such net capital appreciation;
- ii. in respect of the net capital appreciation (expressed as a percentage) attributable to such sub-account that is greater than 7.5% but less than or equal to 15%, the sum of:
  - a. 80% of the next dollars of net capital appreciation in excess of 7.5% until the Fund General Partner has been allocated 20% of the net capital appreciation attributable to such sub-account pursuant to clause (i) above and this clause (ii)(a); and
  - b. 20% of any remaining net capital appreciation attributable to such sub-account;
- iii. in respect of the net capital appreciation (expressed as a percentage) attributable to such sub-account that is greater than 15% but less than or equal to 22.5%, the sum of:
  - a. 80% of the next dollars of net capital appreciation in excess of 15% until the Fund General Partner has been allocated 30% of the net capital appreciation attributable to such sub-account pursuant to clauses (i) and (ii) above and this clause (iii)(a); and
  - b. 30% of any remaining net capital appreciation attributable to such sub-account; and
- iv. in respect of the net capital appreciation (expressed as a percentage) attributable to such sub-account that is greater than 22.5%, the sum of:
  - a. 80% of the next dollars of net capital appreciation in excess of 22.5% until the Fund General Partner has been allocated 40% of the net capital appreciation attributable to such sub-account pursuant to clauses (i), (ii) and (iii) above and this clause (iv)(a); and
  - b. 40% of any remaining net capital appreciation attributable to such sub-account;

*provided*, that the net capital appreciation upon which the calculation of the Incentive Allocation is based will be reduced to the extent of any balance in any loss recovery account for such sub-account; *provided* further that for purposes of determining the Incentive Allocation and the balance in such sub-account's loss recovery account, investor-related taxes paid or accrued with regard to a partner of the Master Fund or an investor in a Feeder Fund during the applicable calculation period will not be taken into account.

Performance Amount and Profits Interest Allocation. The Master Fund will pay the Investment Adviser an amount that will be used by the Investment Adviser to pay the members of each Investment Team (and any investment consultants), including the portfolio manager of the Investment Team, annual performance bonuses, determined by reference to the performance of the portion of the Master Fund's investment portfolio that consists of investments managed by such Investment Team or investment consultant and calculated by the Investment Adviser in its sole discretion, but subject to the terms of any applicable employment or similar agreement (any such performance bonus, a "Performance Amount"). The Performance Amounts will generally be calculated based upon the annual gross trading profits and losses of the strategies managed by such Investment Team after subtracting certain expenses allocable to such strategies and Investment Team.

Each Performance Amount will be paid to the Investment Adviser by the Master Fund no later than March 15 of the Fiscal Year following the Fiscal Year in which it was earned by the Investment Adviser.

Certain portfolio managers may be allocated profits directly from the Master Fund or a subsidiary thereof (a "Profits Interest Allocation") in lieu of being paid an annual performance bonus by the Investment Adviser. The amount of the Profits Interest Allocation in respect of a portfolio manager will, as with Performance Amounts, be determined formulaically and will generally be calculated based upon the annual gross trading profits and losses of the strategy managed by such Investment Team after subtracting certain expenses. On an annual basis, the Master Fund will reallocate a portion of the net capital appreciation allocated to each Master Fund capital account (including the Master Fund capital accounts of the Fund General Partner and the special limited partner) in respect of a particular Tranche at the Master Fund level to the Master Fund capital account of the portfolio manager entitled to a Profits Interests Allocation in respect of such Tranche.

In the event that an investor withdraws or redeems its interest in the applicable Feeder Fund other than at the end of a fiscal year, the withdrawal or redemption proceeds payable to such investor will be reduced by such investor's share of the accrued Incentive Allocation, Performance Amount and/or Profits Interest Allocation

as of the applicable withdrawal or redemption date. In the sole discretion of the Investment Adviser, the Incentive Allocation, Performance Amount and/or Profits Interest Allocation may be waived, reduced or calculated differently with respect to certain investors. Additional detail regarding the Incentive Allocation, Performance Amount and Profits Interest Allocation are set forth in the Funds' private placement memoranda.

#### **Payment of Fees**

Fees and compensation paid to the Investment Adviser, any third-party sub-advisers or its affiliates by the Funds are generally deducted from the assets of the Funds. As discussed above, the Incentive Allocation and Performance Amount and Profits Interest Allocation are calculated monthly but paid annually and Expense Reimbursement is generally paid monthly.

##### *Additional Fees and Expenses.*

See Item 5, "Expense Reimbursement", above, regarding the expense reimbursement arrangement.

##### *Prepayment of Fees.*

All fees and expenses paid to the Investment Adviser will be assessed in arrears.

##### *Additional Compensation and Conflicts of Interest.*

Neither the Investment Adviser nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

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

We and our affiliates accept performance-based compensation from all external clients (other than clients that are not assessed performance-based compensation because it is assessed through another entity in a single master-feeder or similar structure). Since all investments are made through a single investment vehicle, we do not face conflicts of interest based on varying performance fees or vehicles.

ITEM 7  
**TYPES OF CLIENTS**

We provide investment advice to the Funds, as described above.

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

**Methods of Analysis and Investment Strategies and Risk of Loss.**

Our objective is to generate attractive absolute and risk-adjusted returns on invested capital over a multi-year period, consistent with our investment program, as described in more detail in Item 4, Section B.2 of this Brochure.

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, as well as investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

**Material, Significant or Unusual Risks Relating to Investment Strategies.**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us. As the Master Fund may pursue its investment objective by investing in Financial Instruments through managed accounts managed by third-party sub-advisers, unless the context indicates otherwise, the risks discussed in this Section that relate to the Investment Adviser should be understood to relate to the Investment Adviser and also third-party sub-advisers, and the risks discussed in this section that relate to the Master Fund and its investments should be understood to relate to the Master Fund and the managed accounts and their respective investments.

*Systems and Operational Risks Generally.*

The Investment Adviser must develop and implement appropriate systems for the Funds' activities. The Investment Adviser relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain Financial Instruments, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to the oversight of the Funds' activities. In addition, the Investment Adviser relies on information systems to store sensitive information about the Funds, the Investment Adviser, their affiliates and the investors. Certain of the Funds' and the Investment Adviser's activities will be dependent upon systems operated by third parties, including brokers, prime brokers, the administrator, market counterparties and other service providers, and the Investment Adviser may not be in a position to verify the risks or reliability of such third-party systems. Failure in the systems employed by the Investment Adviser, brokers, prime brokers, the administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Investment Adviser's operations may cause the Funds to suffer, among other things, financial loss, the disruption of trading or investment operations, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds and the investors' investments in the Funds.

*Reliance on Technical Trading Systems.*

The Investment Adviser will allocate the Funds' assets to investment strategies that are based on technical trading systems. Although the Investment Adviser retains all discretion with respect to the manner in which a trading system's output is interpreted and applied, there can be no assurance that the Investment Adviser's trading systems and its interpretation and application of the trading systems' output will take into account all



relevant factors. Technical trading systems can also be ineffective when fundamental factors drive Financial Instruments' prices.

#### *Testing of New Strategies.*

To the extent the Investment Adviser uses a new strategy, method, or signal in respect of the Master Fund, the Investment Adviser cannot necessarily predict accurately how such new strategy, method or investment signal will perform and how various market conditions may impact performance, and, as a result, the Master Fund (and the investors) may suffer losses, which could be significant, by pursuing it.

#### *Use of Systems.*

The Investment Adviser relies extensively on the use of computer systems, hardware, software, and telecommunications equipment. The Investment Adviser makes use of its own equipment as well as equipment, systems and services (including so-called "cloud" based storage and other services) provided by third parties. Accordingly, the Funds are exposed to the risk that computer hardware, software, electronic equipment and other services used by the Investment Adviser may cease to be available, for example, due to the insolvency of the provider, the discontinuation of services or software updates, or the interruption of communication access. In such circumstances, the Investment Adviser would seek to obtain equivalent hardware, software and services from an alternative supplier, which could take time to accomplish and which could be costly.

#### *System Failure.*

As the Investment Adviser makes extensive use of computer hardware, systems and software, the Funds are exposed to risks caused by failures of IT infrastructure and data. In addition, outright failure or a partial impairment (whether due to external situations or internal file corruption) of the underlying hardware, operating system, software or network may leave the Funds unable to trade either generally or in certain of their strategies, and this may expose them to risk should the outage coincide with turbulent market conditions. To ameliorate this risk, backup and failover plans have been put in place by the Investment Adviser. It is possible that a systems failure could impede the Investment Adviser's ability to carry out the investment program, and could prevent the Investment Adviser from acting to prevent losses in a crisis; in the worst case, the Investment Adviser may have to liquidate the Funds' entire portfolios as the only safe way to proceed should a crippling system outage occur.

#### *Data Feed Failure.*

The Investment Adviser's models utilize data feeds from a number of sources. If these data feeds were to be corrupted, compromised or discontinued in any manner, or not delivered or accessible in a timely manner, the models may not operate properly. This failure to receive the data feeds or receive the data feeds in a timely manner may leave the Funds unable to trade or may result in trades that are not aligned with an algorithm's goal, and this may expose the Funds to risk of loss or loss of opportunities, in particular if the loss of the data feed coincides with turbulent market conditions. If the data feeds are corrupted or compromised in any material manner or if the data feeds are not delivered or accessible in a timely manner, it may result in a loss to the Funds, which could be material.

#### *Risk of Programming Implementation Error or Logical Error.*

Given the reliance of the Investment Adviser upon the operation of its models and other software trading and analysis systems, it follows that the Funds are therefore at risk of errors of implementation (colloquially known as "bugs") and errors of design that may exist or arise in the software or models, and which may cause inappropriate or aberrant behavior under certain market conditions. While reasonable steps have been taken to ensure that the software is adequate in design and free from bugs, formal proof of bug-free code has not been undertaken, nor can the underlying logical and/or mathematical models be certified as free from error; investors should expect that – at any given time – the Investment Adviser's code will contain errors of design and bugs.

As with any software, upgrades, "bug fixes" and various other improvements may be introduced over time and the risk therefore exists that such changes may detrimentally affect the performance of the Funds, rather than improve it.

Furthermore, without limitation, even where the software has been tested, no guarantee can be given that a unique combination of input conditions experienced when running the system "live" and that was not encountered during development, will not cause the system to fail, perform aberrantly, or take positions that are (under some reasonable criteria) judged to be inappropriate. Also, it is possible that a "bug" will be addressed with a quickly-assembled solution that is itself not thoroughly tested, which could result in other, unintended issues.

These failures can also occur in a complex, interdependent environment where different elements of code are all functioning correctly, but their interaction gives rise to unanticipated or unintended errors. Given the fact that the Investment Adviser will be utilizing proprietary and third-party code (some of which may be open-source and without any warranties), it is possible or likely that errors will arise from such interactions and that such errors and any related losses would not constitute reimbursable trade errors under our policies or the Funds' governing documents.

#### *Risks Inherent in Computer-Driven and Intellectual Property Based Systems.*

The Investment Adviser relies to a material extent on a wide range of intellectual property systems, including computer hardware and software systems and telecommunications systems, in substantially all phases of its operations, including research, valuation, trade identification and construction, trade execution, clearing, risk management, back office functions and reporting.

As described above, intellectual property systems are subject to a number of inherent and unpredictable risks. For example, there may be material undiscovered errors in software programs; software and/or hardware may malfunction and/or degrade; electronic and telecommunications delivery may fail; security breaches may lead to unauthorized trades or stolen intellectual property; services provided by third-party vendors to support the intellectual property systems may be interrupted; and computer-driven trading errors may occur. It is likely that such errors and any related losses would not constitute reimbursable trade errors under our policies or the Funds' governing documents.

#### *Security, Information and Cybersecurity Risks.*

As part of its business, the Investment Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the investors. Similarly, service providers of the Investment Adviser or the Funds, especially the administrator, may process, store and transmit such information. The Investment Adviser has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Investment Adviser may be susceptible to compromise, leading to a breach of the Investment Adviser's network. The Investment Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Investment Adviser to the investors may also be susceptible to compromise. Breach of the Investment Adviser's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The Funds' service providers are subject to the same electronic information security threats as the Investment Adviser. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks or another failure in its operational safeguards, information relating to the transactions

of the Funds and personally identifiable information of investors may be lost or improperly accessed, used or disclosed. Recent events in the market illustrate that this is not a theoretical concern, but is a risk that all service providers face.

The loss or improper access, use or disclosure of the Investment Adviser's or the Funds' proprietary information may cause the Investment Adviser or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds, the investors' investments in the Funds or the investors themselves.

#### *Counterparty Risk and Other Adverse Events or Actions.*

The Investment Adviser expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

Some of the markets in which the Funds may effect transactions are not "exchange-based", including "over-the-counter" or "interdealer" markets. The stability and liquidity of over-the-counter transactions depend in large part on the creditworthiness of the parties to the transactions. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes the Funds 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 causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. Generally, the Funds will not be restricted from dealing with any particular counterparties. The Investment Adviser's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

If there is a default by a counterparty, under most normal circumstances the Funds, or the Investment Adviser, acting on behalf of the Funds, will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Investment Adviser had not caused the Funds to enter into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds' Financial Instruments from such counterparty or the payment of claims therefor may be significantly delayed and the Investment Adviser may recover substantially less on behalf of the Funds than the full value of the Financial Instruments entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceedings and may impact whether a Fund may terminate its agreement with an insolvent counterparty.

Collateral that a Fund posts to its counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, a Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Investment Adviser may cause the Funds to use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. For example, capital deposited at certain non-U.S. broker-dealers may not be subject to client money protection rules, which could subject the Funds to the risks of being an unsecured creditor in the event of a broker-dealer insolvency. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Funds and their assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Funds' Financial Instruments and collateral from or the payment of claims therefor by such counterparty and a loss to the Funds, which could be material.

In addition to the risk of a counterparty default, there is also the risk that the Funds' counterparties may be required to restrict the amount of credit granted to the Funds due to their own financial difficulties, which could result in a forced liquidation of substantial portions of the Funds' accounts.

#### *Regulation in the Derivatives Industry.*

There are many rules related to derivatives that may negatively impact the Funds, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared "over-the-counter" or "OTC" instruments and mandatory trading on electronic facilities, and other transaction level obligations. Parties that act as dealers in swaps are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Investment Adviser and the Funds, and increase the amount of time that the Investment Adviser spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Funds.

These rules are operational and technological burdens on the Investment Adviser and the Funds. These compliance obligations require certain training of employees and use of new technology, and there are operational risks borne by the Investment Adviser and the Funds in implementing procedures to comply with many of these additional obligations.

The new regulations may also result in the Investment Adviser forgoing the use of certain broker-dealers, futures commission merchants or counterparties as the use of other parties may be more efficient for the Funds from a regulatory perspective. However, this could limit the Funds' trading activities, create losses, preclude the Investment Adviser from engaging in certain transactions or prevent the Investment Adviser from trading on behalf of the Funds at optimal rates and terms.

#### *Competition; Availability of Investments.*

Certain markets in which the Investment Adviser may cause the Funds to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments. Specifically, there are a large number of investment managers that utilize quantitative models in their trading strategies, which may lead to attempts by other participants in the market to duplicate the Investment Adviser's models or trading strategies. To the extent that such persons are utilizing models that are similar to those utilized by the Investment Adviser or such participants take the same action with respect to a particular position as the Funds, the Funds may be competing for investment or arbitrage opportunities with such participants and/or the ability of a Fund to purchase or dispose of its investments at attractive prices may be adversely affected.

#### *Volatility Risk.*

The Investment Adviser's investment program may involve the purchase and sale of relatively volatile Financial Instruments and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such Financial Instruments and/or markets can adversely affect the value of investments held by the Funds. To the extent that the Investment Adviser causes a Fund's portfolio to hold derivative instruments that are specifically designed to profit from change in market volatility, the risk of loss to such Fund's portfolio is magnified.

#### *Credit Ratings.*

In general, the credit rating assigned by a nationally recognized rating agency to a Financial Instrument represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such Financial Instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Funds may incur losses if the Investment Adviser makes investments based on credit ratings that subsequently change in a way not favorable to the Funds' investment objectives.

#### *Significant Positions in Financial Instruments; Regulatory Requirements.*

In the event the Investment Adviser causes the Funds to acquire a significant stake in certain issuers of Financial Instruments and such stake exceeds certain percentage or value limits, the Funds may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Funds and the Investment Adviser. Any such requirements may impose additional costs on the Funds and may delay the acquisition or disposition of the Financial Instruments or the Investment Adviser's ability to respond in a timely manner to changes in the markets with respect to such Financial Instruments.

In addition, "position limits" may be imposed by various regulators that may limit the Investment Adviser's ability to effect desired trades on behalf of the Funds. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on the Investment Adviser's investment activities may be significant. If at any time positions managed by the Investment Adviser were to exceed applicable position limits, the Investment Adviser would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Investment Adviser might have to forego or modify certain of the Funds' contemplated trades.

In addition, if the Investment Adviser, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Funds may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances, the Investment Adviser will be prohibited from causing the Funds to enter into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

#### *Exposure to Material Non-Public Information.*

From time to time, the Investment Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Adviser may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position held by the Funds in such issuer, (ii) causing the Funds to establish an initial position or take any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. Such results could lead to losses to the Funds.

#### *Currency Exchange Exposure.*

The Investment Adviser may cause the Funds to invest in Financial Instruments denominated in currencies other than the U.S. dollar. The Investment Adviser, however, values the Funds' Financial Instruments in U.S. dollars. The Investment Adviser may or may not seek to hedge the Funds' non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that Financial Instruments suitable for hedging currency or market shifts will be available at the time when the Investment Adviser wishes to cause the Funds to use them, or that hedging techniques employed by the Investment Adviser will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than U.S. Dollars will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

#### *Quantitative Model Risk and Risk Management Dangers.*

There can be no assurance that the models used by the Investment Adviser will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Funds. There can be no assurance that the Funds will achieve their investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering the Funds' investment objectives.

In addition, to the extent that the Investment Adviser's systems develop to the point that they execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred.

Investment and risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which the Investment Adviser operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement.

At times the Investment Adviser may manually override or shut down the operations of a quantitative model. This would generally be done in an effort to mitigate the damage from a deteriorating or malfunctioning model or a model that is reacting negatively to unforeseen market conditions. Such an override or intervention could result in greater losses than would be the case if there had been no intervention and/or could result in the model being overridden or inactive at a time when the model would have achieved gains for the portfolio.

#### *Proprietary Trading Methods.*

Because the trading methods employed by the Investment Adviser on behalf of the Funds are proprietary to the Investment Adviser, an investor will not be able to determine any details of such methods or whether they are being followed.

#### *Obsolescence Risk.*

The Investment Adviser's systematic trading strategies are unlikely to be successful unless the assumptions underlying the Investment Adviser's models used to implement those strategies are realistic and

either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and the Investment Adviser does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result.

Models employed by the Investment Adviser in connection with its systematic trading strategies cannot fully match the complexity of the financial markets; accordingly, unanticipated changes in underlying market conditions can significantly impact such strategies' performance. As market dynamics shift over time, a previously highly successful strategy may become outdated. Even without becoming completely outdated, a given strategy's effectiveness may decay in an unpredictable fashion as other market participants adopt similar strategies or market dynamics shift. The Investment Adviser will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. There can be no assurance as to the effects (positive or negative) of any modification on the Funds' performance.

#### *Crowding/Convergence.*

Advisers other than the Investment Adviser may utilize similar analyses or models in making trading decisions, in which event bunching of buy and sell orders may occur, making it more difficult for a particular position to be taken or liquidated. There is significant competition among quantitatively-focused investment managers. To the extent that the Investment Adviser's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect the Funds is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous, trading across a number of funds in the marketplace. In addition, certain strategies which have performed well in the past may not continue to perform well in the future, and as similar strategies develop and grow, the margins of profitability of such strategies may narrow.

#### *Risk of Programming and Modeling Errors.*

The Investment Adviser's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although the Investment Adviser seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raise the chances that the finished model may contain an error or errors, or may not lead to the intended outcome.

For the sake of clarity and without limitation, though losses arising from programming and modeling errors could adversely affect the Funds' performance, such losses would likely not constitute reimbursable trade errors under the Investment Adviser's policies or the Funds' governing documents.

#### *Involuntary Disclosure Risk.*

The ability of the Investment Adviser to achieve its investment goals for the Funds is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research are largely protected by the Investment Adviser through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer the Investment Adviser's models, and thereby impair the relative or absolute performance of the Funds.

#### *Technical Trading Strategies.*

The buy and sell signals generated by certain strategies of the Funds are not based on any analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon factors such as studies of actual daily, weekly and monthly price fluctuations, volume variations, changes in open interest and correlations and variance measures. The profitability of any technical trading strategy depends upon the future occurrence of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. In addition, a technical trading strategy may be profitable for a period of time, after which the strategy fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their strategy on a periodic basis. Any factor that may lessen the prospect of major trends in the future (for example, as increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the strategy's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

#### *Spread Trading.*

A part of the Investment Adviser's strategy may involve spread positions between two or more Financial Instrument positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably, thus causing a loss to the spread position. The Investment Adviser's strategy also may involve arbitraging among two or more Financial Instruments. This means, for example, that the Investment Adviser may cause the Funds to purchase (or sell) Financial Instruments (on a current basis) and take offsetting positions in the same or related Financial Instruments. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position. Moreover, the arbitrage business is extremely competitive, and many of the major participants in the business are large investment banking firms with substantially greater financial resources, larger research staffs and more investment professionals than will be available to the Investment Adviser. Arbitrage activity by other larger firms may tend to narrow the spread between the price at which the Investment Adviser may cause the Funds to purchase a Financial Instrument and the price the Investment Adviser expects that the Funds will receive upon consummation of a transaction.

#### *Model and Data Risk.*

The Investment Adviser will rely heavily on quantitative and systematic models (both proprietary models developed by the Investment Adviser, and those supplied by third parties) and information and data supplied by third parties ("Models and Data"). Models and Data can be used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Funds), to provide risk management insights, and to assist in hedging the Funds' exposure.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Funds to potential risks. For example, by relying on Models and Data, the Investment Adviser may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

All models rely on correct market data inputs that are assumed to be correct. Because the Investment Adviser's models are usually constructed based on, or employ, historical or current market data supplied by third parties, the success of relying on Models and Data may depend heavily on the accuracy and reliability of the supplied data, which can contain errors.



For the sake of clarity and without limitation, though Model and Data risks could adversely affect the Funds' performance, losses that arise as a result of the use of Models and Data likely would not constitute reimbursable trade errors under the Investment Adviser's policies or the Funds' governing documents.

#### *Alternative Data.*

The Investment Adviser may obtain and use alternative data in its investment process. Alternative data may consist of datasets that have been culled from a variety of sources and are comprised of information relating to, for example, internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as "big data" or "alternative data"). The Investment Adviser may apply this alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes.

The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are expected to be borne – in whole or in part – by the Master Fund. No assurance can be given that the Investment Adviser will be successful in utilizing alternative data in its investment process.

Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for the Investment Adviser and the Master Fund in numerous jurisdictions. The Investment Adviser cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to the Investment Adviser or to the Master Fund. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of the Master Fund.

#### *Co-Location.*

The Investment Adviser has arranged with certain brokers to obtain "co-location" access and similar data center resources in numerous market centers. This access and these resources can provide the Investment Adviser with a competitive advantage over other market participants in higher-frequency trading strategies, as trading instructions will be executed faster due to the shorter lengths of fiber-optic cable traversed by each instruction, and may also receive favorable routing to the market centers. By accepting such access and services from brokers, the Investment Adviser may be able to obtain preferential access that would not otherwise be available to a non-exchange member, or that would not be available at favorable prices. As a result of these arrangements, the Investment Adviser may be subject to higher regulatory standards and heightened exchange supervision.

#### *Self-Trades and Other Exchange Violations.*

Systematic and algorithmic trading strategies are more prone than other types of investing to cause "wash trade", cross trade and self-trade orders to be generated. These orders, if filled, can constitute violations of exchange rules and expose the Funds to penalties and disgorgement orders. While the Investment Adviser will seek to limit these kinds of transactions, there is no guarantee that they all will be eliminated.

#### *Risks Resulting from Marketplace Reforms and Changes.*

The SEC has imposed a rule that prohibits the practice of "naked" or "unfiltered" direct market access. Such a prohibition bars brokers from granting high-frequency traders with unfiltered access to the financial markets. The long-term impact of such a prohibition is unknown, but such a rule may potentially limit the implementation of the Funds' investment strategy. The SEC is also considering the imposition of additional market maker obligations on anyone engaged in high-frequency trading. While the U.S. government's definition of high-frequency trading may be designed primarily to capture ultra-high-frequency trading, it is likely that a number of

these proposals may affect the trading activities of the Investment Adviser. The SEC has considered the imposition of additional mechanisms to eliminate "quote stuffing", whereby large numbers of stock orders are placed and canceled almost immediately, such as by setting minimum amounts of time for which stock quotes must remain active. In the event that any such rule is implemented, the Investment Adviser's ability to effect its trading strategies may be impacted, and may in turn have a negative effect on the Funds' investments. Lastly, when triggered, exchange "limit up/limit down" rules restrict all trading, including programmatic trading, in the event that the price of a security moves up or down by more than a predetermined number of points on any trading day. The limit up/limit down rules may impair the Investment Adviser's ability to effect its trading strategies and have a negative effect on the Funds' investments.

Similar restrictions on high-frequency trading are being considered by the CFTC and global securities regulators.

#### *Regulation SHO.*

The Funds will engage in activities that are governed by Regulation SHO. As such, the Funds will be required to follow various regulatory requirements, including, but not limited to, locating securities, closing out positions in threshold securities and properly marking its orders. The Funds may experience delays in attempting to sell securities subject to the Regulation SHO price test and, as a result of that delay, may suffer losses. In addition, the Funds could incur significant expenses or suffer losses if they were to become the subject of a regulatory audit relating to compliance with Regulation SHO. Finally, regulatory changes to Regulation SHO could have a detrimental effect on the Funds' trading activities.

#### *Rule 105 of Regulation M.*

The Master Fund may invest in "new issues," which may subject the Master Fund to Rule 105 of Regulation M promulgated under the Exchange Act ("[Rule 105](#)"). Absent an exemption and subject to certain limited exceptions, Rule 105 prohibits the Master Fund from purchasing securities in any firm commitment, underwritten follow-on or secondary offering of equity (or equity-linked) securities for cash when an account of the Master Fund has effected short sales in such securities within a "restricted period" prior to the pricing of the offering. If the Master Fund cannot meet an exemption to Rule 105, this will result in restrictions in the Master Fund's trading activity, and may adversely impact the results of the Master Fund.

The various risks inherent in trading strategies that incorporate short selling are magnified in a systematic or quantitative strategy, as a calculation or coding error can have a large impact on trading and can result in a high number of mismarked trades. Mismatched trades result in regulatory exposure for the Investment Adviser and the Funds, and can strain relationships with the brokers that service the Funds.

#### *Increased Regulatory Focus on Quantitative Managers.*

Recently, regulators in the United States, the EU and other countries have shown particular interest in managers engaging in systematic, quantitative and so-called "high-frequency" trading, which could increase the risk of administrative burdens being placed on the Investment Adviser. Such administrative burdens may divert the Investment Adviser's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution. In the EU, MiFID II has imposed burdens on certain systematic managers, including, without limitation, specific requirements relating to the governance, systems, risk controls, and procedures of investment firms that engage in algorithmic trading. Other countries, including Japan, have imposed specific regulatory requirements for managers engaged in high frequency trading.

While the impact of such regulatory focus on the Investment Adviser and algorithmic trading firms is not yet entirely clear, it is possible that new regulations will require the Investment Adviser to implement additional

technology and other controls, and that compliance with these new rules will consume limited internal resources, and thereby impede the Investment Adviser's ability to pursue other initiatives.

#### *Correlation Risk.*

The Funds may be exposed to correlated risks. These occur when funds and other investors hold similar positions and employ similar strategies, resulting in intensified risks which may lead to potential cascading losses in times of market stress.

In extreme cases, to the extent other market participants using a similar strategy seek to divest one or more positions comprising of a particular strategy, "correlation crises" could occur. Quantitative traders can be particularly susceptible to this type of correlation risk as a result of convergence in their automated trading algorithms and positions held. The high leverage and hedging techniques that many arbitrage-driven quantitative hedge fund managers use can further magnify the effects of correlation risk.

No assurance can be given that the Investment Adviser's strategies will be successful under all or any market conditions. The Investment Adviser's systematic trading strategies are proprietary, so investors will not be able to determine the details of such strategies or how they are being implemented. Investors will similarly have no visibility into the trading strategies utilized by third-party sub-advisers.

#### *Trading Judgment and Capital Allocation.*

The success of the Funds is subject to the judgment and skills of the Investment Adviser's research and trading personnel. Additionally, the Investment Adviser's trading abilities with regard to execution and discipline are important to the returns of the Funds. There can be no assurance that the Investment Adviser's investment decisions or actions will be correct. Incorrect decisions or poor judgment may result in substantial losses. In addition, certain contractual obligations to third-party sub-advisers or portfolio managers may have an impact on the asset allocation decisions of the Investment Adviser. The Investment Adviser could allocate capital among strategies in sub-optimal ways, resulting in weaker performance in certain instances.

#### *Risk of Loss.*

No guarantee or representation is made that the Funds' investment programs, 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. Past performance is no guarantee of future results.

#### *General Economic and Market Conditions.*

The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

#### *Governmental Interventions.*

Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain

strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Funds' strategies.

*Potential Interest Rate Increases.*

The U.S. has experienced a decade-long period of historically low interest rate levels. Any future interest rate increases may result in periods of volatility and cause the value of the fixed income securities held by the Funds to decrease, which may result in substantial redemptions from the Funds that, in turn, force the Funds to liquidate such securities at disadvantageous prices negatively impacting the performance of the Funds.

*Brexit.*

The United Kingdom formally withdrew from the European Union on January 31, 2020. The following transition period could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on the Funds or the Investment Adviser from an economic, financial or regulatory perspective but any such impact could have material consequences for the Funds.

*Discontinuation of LIBOR.*

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

*Assumption of Catastrophe Risks.*

The Master Fund may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters, terrorism, and public health crises, including the occurrence of a contagious disease. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which the Master Fund participates (or has a material effect on locations in which the Investment Manager operates) the risks of loss can be substantial and could have a material adverse effect on the Fund, the Master Fund and the investors' investments therein.

*Coronavirus Risks.*

In December 2019, a novel strain of coronavirus (known as COVID-19) surfaced in Wuhan, China, which has resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China and South Korea, among other affected countries. These closures have caused the disruption of manufacturing supply chains and local and global economies, the duration of which remains uncertain. As of March 2020, COVID-19 has spread across the world, which may result in additional market disruptions. The extent to which COVID-19 may negatively affect the operations of the Investment Manager and the performance of the Fund and the Master Fund is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact. These potential impacts, while uncertain, could adversely affect the performance of the Fund and the Master Fund.

#### *Global Macro.*

The Investment Adviser may employ investment strategies based on global macroeconomic themes. The success of these strategies depends upon the Investment Adviser's ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that the Investment Adviser will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying the positions that the Investment Adviser has caused the Funds to hold fail to be borne out in developments expected by the Investment Adviser, the Funds may incur losses which could be substantial.

#### *Long/Short.*

The Investment Adviser may employ various long/short investment strategies. The success of these strategies depends upon the Investment Adviser's ability to identify and purchase Financial Instruments that are undervalued and identify and sell short Financial Instruments that are overvalued. The identification of investment opportunities in the implementation of the Investment Adviser's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the positions that the Investment Adviser causes the Funds to acquire were to fail to converge toward or were to diverge further from values expected by the Investment Adviser, the Funds may incur a loss. In the event of market disruptions, significant losses may be incurred which may force the Investment Adviser to close out one or more of the Funds' positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Investment Adviser's long/short strategies may become outdated and inaccurate as market conditions change.

#### *Short-Selling.*

The Investment Adviser may cause the Funds to engage in short-selling investment programs. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Financial Instrument could theoretically increase without limit, thus increasing the cost to the Funds of buying those Financial Instruments to cover the short position. There can be no assurance that the Investment Adviser will be able to maintain the Funds' ability to borrow Financial Instruments sold short. In such cases, the Funds can be "bought in" (*i.e.*, forced to repurchase Financial Instruments in the open market to return to the lender). There also can be no assurance that the Financial Instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing Financial Instruments to close out a short position can itself cause the price of the Financial Instruments to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Investment

Adviser, acting on behalf of the Funds, secures a "good borrow" of the Financial Instrument sold short at the time of execution, the lending institution may recall the lent Financial Instrument at any time, thereby forcing the Investment Adviser to cause the Funds to purchase the Financial Instrument at the then-prevailing market price which may be higher than the price at which such Financial Instrument was originally sold short by the Funds.

*Investments in "New Issues".*

The Funds may invest in "new issues," otherwise known as "initial public offerings." Such investments offer the opportunity for significant appreciation; however, they are speculative and involve a high degree of risk. Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Fund's shares.

*Relative Value.*

Relative value investment strategies generally use spread trades consisting of a long position in one Financial Instrument offset by a short position in another. Such offsetting positions are meant to neutralize or reduce risk. The portfolio profits of the Investment Adviser's relative valuation leads to a rise in the value of the long position(s) and/or a decline in the value of the short position(s). The Investment Adviser may employ a variety of relative value investment strategies on behalf of the Funds whose success depends upon the Investment Adviser's ability to identify and exploit perceived inefficiencies in the pricing of Financial Instruments, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that the Investment Adviser will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Investment Adviser to maintain a position. Even pure arbitrage positions can result in significant losses if the Investment Adviser is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Investment Adviser seeks to invest will reduce the scope for the Investment Adviser's investment strategies. In the event that the perceived mispricings underlying the Funds' positions were to fail to converge toward, or were to diverge further from, relationships expected by the Investment Adviser, the Funds may incur losses. Even if the Investment Adviser's relative value investment strategies are successful, they may result in high portfolio turnover and, consequently, high transaction costs.

*Short-Term Market Considerations.*

The Investment Adviser's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

*Strategic Investor.*

The Investment Adviser, Fund General Partner and the Funds have entered into an arrangement with a strategic investor (the "Strategic Investor"), whereby the Strategic Investor has made a significant investment in the Master Fund. In consideration for such investment, the Strategic Investor is entitled to receive an allocation of a portion of the net capital appreciation attributable to feeder investors. Due to these arrangements, the Strategic Investor may have access to information not available to the other investors in the Funds, consent and notice rights, capacity rights, special redemption rights, and certain other rights that are more favorable than the rights of other investors in the Funds. The Strategic Investor will have no obligation to disclose such information to the other investors in the Funds or to use such information for the benefit of the Funds.

## **Risks Relating to Leverage and Borrowing.**

### *Leverage for Investment Purposes.*

The Investment Adviser is expected to use leverage as part of the Funds' investment program. Different Investment Teams and investment consultants may utilize different levels of leverage, and leverage may also be different across different strategies managed by the same Investment Team. Leverage may take the form of, among other things, certain of the Financial Instruments described herein, including, without limitation, derivative instruments which are inherently leveraged and products with embedded leverage such as options, short sales, swaps and forwards, as well as borrowing on margin. The use of leverage will allow the Investment Adviser to cause the Funds to make additional investments, thereby increasing the Funds' exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Investment Adviser, on behalf of the Funds, in a market that moves adversely to the Funds' investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

### *Borrowing for Cash Management Purposes.*

The Investment Adviser will have the authority to cause the Funds to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Investment Adviser can cause the Funds to borrow will affect the operating results of the Funds.

### *Collateral.*

The instruments and borrowings utilized by the Funds to leverage investments may be collateralized by all or a portion of the Funds' portfolios. Accordingly, the Investment Adviser may cause the Funds to pledge their Financial Instruments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the Financial Instruments pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call," pursuant to which the Investment Adviser must either cause the Funds to deposit additional funds or Financial Instruments with the broker or suffer mandatory liquidation of the pledged Financial Instruments to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds may have similar rights. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

### *Costs.*

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds' portfolios. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the net asset value of the Funds to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the net asset value of the Funds may decrease more rapidly than would otherwise be the case.

### *Lending of Portfolio Financial Instruments.*

The Investment Adviser may cause the Master Fund to lend Financial Instruments on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a Financial Instruments loan is outstanding, the Master Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the Financial Instruments, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending Financial Instruments, as with other extensions of secured credit,

if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the Financial Instruments or possible loss of rights in the collateral, if any, should the borrower fail financially.

*Diversification and Concentration.*

The Investment Adviser may select investments that are concentrated in a limited number or variety of Financial Instruments. In addition, the Investment Adviser may cause the Funds' portfolios to become significantly concentrated in Financial Instruments related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Financial Instruments.

*Hedging Transactions.*

The Investment Adviser may cause the Funds to utilize Financial Instruments for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of their investment portfolios; (iii) facilitate the sale of any Financial Instruments; (iv) enhance or preserve returns, spreads or gains on any Financial Instrument in the Funds' portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' Financial Instruments; (vii) protect against any increase in the price of any Financial Instruments the Investment Adviser anticipates causing the Funds to purchase at a later date; or (viii) act for any other reason that the Investment Adviser deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Investment Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Investment Adviser may cause the Funds to enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if the Investment Adviser had not caused the Funds to engage in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

*Trend Following.*

The Investment Adviser's systematic trading decisions are generally based on quantitative models, signals and other analyses. Any factor that would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) can be detrimental to the profitability of such method or strategy.

**Risks Specifically Relating to Third-Party Sub-Advisers**

*Dependence on Third-Party Sub-Advisers.*

The success of the Master Fund is dependent, in part, upon the ability of the Investment Adviser to identify, select and monitor third-party sub-advisers. In addition, the success of any managed accounts is significantly dependent on the ability of third-party sub-advisers to develop and use investment techniques that effectively implement the managed accounts' investment strategies and thereby achieve such managed accounts' investment objectives. Subjective decisions made by third-party sub-advisers may cause managed accounts to incur losses or to miss out on profitable opportunities.

*Limited Operating History.*



Each of the Funds, the Fund General Partner and the Investment Adviser has, and any third-party sub-advisers to which the Investment Adviser allocates the Master Fund's assets may have, a limited operating history upon which prospective investors can evaluate their anticipated performance. In addition, the prior track records of any third-party sub-adviser will not be produced or subjected to the identical processes as those of the Investment Adviser with regard to its own track record, nor will the methods by which such third-party sub-adviser's prior track records were determined or assumptions underpinning those prior track records be fully transparent to the Investment Adviser. The research and investment professionals of the Investment Adviser have been performing research and using investment strategies similar to some of those described herein in other investment funds for several years. Similarly, the personnel of a third-party sub-adviser are beyond the purview of the Investment Adviser, but such personnel are likely to have had experience with strategies relevant to their performance of their duties on behalf of the Master Fund. However, there can be no assurance that the Master Fund will achieve results comparable to those that the research and investment professionals employed by the Investment Adviser or a third-party sub-adviser have achieved in the past. The past performance of the research and investment professionals of the Investment Adviser or a third-party sub-adviser should not be construed as an indication of the future performance of the Funds.

*Risks Relating to Committed Capital.*

The Investment Adviser may from time to time commit to allocate or maintain a certain amount of capital to be managed by a particular third-party sub-adviser. Failure to maintain this level of capital could lead to a contractual breach by the Investment Adviser and/or the Master Fund. In some cases, the Investment Adviser and/or the Master Fund may be responsible for paying a fee or damages related to the unfunded amount if the Investment Adviser fails to maintain such capital commitment.

*Inability to Terminate or Reallocate Assets Away From a Third-Party Sub-Adviser.*

The ability of the Master Fund to withdraw any amount allocated to a third-party sub-adviser may be subject to certain restrictions and conditions, including restrictions on the withdrawal of capital for an initial period, restrictions on the amount or frequency of withdrawals, and investment minimums that must be maintained. As a result, the Investment Adviser may not be able to immediately reduce the amount of the Master Fund's assets invested with a third-party sub-adviser or terminate a third-party sub-adviser notwithstanding such third-party sub-adviser's suboptimal performance without paying a fee or any relevant penalties or other costs to the third-party sub-adviser. This could create an incentive for the Investment Adviser to continue to allocate capital to a third-party sub-adviser experiencing inferior performance and to forego allocating capital to other trading strategies which could have stronger performance.

*Other Capacity Concerns and Limitations.*

Third-party sub-advisers may reduce the amount of capacity available to the Investment Adviser and the Master Fund over time. There can be no assurance that the Investment Adviser will be able to make its desired allocation of the Master Fund's assets to any third-party sub-adviser. The Investment Adviser will not control how much capital the third-party sub-adviser deploys, and therefore, performance may deteriorate as the aggregate assets managed by such third-party sub-adviser grow.

*Lack of Transparency Regarding Third-Party Sub-Advisers.*

The Investment Adviser will be limited in its ability to understand the trading models, algorithms, and other investment techniques employed by third-party sub-advisers. In fact, third-party sub-advisers may consider their models, algorithms, and code to be trade secrets and may negotiate for the right not to share or make available such information to the Investment Adviser. This places constraints on the ability of the Investment Adviser to understand the factors that drive the profitability of any particular third-party sub-adviser, as well as on the Investment Adviser's ability to exercise effective risk management for a portfolio. The Investment Adviser will have information rights and the ability to consult with each third-party sub-adviser with respect to the investments

made by a third-party sub-adviser in a managed account, including in connection with setting risk limits and evaluating performance, but the Investment Adviser may not have daily trading authority over such managed account. In addition, the Investment Adviser's ability to influence or control the specific investment decisions of a third-party sub-adviser may be limited, which may limit the Investment Adviser's ability to cease trading in the managed account, to modify trading of the third-party sub-adviser's investment strategies or to remove such third-party sub-adviser. The Investment Adviser may also be unable to prohibit a third-party sub-adviser from employing trading models or techniques that the Investment Adviser does not endorse or considers flawed or unduly risky.

*Limited Visibility into Operation of the Third-Party Sub-Adviser's Business, Systems and Infrastructure.*

The Investment Adviser will endeavor to monitor each third-party sub-adviser and ensure that its trading strategies and business operations are in accordance with the standards that the Investment Adviser maintains for its own trading strategies and business operations. However, due to limited visibility into the trading strategies and operations of a third-party sub-adviser, the Investment Adviser will not control, and may not be able to influence, the methods, strategies, trading execution, daily risk monitoring, business practices, compliance program, hiring practices or other operations of such third-party sub-adviser in the same manner as it controls its own business.

The strategies employed by third-party sub-advisers may involve more risk or higher transaction or data costs than more traditional investment methods. Third-party sub-advisers may build their own data platforms, trading systems and trading infrastructures ("Trading Platforms"). The Investment Adviser may not have significant oversight over the Trading Platforms built and/or utilized by such third-party sub-advisers. In addition, such Trading Platforms may be inferior to those utilized by the Investment Adviser, and as a result, the Master Fund may suffer poor performance, incur higher expenses and/or incur penalties or other liability. Third-party sub-advisers will rely heavily on numerous external systems to perform their duties. The Investment Adviser will not be able to ensure that the third-party sub-adviser has verified the risks or reliability of third-party systems or applied an appropriate review process over such systems.

*Increased Security and Cyber-Security Risks.*

Third-party sub-advisers will create and maintain independent systems, networks and facilities and may face independent security threats. The Investment Adviser will not be able to ensure that third-party sub-advisers adhere to security standards that are considered appropriate by the Investment Adviser.

*Third-Party Sub-Adviser Intellectual Property Risks.*

The Investment Adviser will have a limited ability to verify that the trading models, algorithms, and other investment techniques employed by a given third-party sub-adviser do not infringe on the intellectual property rights of any third party. An allegation of infringement could result in an action asserted against the Master Fund by a third party seeking an injunction on the use of certain intellectual property and seeking the disgorgement of profits. While the Investment Adviser will seek to ensure that any sub-advisory (or similar) agreements include effective indemnification provisions in favor of the Master Fund, it cannot be guaranteed that any such indemnification rights will be effective or, if effective, will result in recovery in an amount sufficient to address any and all losses experienced by the Master Fund.

*Dependence on Third-party Sub-advisers for Information.*

As part of its due diligence activities, the Investment Adviser will attempt to assess the investment potential and risks of a third-party sub-adviser and a managed account arrangement and will rely upon the accuracy and completeness of information provided by such third-party sub-adviser or its agents. The Investment Adviser cannot guarantee the accuracy or completeness of such information and any due diligence activities based

on inaccurate or incomplete information may impede the Investment Adviser's ability to identify, select and monitor a third-party sub-adviser.

*Independent Regulatory Status.*

Third-party sub-advisers will be independently regulated by the SEC and other regulators, as appropriate, and therefore will maintain their own compliance programs, policies and procedures. The Investment Adviser will endeavor to obtain representations from third-party sub-advisers on the adequacy of their compliance programs, and will perform reasonable due diligence to the extent feasible, however, such third-party sub-adviser's compliance program may be inferior to the compliance program of the Investment Adviser, giving rise to regulatory and operational risk for the third-party sub-adviser, the Investment Adviser, and the Master Fund.

*Change of Investment Styles and Risk Limits.*

Third-party sub-advisers generally describe the investment styles and risk limits that they plan to utilize at the time the Investment Adviser is contemplating an allocation to a managed account. While the Investment Adviser will seek to ensure that a third-party sub-adviser will have only limited flexibility to vary its investment strategies, the Master Fund may experience losses from strategy changes that a third-party sub-adviser considers to be within the scope of its discretion. The Investment Adviser may be unable to force the third-party sub-adviser to modify or reverse its investment strategies.

*Conflicts of Interests Involving Other Clients of Third-Party Sub-Advisers.*

The Master Fund's and/or the Investment Adviser's relationship with a third-party sub-adviser will likely not be exclusive. A third-party sub-adviser may also manage the assets of other third parties and the terms upon which such third parties have invested in a fund or account managed by such third-party sub-adviser may differ from the terms on which the Master Fund invested. This may pose a conflict of interest for such third-party sub-adviser as such third-party sub-adviser may be incentivized to direct the best investment ideas to, or to allocate or sequence trades in favor of, clients with economic terms that are more favorable for such third-party sub-adviser than those applicable to the Master Fund's investment. While the terms of the agreements with a third-party sub-adviser typically contain certain protections for the Master Fund (such as most favored nation protection and representations that trades effected on behalf of the Master Fund will be executed on a *pari passu* basis with trades effected for such third-party sub-adviser's other clients, and that costs will be allocated among the Master Fund and such other clients on a pro rata basis), the Investment Adviser may not have sufficient transparency to ensure that such is the case.

*Compensation Structure.*

Investors will directly and indirectly bear both asset-based fees (fees that compensate an investment adviser on the basis of a share of net assets under management) and performance-based fees or allocations (fees or allocations that compensate an investment adviser on the basis of a share of capital gains upon or capital appreciation of the assets under management). In addition to performance-based fees or allocations which will be earned by third-party sub-advisers based on the performance of the managed accounts, third-party sub-advisers may charge the Master Fund asset-based fees, both of which will be borne by the Master Fund. As described above, the Master Fund will be charged an Incentive Allocation.

*Expense Structure.*

As noted above, the Investment Adviser may enter into a whole or partial "expense pass through" arrangement with a third-party sub-adviser. In such instances, certain sub-adviser expenses (e.g., data costs, administration costs, etc.) are likely to be duplicative of expenses already borne by the Master Fund. A third-party sub-adviser will make its own decisions as to the amount and nature of expenses incurred, which will, in some

cases, be capped, and the Investment Adviser may lack full control over and transparency as to the nature and amount of sub-adviser expenses incurred.

*Increased Security and Cyber-Security Risks.*

Third-party sub-advisers will create and maintain independent systems, networks and facilities and may face independent security threats. The Investment Adviser will not be able to ensure that such third-party sub-adviser adheres to security standards that are considered appropriate by the Investment Adviser.

*Material Non-Public Information.*

A third-party sub-adviser may be exposed to material non-public information or other trading restrictions and the Investment Adviser will not be able to monitor the behavior of such third-party sub-adviser to ensure it acts appropriately.

*Restricted List.*

A third-party sub-adviser may be subject to certain trading restrictions imposed as a result of such third-party sub-adviser's relationship with the Investment Adviser and the Master Fund. The Investment Adviser and the Master Fund will be obligated to inform a third-party sub-adviser of such trading restrictions. To the extent the Investment Adviser and/or the Master Fund fail to so inform a third-party sub-adviser, the Investment Adviser or the Master Fund may be obligated to indemnify such third-party sub-adviser if there are losses to or claims against such third-party sub-adviser as a result of such third-party sub-adviser's failure to adhere to such trading restrictions.

*Limitation of Liability and Indemnification.*

Certain third-party sub-advisers and their affiliates, members, partners, directors, officers, employees and legal representatives may not, in certain instances, be liable to the Investment Adviser or the Master Fund for losses arising out of actions taken or not taken in connection with the relevant sub-advisory (or similar) agreement, so long as such actions were not in violation of the relevant agreement or due to the gross negligence, willful misconduct or fraud of the relevant party. Therefore, the Investment Adviser and Master Fund's ability to pursue claims against certain third-party sub-advisers may be limited. In addition, the indemnification and/or exculpation standard applicable to a third-party sub-adviser may be different from the standards applicable to the Investment Adviser and the Indemnified Parties. As a result, the Master Fund may be obligated to indemnify a third-party sub-adviser in circumstances where the Master Fund would not have to indemnify the Investment Adviser.

**Risks Associated with Particular Types of Financial Instruments.**

*Derivative Instruments Generally.*

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to change. In addition, the Investment Adviser may, in the future, cause the Funds to invest in opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Investment Adviser may cause the Funds to participate is evolving, and changes in the regulation or taxation of such Financial Instruments may have a material adverse effect on the Funds.

*Call and Put Options.*

The Master Fund may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option's strike price or (ii) in the case of a put option, the excess, if any, of the option's strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option's time value (*i.e.*, the component of the option's value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the "style" of the option.

Uncovered option writing (*i.e.*, selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

#### *Index or Index Options.*

The value of an index or index option fluctuates with changes in the market values of the Financial Instruments included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular Financial Instrument, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the Financial Instrument market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular Financial Instruments.

#### *Index Futures.*

The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also is subject to the Investment Adviser's ability to correctly predict movements in the direction of the market.

#### *Swaps.*

Whether the Investment Adviser's use of swap agreements or swaptions on behalf of the Funds will be successful will depend on the Investment Adviser's ability to select appropriate transactions for the Funds. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to

include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, volatility/variance, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolios. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Investment Adviser to cause the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Investment Adviser ability to cause the Funds to terminate swap transactions or to realize amounts to be received under such transactions.

#### *Credit Default Swaps.*

A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an owner of corporate debt instruments can purchase default protection by entering into a credit default swap with a bank, broker-dealer or other party. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference Financial Instrument less the price at which the reference Financial Instrument trades subsequent to default. Credit default swaps can be used by the Investment Adviser to cause the Funds to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds or to implement a view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Investment Adviser may cause the Funds to sell credit default protection in which the Funds receive a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Investment Adviser may also cause the Funds to "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the Investment Adviser, there is a high likelihood of credit deterioration. The credit default swap market for some Financial Instruments is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade Financial Instruments, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter a particular transaction. Swap transactions dependent upon credit events are priced incorporating many variables, including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield Curve, among other factors. As such, there are many factors upon which market participants may have divergent views. The Investment Adviser may also cause the Funds to enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

#### *Futures Contracts.*

The value of futures contracts depends upon the price of the securities or other items, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Adviser from promptly liquidating

the Funds' unfavorable positions and subject the Funds to substantial losses or prevent the Investment Adviser from causing the Funds to enter into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a Financial Instrument or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

#### *Non-U.S. Futures Transactions.*

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

#### *Forward Contracts.*

Banking authorities generally do not regulate trading in forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Funds. In its forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Investment Adviser causes the Funds to trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

#### *Contracts for Differences.*

Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single Financial Instrument, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any Financial Instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying Financial Instrument will require the posting of additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were

to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Funds' obligation to their counterparties under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds' financial risk.

#### *Failure to Enter into Offsetting Trade.*

To the extent the Investment Adviser causes the Funds to invest in a futures contract or option long, unless an offsetting trade is made, the Funds would be required to take physical delivery of the commodity underlying the future or option. To the extent the Investment Adviser fails to enter into such offsetting trade prior to the expiration of the contract, the Funds may suffer a loss since neither the Funds nor the Investment Adviser has the operational capacity to accept physical delivery of commodities.

#### *Equity Securities Generally.*

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if the Investment Adviser causes them to invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

#### *Preferred Stock.*

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

#### *American Depositary Receipts and Global Depositary Receipts.*

American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on foreign stock exchanges or foreign over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited Financial Instrument or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may



not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

#### *Convertible Securities.*

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Investment Adviser's ability to achieve the Funds' investment objectives.

#### *Non-U.S. Investments.*

Investing in the Financial Instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in Financial Instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Investment Adviser may be unable to structure the Funds' transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, Financial Instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

#### *Undervalued Financial Instruments.*

The Investment Adviser may cause the Funds to invest in Financial Instruments of companies which the Investment Adviser believes to be undervalued. However, the identification of investment opportunities in undervalued Financial Instruments is a difficult task, and there can be no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued Financial Instruments offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the investments that the Investment Adviser causes the Funds to make may not adequately compensate for the business and financial risks assumed.

#### *Exchange-Traded Funds.*

The Investment Adviser may cause the Funds to invest in exchange-traded funds ("ETFs"), which are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying Financial Instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying Financial Instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF

trades. In addition, the Funds may bear, along with other shareholders of an ETF, their *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (e.g., Performance Amounts, and Profits Interest Allocation and operating expenses), investors in the Funds may also indirectly bear similar expenses of an ETF.

*Micro-, Small- and Medium-Capitalization Companies.*

The Investment Adviser may cause the Funds to invest in securities of micro- and smaller-capitalization companies. Such securities involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be less liquid than large-capitalization companies.

*Currencies.*

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Investment Adviser on behalf of the Funds are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, trade deficits, budget deficits, national savings rates, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

The Investment Adviser may cause the Funds to enter into spot and forward currency contracts and options on currencies to trade currencies or to shift exposure to foreign currency fluctuations from one currency to another with respect to the Funds. Currency transactions made on a spot basis are for cash at the spot rate prevailing in the currency market for buying or selling currency. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Funds' exposure with respect to their investment to changes in the value of the currency they will deliver and increases their exposure to changes in the value of the currency they will receive for the duration of the contract.

Currency trading is subject to risks different from those of other transactions. In countries where exchange rate control is of great importance and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to the Funds if they are unable to deliver or receive currency or funds in settlement of obligations. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation.

Under normal market conditions, transactions involving the U.S. Dollar and other currencies are expected to be executed quickly and with low transaction costs. However, in periods of market stress, the instruments necessary to permit the Investment Adviser to execute its investment program on behalf of the Funds may not generally be available or may not, in the Investment Adviser's judgment, be economically priced. In addition, following a significant decline in the net asset value of the Funds, or a significant loss by the Funds on a currency portfolio, counterparties may be unwilling to continue to offer currency instruments to the Funds and may have the ability to terminate the master agreements relating to the existing currency instruments and all currency transactions documented thereunder. Finally, the Funds' counterparties are not contractually obligated to offer

currency instruments to the Funds following the maturity of a given transaction or to increase the size of a transaction at the Investment Adviser's request.

### **Risks Relating to Commodities.**

#### *Factors Affecting Commodities Prices.*

The values of commodities which underlie the commodity futures contracts and other types of securities are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Funds and the Investment Adviser have no control over the factors that affect the price of commodities. Accordingly, the value of the Funds' investments could change substantially and in a rapid and unpredictable manner.

#### *Agricultural Commodities.*

Agricultural commodities are particularly sensitive to changes in, among other things, climate, crop and livestock health, world political events, government action (including export and import restrictions and embargoes), international and regional trade contracts, labor contracts, transportation systems and crop predictions. Significant production declines and volume decreases of agricultural commodities can occur as a result of, among other things, hurricanes, tornadoes, floods, fires and other natural disasters. In addition, agricultural commodities are subject to price volatility as a result of disruptions relating to the facilities necessary to produce, transport, store and deliver the agricultural commodity. As a result, the net assets of the Funds may be affected by such factors.

#### *Precious Metals.*

Prices of precious metals (e.g., gold, silver, platinum and palladium) are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. In addition, certain precious metals are geographically concentrated, and events in those parts of the world in which such concentration exists may affect their values. Gold and other precious metals are also subject to governmental action for political reasons. The markets for precious metals are volatile and there may be sharp fluctuations in prices even during period of rising prices.

#### *Energy.*

Markets for energy-related commodities, including, without limitation, electricity, coal, natural gas, crude oil and other petroleum products, can be susceptible to substantial price fluctuations over short periods of time and are particularly affected by political events, natural disasters, exploration and development success or failure, and technological changes. In addition, significant short-term price volatility can be caused by the inability to store electricity, tariff regulation and consumer advocacy.

#### *Cash Commodities.*

Contracts governing the purchase and sale of specific commodities (known as "cash commodities") for immediate or deferred delivery may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash

commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Lastly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities' failure, inability or refusal to perform with respect to such contract.

*Illiquid Financial Instruments.*

The Investment Adviser anticipates that the Funds will predominantly hold readily tradable Financial Instruments. While it is not expected, the Funds may also invest in, or come to hold, Financial Instruments that are subject to legal or other restrictions on transfer or for which no liquid market exists. There may be limited information available about the issuers of illiquid Financial Instruments that may make valuation of such Financial Instruments difficult or uncertain. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Investment Adviser may not be able to sell them on behalf of the Funds when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid Financial Instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of Financial Instruments eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Funds may be required to hold such Financial Instruments despite adverse price movements. In addition, even those markets that the Investment Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

*The risk factors enumerated above do not represent the entire universe of potential risks to the Funds.*

ITEM 9  
**DISCIPLINARY INFORMATION**

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

ITEM 10  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**Broker-Dealer Registration Status.**

The Investment Adviser is not registered as a broker-dealer and does not have any application pending to register with the SEC as a broker-dealer.

**Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.**

The Investment Adviser and its management persons are registered as a commodity pool operator and associated persons of a commodity pool operator.

**Material Relationships or Arrangements with Industry Participants.**

The Investment Adviser does not have any material relationships or arrangements with industry participants.

**Material Conflicts of Interest Relating to Other Investment Advisers.**

We do not recommend or select other investment advisers for our clients.

## ITEM 11

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

#### **Code of Ethics.**

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

#### **Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest.**

##### *Cross Trades.*

The Investment Adviser does not generally plan to cause the Funds to engage in cross trades. The possibility of the Funds transacting with related parties in the marketplace, however, is expected to occur from time to time. In such cases, and others, as relevant, the Investment Adviser has implemented policies designed to reduce the risks associated with such trades.

##### *Principal Transactions*

The Investment Adviser does not plan to cause the Funds to engage in principal transactions. The Investment Adviser has established policies and procedures to ensure that any principal transactions that may occur are in compliance with the provisions of the Investment Advisers Act of 1940 (the "Advisers Act") and the rules promulgated thereunder.

#### **Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.**

The Code places numerous restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear most personal securities transactions. The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Investment Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

**Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.**

The Investment Adviser may manage investments on behalf of a number of clients. The Investment Adviser manages assets on behalf of a single master-feeder structure. If the Investment Adviser manages assets on behalf of multiple clients in the future, such clients may have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. Under such circumstances, it is the policy of the Investment Adviser to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. The Investment Adviser will have no obligation to purchase or sell a security or other financial instrument for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same Financial Instrument for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such Financial Instrument, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

The Investment Adviser's policy is to allocate investment opportunities fairly and equitably among its clients. In general, the Investment Adviser's various trading strategies independently generate orders, which are generally routed directly to brokers and counterparties for execution; with respect to allocations, these orders are generally executed without regard for other instructions generated for the account of the same or a different client of the Investment Adviser and orders are generally filled independently.

It is possible that, in the future, orders may be optimized or otherwise netted within a legal entity or aggregated for execution purposes. Aggregated or block orders would be subject to equitable allocation rules for partial fills. In such a case, the Investment Adviser will employ procedures to allocate the trades among strategies in an equitable manner. At such time, the Investment Adviser could consider, among other factors, assets under management by various strategies, timing of execution of the relevant trade by various strategies, importance of the trade to various strategies, and potential future availability of the trade for various strategies.



ITEM 12  
**BROKERAGE PRACTICES**

**Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which Financial Instruments are bought and sold, the amount and price of those Financial Instruments, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- Execution Quality
  - Execution costs
  - Quality of broker algorithms
  - Pass through costs
  - New issue allocations
- Financing
  - Base financing rates
  - Margin/collateral and Leverage
  - Locate/Borrow quality
  - Netting benefits for stock loan
  - Long lending and swap outperformance
  - Dividend defaults on swap
- Risk
  - Contract Terms
  - Credit Risk
  - Coverage and support

Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. A significant portion of the trading done for the Funds is done on a net basis, so in many circumstances it may not be possible to determine the amount of commission being paid to a broker or dealer. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

If the Investment Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

We maintain policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

*Research and Other Soft Dollar Benefits.*

From time to time, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" or credits under "commission sharing arrangements" generated by the Funds may be used by the Investment Adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (*i.e.*, a "mixed use" item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Funds.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

*Brokerage for Client Referrals.*

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, the Investment Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

*Directed Brokerage.*

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

*Order Aggregation.*

If the Investment Adviser is aware that the purchase or sale of a Financial Instrument will occur simultaneously with regard to multiple clients, the Investment Adviser may, but is not obligated to, purchase or sell such a Financial Instrument on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, the Investment Adviser will allocate price and transaction costs in a fair and equitable manner.

ITEM 13  
**REVIEW OF ACCOUNTS**

**Frequency and Nature of Review of Client Accounts or Financial Plans.**

The Risk Committee reviews the Fund's portfolios regularly.

**Factors Prompting Review of Client Accounts Other than a Periodic Review.**

A review of a client account may be triggered by any unusual activity or special circumstances.

**Content and Frequency of Account Reports to Clients.**

We provide annual audited financial statements within 90 days of the Fund's fiscal year end, or as soon as reasonably practicable thereafter.

Investors in the Funds may receive a periodic letter from the Investment Adviser documenting the performance of the applicable Fund although the Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 90 days of the end of each Fund's fiscal year, or as soon as reasonably practicable thereafter. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a withdrawal from the Fund.

ITEM 14  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**Economic Benefits for Providing Services to Clients.**

We do not receive economic benefits from non-clients for providing investment advice or other advisory services.

**Compensation to Non-Supervised Persons for Client Referrals.**

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

ITEM 15  
**CUSTODY**

The Investment Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM 16  
**INVESTMENT DISCRETION**

The Investment Adviser serves as the management company with discretionary trading authority to the Funds.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

We have engaged the Third-Party Sub-Adviser (and may in the future engage additional third-party sub-advisers) pursuant to a sub-advisory agreement (the "Sub-Advisory Agreement") to provide specialized advice or otherwise to manage portions of our Funds' portfolios. We have delegated investment discretion over the management of a portion of the Master Fund's assets to the Third-Party Sub-Adviser through the use of a managed account. While the Third-Party Sub-Adviser will maintain discretionary authority over the investment and reinvestment of the Master Fund's assets that have been allocated to the Third-Party Sub-Adviser, we retain oversight through the parameters set forth in the Sub-Advisory Agreement.

ITEM 17  
**VOTING CLIENT SECURITIES**

**Policies and Procedures Relating to Voting Client Securities.**

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The Investment Adviser's general policy is to not vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"). The Investment Adviser has a quantitative investment strategy and we have determined that the costs of voting proxies while employing such a strategy would outweigh any potential benefits to our clients.

ITEM 18  
**FINANCIAL INFORMATION**

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