



Teza Capital Management LLC

Form ADV Part 2A: Firm Brochure

March 27, 2020

ITEM 1. COVER PAGE

This brochure provides information about the qualifications and business practices of Teza Capital Management LLC (“Teza Capital”). If you have any questions about the contents of this brochure, please contact Teza Capital at (312) 768-1600 or compliance@teza.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.

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

Teza Capital is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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ITEM 2. MATERIAL CHANGES

This section is intended to describe only specific material changes made to this brochure since the last annual update as of March 31, 2019. Since that update, this brochure has been revised to reflect: (i) updates to the description Teza Capital's clients, including the addition of references to a registered investment company and its subsidiary; (ii) updates to the descriptions of other fees and expenses in Item 5 and performance-based compensation in Item 6, in each case for consistency with current client arrangements; (iii) updates and revisions to investment strategy descriptions and risk factors in Item 8; (iv) revisions to the descriptions of proprietary trading activities and related disclosures in Items 10, 11 and 12; (v) revisions to the description of Teza Capital's Code of Ethics in Item 11, and (vi) revisions to the description of Teza Capital's proxy voting policies and procedures in Item 17.

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ITEM 4. ADVISORY BUSINESS

Teza Capital was formed in March 2014 and commenced investment adviser operations in or about October 2014. Teza Services LLC (“Teza Services”) is the sole owner of Teza Capital.

Teza Capital provides investment advisory services on a discretionary basis to its clients, which include private funds organized as domestic or foreign private pooled investment vehicles (the “Funds”) and a registered investment company and its subsidiary (together, the “Mutual Fund,” and collectively with the Funds, the “Clients”). Teza Capital serves as subadvisor in respect of certain Clients and, in such instances, manages one or more accounts on behalf of Clients.

Teza Capital uses a scientific and process-oriented approach to analyzing market information and risk metrics. At a high level, the scientific method involves the iterative loop of theory, experiment and analysis. More specifically, as implemented on behalf of Teza Capital, the scientific and process-oriented approach used to develop strategies may include the testing and back-testing of hypotheses about relevant market factors, signals and statistical techniques, proposed models, algorithms and risk management methodologies, and proposed execution protocols, among other factors. The strategies and models ultimately derived from this process-oriented and test-driven approach are expected to trade based on the price of the underlying instruments as well as on other fundamental (non-price) and proprietary quantitative signals. Please see Item 8 for a more detailed description of Teza Capital’s investment strategies.

Teza Capital manages the Clients in accordance with the investment objectives, strategies, restrictions, and guidelines set forth in their respective confidential offering documents, prospectuses, investment management agreements and/or sub-advisory agreements, as applicable (the “Governing Documents”), and Teza Capital does not tailor investment decisions to any particular investor therein (each, a “Client Investor”). All descriptions of the Clients in this document, including but not limited to their investments, objectives, investment strategies, fees and other costs, conflicts of interest and relevant material risks, are qualified in their entirety by reference to the relevant Governing Documents for each such Client. This brochure does not constitute an offer of advisory services or an offer to sell or the solicitation of an offer to purchase any securities issued by any entity described herein.

As of December 31, 2019, Teza Capital had approximately \$482,279,534 in regulatory assets under management.¹ All assets are managed on a discretionary basis.

¹ Approximately \$7,625,073 of the specified regulatory assets under management is attributable to proprietary accounts.

ITEM 5. FEES AND COMPENSATION

Teza Capital and its affiliates receive compensation from certain Clients comprised of a fee based on a percentage of assets under management and, with respect to the Funds, performance-based compensation in the form of an incentive allocation, subject to a loss carryforward, to Teza Capital or an affiliate. The management fee is generally paid monthly in arrears. The incentive allocation is based on realized and unrealized gains and is allocated monthly or annually, or in certain cases upon a Client Investor's withdrawal of capital from the applicable Fund. With respect to "feeder funds," the management fee and incentive allocation are deducted directly from each "master fund." Teza Capital, in its sole discretion, may reduce, waive or calculate differently the management fee or incentive allocation with respect to one or more Client Investors in certain Funds (including Teza Capital's principals, affiliates and employees).

Teza Capital's fee schedule is omitted because this brochure is only being delivered to qualified purchasers, as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), and the rules thereunder.

Other Fees and Expenses: In addition to the asset-based and performance based compensation described above, each Client typically bears all costs directly related to its trading and operations, including, without limitation, brokerage commissions, custodial charges, expenses related to short sales, clearing and settlement charges, spreads, interest expenses, borrowing charges, short dividends and other investment expenses, dividend withholding, markups and markdowns, transfer duties and costs, trade processing and reconciliation expenses and costs, expenses and fees related to any exchange memberships used by the Client, including any legal or other third party fees incurred in obtaining or maintaining such memberships. For certain Funds, these costs also include, without limitation, data feeds, software and databases, the costs of computer terminals, services and other data processing costs and expenses, telecommunications and other networking equipment and services, data charges and other services and equipment used primarily for investment monitoring, research and investment reports, studies and analyses prepared by third parties and conference and meeting costs, including travel, relating to specific companies, industries, markets, strategies or general economic or political matters, and insurance premiums obtained by Teza Capital in respect of its management of the Fund. The Funds reimburse Teza Capital or an affiliate for certain of the foregoing expenses borne directly by Teza Capital and its affiliates related to the Funds' respective trading and operations.

The Clients will incur brokerage and other transaction costs. Please see Item 12 for a more detailed description of Teza Capital's brokerage practices.

Teza Capital and its affiliates bear all of their general overhead expenses, including the rent of their offices, compensation and benefits of their administrative staff, maintenance of their books and records, and their fixed expenses, telephones and general purpose office equipment.

Current and prospective Client Investors should refer to the applicable Governing Documents, including the offering memorandum, prospectus, investment management agreement and/or sub-advisory agreement, as applicable, for a more comprehensive description of relevant fees and compensation.

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

Teza Capital and its affiliates receive performance-based compensation in the form of an incentive allocation equal to a percentage of each Fund's net profits (including both realized and unrealized gains and losses), subject to a loss carryforward. With respect to Client Investors in certain Funds, this is determined based on each such Client Investor's capital account or series of shares, as applicable, and paid at the "master fund" level. With respect to certain other Funds, this is determined based on the Fund's overall account(s) managed by Teza Capital.

The ability of Teza Capital and its affiliates to earn performance-based compensation aligns the interests of Teza Capital and each Fund in certain ways, but the arrangement also poses a potential conflict of interest in that Teza Capital may have an incentive to invest each Fund's capital more speculatively than it would in the absence of such performance-based compensation in an effort to generate outsized returns. However, this incentive may be tempered somewhat by the fact that losses will reduce the Fund's performance and thus the fees earned. In addition, certain Funds are be subject to different performance-based compensation structures, and Teza Capital, therefore, has an incentive to favor certain Funds over others.

Additionally, Teza Capital trades proprietary accounts side-by-side with the Clients and, due to its proprietary investments, Teza Capital has an incentive to favor its proprietary accounts over the Funds. Please see Item 10, Item 11 and Item 12, respectively, regarding (i) the nature of the proprietary accounts, (ii) the related conflicts of interest, and (iii) Teza Capital's allocation policies and procedures intended to mitigate these conflicts.

ITEM 7. TYPES OF CLIENTS

Teza Capital's only clients are the Clients. In order to invest in the Funds, prospective Client Investors must satisfy certain eligibility, suitability and minimum investment requirements, which are described in more detail in the relevant Governing Documents.

Teza Capital may in the future provide investment advice to different types of clients, including additional private funds, separately managed accounts and/or investment companies, with different objectives, different offering terms, higher or lower fees and/or different structures from those of the Clients. Teza Capital also serves as investment adviser to certain proprietary accounts of Teza affiliates.

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

Methods of Analysis and Investment Strategies. Teza Capital implements quantitative, algorithmic trading strategies on behalf of the Clients. These strategies trade primarily in the futures and equities markets in the United States and Europe, though certain Clients may trade other assets and/or in other markets. Teza Capital may employ additional strategies in the future on behalf of certain Clients, subject to the terms of the applicable Governing Documents. Subject to the applicable Governing Documents, the balance of strategies and scale will vary at Teza Capital's discretion and in accordance with the applicable Governing Documents, but such balance is generally determined based on the scientific and financial approaches summarized herein.

There can be no assurance that any Client's objective will be achieved, that market exposure will be limited or that substantial losses will not be incurred.

Material, Significant or Unusual Risks Relating to Investment Strategies: The following description of certain risk factors does not purport to be an exhaustive list or a complete explanation of all of the risks involved in an investment with Teza Capital. The order in which the risk factors are described, and the length of each description do not indicate a priority or relative importance among the various risk factors. Clients and prospective Clients should refer to the applicable Governing Documents for a more comprehensive description of the various risks applicable to each Client. Investing in securities involves risk of loss that Clients should be prepared to bear. All of the investment strategies employed by Teza Capital involve the risk of loss that Clients should be prepared to bear. There is high risk associated with an investment in a Client, and any such investment should only be made after consultation with independent qualified sources of investment and tax advice.

General Investment and Business Risks

Potential Loss of Investment. An investment in the Clients involves a high degree of risk. The Clients cannot assure any Client Investor that the investment objective of a given Client will be achieved or that such Client Investor will not lose all of such Client Investor's investment in the given Client. Alternative investment strategies—such as Teza Capital's strategies—are subject to a “risk of ruin” to which traditional, unleveraged, long-only strategies are not. The use of leverage not only increases the risk of loss but also makes a strategy dependent on the willingness of brokers and dealers to continue to extend credit. From time to time in the past, alternative investment strategies which had been consistently profitable for a matter of years have incurred sudden and total losses in a matter of days.

Highly Volatile Markets. The prices of numerous instruments traded by the Clients have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors.

Although volatility can create profit opportunities for the Clients, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, causing Teza Capital's models to cease to function properly, which may result in losses.

The financial markets have experienced increased volatility in recent months, which may recur in the future. On the other hand, in the past markets have experienced periods of unusually low volatility, causing many arbitrage and similar strategies (which focus on profiting from the mis-pricings created in part by market volatility) to incur major losses. Given Teza Capital's algorithmic strategies, both high and low volatility markets present risks to the profitability of the Clients.

General Economic and Financial Conditions. The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of equity and futures contract prices, interest rates and the extent and timing of investor participation in the markets for both equity and interest rate sensitive securities. Unexpected volatility, illiquidity, governmental action, currency devaluation or other events in the global markets in which the Clients may directly or indirectly hold positions could impair the Clients' ability to carry out their business and could cause the Clients to incur substantial losses. Such conditions may make it difficult for any strategy to make a profit or avoid losses.

Epidemics and Pandemics. Since 2003, the world has seen a number of outbreaks of new viral illnesses of varying severity, including Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), the H1N1 Flu (Swine Flu), and COVID-19 caused by the novel Coronavirus known as SARS-CoV-2. The responses to these outbreaks have varied as has their impact on human health, local economies and the global economy, and it is impossible at the outset of any such outbreak to estimate accurately what the ultimate impact of any such outbreak will be. Protective measures taken by governments and the private sector, including by Teza Capital, to mitigate the spread of such illness, including travel restrictions and outright bans, quarantines and work-at-home arrangements, and the spread of any such illness within the offices of Teza Capital and/or its or the Clients' service providers could severely impair Teza Capital's and/or its or the Clients' service providers' operational capabilities, potentially harming the Clients and their performance.

Risk of Natural Disasters, Epidemics and Terrorist Attacks. Countries and regions in which the Clients invest, where Teza Capital has offices or where the Clients or Teza Capital otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm and hurricane) and epidemics, pandemics or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect the Clients' investment programs and/or Teza Capital's ability to do business. In addition, terrorist attacks, or the fear of or the precautions taken in anticipation of such attacks, could, directly or indirectly, materially and adversely affect certain industries in which the Clients invest or could affect the countries and regions in which the Clients invest, where Teza Capital has offices or where the Clients or Teza Capital otherwise do business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial conditions of industries and/or countries in which the Clients invest.

Trading Strategy Risks

Market Microstructure and Market Impact Strategies and Signals. Certain Teza Capital strategies will be designed to detect and trade on opportunities presented during the origination, continuation and relaxation of market impact (*i.e.*, the influence that other market participants' orders exert on asset price). Although trading signals based upon market microstructure models may constitute the primary category of trading signals underlying certain Clients' investment strategies, there can be no assurance that such strategies or signals will be successful. Even if Teza Capital's market microstructure-based and market impact-based strategies and signals are successful, other categories of strategies and signals may outweigh them and offset any profits.

Statistical Arbitrage Strategies. Teza Capital utilizes "statistical arbitrage" strategies on behalf of certain Clients, and the success of these strategies depends on the market values of various financial instruments moving toward their theoretical values as predicted by statistical modeling. In the event of market disruptions generally or specific events that cause deviations from historical relationships between certain financial instruments and other instruments or data points used to predict value, significant losses could be incurred. Arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants. While the Models (as defined below) are used to build a given Client's portfolio, it is possible that other statistical arbitrage hedge funds' own distinct, proprietary models will generate very similar portfolios, so that buying and selling by the Clients will coincide with buying and selling activities by such other funds. This circumstance could produce exaggerated movements in the prices of the stocks in the portfolio that were not anticipated by the Models, resulting in losses to the Clients.

Long/Short Equity Strategies. Teza Capital generally focuses a substantial portion of certain Clients' assets in long and short positions in the equity securities of public companies in various industries. The success of the long/short investment strategy depends upon Teza Capital'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 Teza Capital'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 Clients' positions were to fail to converge toward, or were to diverge further from, values expected by Teza Capital, the Clients may incur substantial losses. In the event of market disruptions, significant losses can be incurred which may force a Client to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Teza Capital's long/short strategies may become outdated and inaccurate as market conditions change.

Global Macro Strategies. Teza Capital uses a global macro approach in managing the Clients, which it will implement among various strategies, in its discretion. This approach is subject to certain risks. Global macro approaches generally utilize analysis of macroeconomic and financial conditions to develop views on country, regional or broader economic themes. Global macro approaches are generally based on predicted medium- to long-term commodity and currency price movements. In certain market conditions, Teza Capital may have a significantly reduced likelihood of being able to capitalize on price movements. For example, in "whipsaw" markets in which price trends appear to develop, but then frequently reverse, a number of global macro

strategies are likely to be unprofitable. Furthermore, global macro trading in general is highly leveraged, and the global macro markets are periodically subject to major disruptions. The global macro markets are risk transfer markets in which speculators provide the liquidity necessary for physical market participants to hedge their price risk with respect to the assets with which their businesses are involved. The regulation of these markets is typically significantly less extensive than the regulation of the securities markets, and certain markets limit the ability of speculative trading vehicles such as the Clients to participate.

Relative Value Strategies. Teza Capital may pursue certain relative value strategies on behalf of Clients, taking highly leveraged long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived valuations underlying the Clients' trading positions were to fail to converge toward, or were to diverge further from, Teza Capital's expectations, the Clients could incur substantial losses. Market disruptions and uncertainty can also cause substantial losses if relative value positions are forced to be prematurely terminated due to severe price changes. Due to the leverage that may be required to give relative value positions a profit potential generally consistent with the Clients' investment objectives, the Clients may be subject in any relative value trading to the risk of "credit squeezes."

Event-Driven Strategies. Teza Capital may in the future utilize event-driven strategies on behalf of the Clients. Event-driven strategies involve investing in opportunities created by transactional events, such as spin-offs, mergers and acquisitions, bankruptcy reorganizations, recapitalizations and share buybacks, as well as merger arbitrage strategies—that is, investing in the securities of publicly-traded companies involved in prospective mergers or corporate combinations, acquisitions, cash tender offers, exchange offers or corporate recapitalizations, with the intent to profit from the difference between the price of such securities at the inception of the investment and the price of such securities in expectation of or upon actual consummation of particular events.

Fundamental Strategies. Teza Capital may utilize fundamental analysis in its investment strategies on the Clients' behalf. Fundamental analysis—which is based on the theory that market mispricings exist because market prices do not accurately incorporate all knowable economic and other relevant data—is subject to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting future prices based upon analysis of all known information. Investments made based upon fundamental analysis are subject to significant losses when market sentiment leads to investment instruments' market prices being materially discounted from the expected prices indicated by fundamental analysis (as in the case of "flights to quality" when the demand for certain risky investment instruments plummets) or when technical factors, such as price momentum encouraged by trend following, dominate the market.

FX Strategies. Teza Capital may invest in currencies and foreign exchange on the Clients' behalf. Such transactions involve a significant degree of risk and the markets in which foreign exchange transactions are effected are volatile, specialized and technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, maturity gaps, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment or particular transactions in foreign currency. See "—Product and Instrument-Specific Risks—Non-U.S. Securities and Currencies."

Trend-Following Strategies. Teza Capital may employ trend-following strategies on the Clients' behalf. Trend-following strategies generally anticipate that many of their trades will be unprofitable and depend for overall profitability on making substantial gains from capturing major price trends. In trendless markets, such systems may incur substantial losses.

One risk in trend-following is the difficulty in determining the precise beginning and end of a trend. For example, certain markets may show some price volatility in both directions on most days. To avoid entering a market too soon or exiting a market early, Teza Capital's systems may wait to initiate trades until the trend is established and may retain the position until after the trend is clearly over, thereby missing or losing some profit.

A second risk stems from the increasing popularity of trend-following strategies, as described below under "—Increased Use of Trend-Following and Counter-Trend Strategies." Because of competition in the market, a Clients may have to pay more to obtain a position or may receive a lower price when it liquidates a position. A third risk is the tendency of related markets over prolonged periods of time to trade in narrow bands rather than to trend. In these circumstances, the opportunities for profitable trading will be limited or non-existent.

Profitable trading often depends on anticipating trends or trading patterns. Markets subject to random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor which may lessen major price trends (such as governmental monetary policies affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, could also be detrimental to profits.

Hybrid Strategies; No Limitations on Strategies. Teza Capital's approach may combine a range of different trading techniques, implementing different strategies in different markets as well as combining different strategies, in the same or related markets. Notwithstanding the descriptions of certain strategies included herein, there are no limitations on the investment strategies which Teza Capital may use when investing assets on behalf of the Clients, subject to the relevant Client's Governing Documents; however, Teza Capital presently employs systematic, quantitative, algorithmic trading strategies on behalf of the Clients. Teza Capital will opportunistically implement whatever strategies or discretionary approaches Teza Capital believes from time to time may be best suited to prevailing market conditions. Over time, the strategies implemented on behalf of the Clients can be expected to expand, evolve and change, perhaps materially. Subject to the relevant Client's Governing Documents, Teza Capital will not be required to implement any particular strategies and may discontinue employing any particular strategy on behalf of the Clients, whether or not such strategies are specifically described herein or in the applicable Governing Documents. Teza Capital may employ certain strategies that are not fully systematic and such strategies may involve more investment discretion than typical "black box" strategies. There can be no assurance that the various investment strategies which Teza Capital expects from time to time to develop and implement for the Clients will be successful or that strategies that have been successful will continue to be profitable.

Changes in Trading Method. Teza Capital may modify its trading method without approval by or notice to Client Investors. Modifications may include changes in or substitution of technical trading systems, risk control models, money management principles and markets traded and introduction of non-technical factors and methods of analysis and additional non-traditional technical systems and methods of analysis. The trading systems to be utilized by Teza Capital are proprietary and confidential. *Evolving Strategies; New Strategies.* Teza Capital intends to develop new investment strategies and, subject to the applicable Governing Documents, implement them on behalf of the Clients. Teza Capital may allocate Client capital to develop and incubate new strategies, even if Teza Capital has limited experience in such strategies. Teza Capital may also allocate its proprietary capital, or that of an affiliate, to develop and incubate such strategies. Following such development and incubation, Teza Capital may determine that such strategies are appropriate for other accounts, including proprietary accounts. There can be no assurance that Teza Capital will be successful in implementing the strategies which it may from time to time develop and implement for a Client, or that the Client will not suffer losses during the development or incubation stage of a strategy. Certain of the risks described herein, including “Risks Related to Model Development” and “Risks Related to Model Outputs,” will be exacerbated during a strategy’s incubation. Further, other Clients may later participate—together with such Client or exclusively—in such newly developed strategies without having borne the risks associated with their development and incubation.

Model Risk. Many of Teza Capital’s strategies are highly dependent on quantitatively-informed pricing theories and valuation models that generally have not been independently tested or otherwise reviewed (“Models”), which Teza Capital uses to evaluate trading opportunities.

Risks Related to Model Development. Teza Capital’s Models employ assumptions that abstract a limited number of variables from complex financial markets, instruments or other information sources which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. For example, Models may postulate, or their efficacy may depend upon, assumptions regarding the existence of relationships that appear to hold true or in fact held true in the past but that may not exist or hold true in the future. Teza Capital may emphasize the importance of certain variables in its Models which ultimately are unimportant in predicting future market behavior, or may neglect to incorporate other variables which are determinative. The risk that Teza Capital may incorrectly analyze and interpret these complex systems in creating its Models arises both from human error (e.g., the designers of the Models using incorrect variables or assigning incorrect importance to the correct variables) as well as systems error (e.g., the computers and other hardware used to create the Models may incorrectly interpret data). These risks persist even after the Models are implemented—for example, a portfolio manager may assign incorrect input sensitivity to the variables or the computers running the Models may be unable to analyze large amounts of data in real time and therefore may miss trading opportunities. These risks are compounded by the iterative nature of the Models.

Risks Related to Model Inputs. Inputs into various Models may be composed of or derived from data, the accuracy of which have not been independently verified by Teza Capital or any third party. In particular, certain Models rely upon non-market structured data and/or alternative data, for which manual review and/or other quality control procedures may be necessary. There can be no assurance, however, that such procedures will be successfully implemented, or that any flaws

in such data will be identified and corrected. If material factors are not incorporated into Models, or are incorporated inaccurately, substantial losses could result.

Inputs to the Models may be incorrect due to exogenous market factors (*e.g.*, unexpected terrorist events) or the actions of other market participants. For example, other quantitative traders may take actions designed to manipulate market data or trading patterns. This “gaming” of the market may cause errors in Teza Capital’s Models or may cause them to lose money. See “Technical Analysis and Trading Systems,” below. The risk of incorrect inputs is present not only when a properly designed Model is presented with incorrect inputs, but also when a Model is designed using incorrect inputs, in which case it will not function correctly when later presented with correct, unmanipulated inputs.

Risks Related to Model Outputs. The outputs of Models may differ substantially from the reality of the markets, resulting in major losses. This may occur due to a variety of reasons, including incorrect design of the Models, unexpected or unnatural market behavior, “gaming” by other market participants or failure of Teza Capital’s computer systems. Additionally, there is no assurance that Teza Capital has appropriately incorporated the Models into its strategies. Teza Capital anticipates the continued modification, enhancement and development of Models. Each new generation of Models (including incremental improvements to current Models) exposes the Clients to the possibility of unforeseen losses from a variety of factors, including conceptual and implementation failures.

Alternative Data Collection and Use. Certain of Teza Capital’s trading models rely on “alternative data” from non-traditional sources. Such alternative data may include, for example, social media data, consumer financial transaction data, web traffic, supply chain analysis, search trends, digital footprint data, satellite imagery or weather data. Teza relies on various third-party data providers, though it may also collect and process certain alternative data itself in the future. The risks associated with traditional market data generally apply to alternative data, and the use of alternative data exacerbates certain of those risks (including those related to quality control and data integrity). In addition, the applicability of existing laws and regulations to the collection and use of alternative data is uncertain, and new regulations may be adopted in the future. These risks and uncertainties may have an adverse effect on Teza Capital’s ability to implement its strategies successfully.

Technical Analysis and Trading Systems. Teza Capital employs technical analysis and/or technical trading systems. Technical strategies rely on information intrinsic to the market itself to determine trades, such as prices, price patterns, momentum, volume and volatility. As discussed above, these strategies can incur major losses when factors exogenous to the markets themselves, including political events, natural catastrophes, acts of war or terrorism, dominate the markets. Teza Capital’s Models and trading strategies are particularly sensitive to exogenous market factors. If Teza Capital concludes that unexpected factors may be affecting the markets or that another market participant is “gaming” the market or attempting to create unusual or unnatural market patterns, Teza Capital may stop trading of the related Models, implement hedges or take other steps to adjust the Client’s trading, potentially causing the Clients to miss profit opportunities or even lose money. See “Discretionary Aspects of Teza Capital’s Strategies,” below.

Market Disruptions. The Clients may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted.

In the case of the Clients, the risk of loss from pricing distortions is compounded by the fact that the Models are developed on certain assumptions, and it is impossible to predict all types of market disruptions that might occur. Even though Teza Capital applies “stress tests” in developing the Models, there is no guarantee that another type of market event not previously anticipated will not occur, or even that the Model will react as designed to an anticipated market event. Further, the financing available to the Clients from their banks, dealers and other counterparties is typically reduced in disrupted markets. Any market disruption or other extraordinary event could result in material or total losses to the Clients.

Increased Use of Trend-Following and Counter-Trend Strategies. Trading strategies that employ trend-following timing signals and strategies that employ counter-trend techniques have increased in use in recent years. With respect to trend-following strategies, while the precise effect of such increase cannot be determined, such increase could alter trading patterns or affect trade execution to the detriment of the Clients. As to counter-trend strategies, or other strategies that attempt to profit from the wide use of trend-following strategies by running stop points or otherwise, their effect is even harder to determine but such increase could also alter trading patterns to the detriment of the Clients.

Lack of Market Liquidity. The widespread use of technical trading systems frequently results in numerous managers’ attempting to execute similar trades at or about the same time, altering trading patterns and affecting market liquidity. Teza Capital’s Models are highly dependent on sufficient market liquidity, and in the event the Models are unable to execute all or a portion of the indicated trades the Clients may suffer losses.

Quantitative Trading. Teza Capital engages in quantitative trading. Quantitative trading strategies are highly complex, and, for their successful application, require relatively sophisticated mathematical calculations and relatively complex computer programs. Many quantitative trading programs anticipate that many of their trades may be unprofitable, seeking to achieve overall profitability through recognizing major profits on a limited number of positions while cutting losing positions quickly. These trading strategies are dependent upon various computer and telecommunications technologies and upon adequate liquidity in the markets traded. The successful execution of these strategies could be severely compromised by, among other things, a diminution in the liquidity of the markets traded, telecommunications failures, power loss and software-related “system crashes.” There are also periods when even an otherwise highly successful system incurs major losses due to external factors dominating the market, such as natural catastrophes and political interventions. Transaction costs incurred by quantitative trading strategies may be significant. In addition, the difference between the expected price of a trade and the price at which a trade is executed, or “slippage,” may be significant and may result in losses.

Due to the nature of their trading, quantitative trading firms may suffer devastating losses in a very short period of time. For example, in August 2012 Knight Capital accidentally deployed test software code to a production environment, causing a major disruption in the stock prices of over 100 listed companies which in turn resulted in the collapse of Knight Capital’s stock price. A similar trading software mistake by Teza Capital could result in material or even total losses to a Client.

Discretionary Aspects of Teza Capital's Strategies. Although Teza Capital generally applies highly systematic strategies and research methodologies, it may employ certain strategies that are not fully systematic in the future and, in any case, even its systematic strategies retain certain discretionary aspects. In particular, Teza Capital personnel discretion is used throughout the research, creation and implementation of the Models, for example in interpreting data, choosing signals and ranking their importance. See “*Risks Related to Model Development*,” above. In addition, decisions to adjust the sensitivity of a Model to certain inputs, adjust target volatility or risk exposure, implement hedges, adjust the size of positions indicated by the systematic strategies, which equities, options, futures and forward contracts to trade and method of order entry, will require certain judgmental input from Teza Capital personnel. Although the Models are, in large part, wholly-systematic once they are operational, discretionary decision-making by Teza Capital during their research, creation and implementation may ultimately result in the Models making unprofitable trades.

Teza Capital's Models may be turned “on or off,” meaning that Teza Capital may elect not to trade (or may hedge existing trades) when it believes exogenous market factors, rather than intrinsic market factors, are determining trading patterns and prices. In addition, Teza Capital may cause the Clients not to trade even on days when the relevant markets are open in the event it determines it cannot accurately assess prices. This decision not to trade may potentially cause the Clients to miss profit opportunities or even lose money.

Failure of Algorithms. Teza Capital will utilize sophisticated computerized models to automatically determine and execute trade entry and exit conditions and manage risk. Teza Capital makes efforts to test management and software releases to ensure that these algorithms operate correctly. However, it is possible that a defect in algorithm design or implementation or risk management could unexpectedly manifest and cause sustained long-term or virtually instantaneous catastrophic losses for the Clients. See “*Model Risk*,” above.

Risk Management Systems. Teza Capital's risk management techniques and strategies may not fully mitigate the Clients' risk exposure in all economic or market environments, or against all types of risk, including risks that Teza Capital might fail to identify or anticipate. Any failures in Teza Capital's risk management techniques and strategies to accurately quantify such risk exposure could limit Teza Capital's ability to manage risks in the Clients or to seek positive, risk-adjusted returns. In addition, any risk management failures could cause the Clients losses to be significantly greater than the historical measures predict.

Reliance on Corporate Management and Financial Reporting. Equity markets rely on the financial information made available by the issuers in which the Clients invest. Although not as integral to Teza Capital's trading strategies as determining the correct inputs to Models (see “*Model Risk*,” above), Teza Capital may have no ability to independently verify the financial information disseminated by the issuers in which the Clients invest and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses that investors such as the Clients can incur as a result of corporate mismanagement, fraud and accounting irregularities.

Diversification. There are no absolute diversification or concentration constraints on the Clients. If the Clients' portfolio becomes relatively concentrated, the value of an investment in the Clients

may be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrence or the fortunes of a single company or industry than would be the case if the Clients' investments were more diversified. On the other hand, a given Client's portfolio may be diversified across a vast number of issuers and industries, in which case profits may be diluted.

Turnover. The Clients are not restricted in effecting transactions by any limitation with regard to portfolio turnover rate. In light of the Clients' investment objectives and policies, the Clients' portfolio turnover rate may be substantial, resulting in significant brokerage commissions and fees.

Other Trading Strategies. The Clients may employ strategies for which no specific "risk factors" are provided. Nevertheless, such strategies should be considered to be speculative, volatile and, in general, no less risky than other strategies more fully described herein.

Broad Discretion of Teza Capital; Potential Lack of Diversification. There are no restrictions on the investment discretion of Teza Capital other than as set forth above or in the applicable Governing Documents. Accordingly, the Clients are not necessarily restricted from investing a large portion of their assets in any one sector or investment.

Credit and Capital Risks

Operating Below Required Minimum Capitalization. Teza Capital may require a minimum level of capital to fully implement a Client's investment strategies. Should a Client's net asset value fall below this minimum level, Teza Capital's full investment strategy and all trading strategies thereon may not be fully implemented. As a result, a Client may not be able to generate profits and may experience substantial losses because of its inability to implement the full trading strategy. In addition, the allocation of expenses over a smaller capital base would make such Client's continued operations less cost-effective.

Leverage. The Teza Capital generally uses substantial leverage in implementing its investment strategies. The Clients may, in the sole discretion of Teza Capital, leverage their investment positions by borrowing funds from securities broker-dealers, banks or others, including pursuant to repurchase arrangements and/or deferred purchase agreements. Leverage may also take the form of, without limitation, any of the securities described herein, including derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, swaps and forwards. While leverage potentially creates the opportunity to participate in greater returns or achieve more diversification associated with greater exposure, it also creates exposure to potential increased losses. Leverage increases both the possibilities for profit and the risk of loss, and the volatility of an investment in the Clients may be significantly greater than would otherwise be the case without leverage. Any event which adversely affects the value of an investment by a Client would be magnified to the extent that such Client is leveraged. Borrowings will typically be secured by the securities and other assets held by the applicable Client. Under certain circumstances, a lender may demand an increase in the collateral that secures a Client's obligations and if such Client were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the Client's obligations. Liquidation in that manner could have extremely adverse consequences. Further, termination of any leverage facility entered into by a Client by the facility provider may adversely affect such Client's ability to meet its investment objective.

The leverage used by the Clients will be subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results. Interest rates will typically be affected by economic factors including, without limitation, inflation, lending rates established by central banks or similar governmental agencies, availability of credit, liquidity in the markets, and the pace of economic growth. The amount of the Clients' borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on the Clients' profitability.

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

Target Volatility and Fluctuating Leverage. Teza Capital expects to adjust Clients' target volatility from time to time, and it may vary materially from previous parameters, subject to the Governing Documents. Adjustments to each Client's target volatility will correspondingly result in changes to such Client's aggregate leverage. There can be no assurance that a Client's target volatility will result in the realized volatility intended for such Client. Further, there be periods of time in which the actual leverage for a Client does not match the intended leverage ratio set by Teza Capital, as each Client's trading level will fluctuate as profits or losses have been generated by the Client.

Possibility of Increased Margin Calls. The assets of a Client are generally traded at a trading level that is substantially greater than the Client's gross asset value. This difference in trading level as compared to actual assets substantially increases the leverage inherent in the positions taken by such Client, positions that are already highly leveraged because of the high degree of leverage available for futures contracts and other contracts in which such Client will trade. As a result, the clearing brokers can be expected to initiate a call for additional margin much sooner than if the Client were trading at lower leverage.

Financing Arrangements; Availability of Credit. The use of leverage is integral to many of the Clients' strategies, and the Clients depend on the availability of credit to finance their portfolios. As a general matter, the dealers that provide financing to the Clients can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by dealers in such financing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Clients to liquidate all or part of their portfolios at disadvantageous prices.

In 2008-2009, banks and dealers substantially curtailed financing activities and increased collateral requirements, forcing many investors to liquidate positions. Such "credit squeezes" can be

expected to recur. There can be no assurance that any Client will be able to obtain adequate financing to pursue its investment program and achieve its objectives.

Inflation. There has been an unusually low rate of inflation in the United States and most other developed economies for some time. At the same time, the central governments have been injecting unprecedented amounts of financial stimulus into these economies—historically a recurring cause of serious inflation. Were significant inflation to occur, the effect on Teza Capital's Models could be materially adverse.

Trading Technology Risks

Possible Effects of Technical Trading Systems. There has been, in recent years, a substantial increase in interest in technical trading systems similar to Teza Capital's systems. As the capital under the management of such trading systems based on the same general principles increases, an increasing number of traders may attempt to initiate or liquidate substantial positions at or about the same time as the Clients, or otherwise alter historical trading patterns or affect the execution of trades, to the significant detriment of the Clients.

Reliance on Technology and Electronic Trading. Teza Capital relies heavily on computer hardware and software, online services and other computer-related or electronic technology and equipment to facilitate the Clients' investment activities. Specifically, the Clients may trade financial instruments through electronic trading or order routing systems, which differ from traditional open outcry pit trading and manual order routing methods. Such electronic trading exposes the Clients to risks associated with system or component failure, which could render Teza Capital unable to enter new orders, execute existing orders or modify or cancel previously entered orders. System or component failure may also result in loss of orders or order priority. Should events beyond Teza Capital's control cause a disruption in the operation of any technology or equipment, the Clients' investment program may be severely impaired, causing them to experience substantial losses or other adverse effects.

Cybersecurity Risk. Teza Capital, the Clients and their service providers, counterparties and electronic communication networks are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Teza Capital's hardware and software systems are subject to threats from hackers and others, such as a malicious attack, malware or other event that leads to unanticipated interruption or malfunction of such systems. Any interruption of Teza Capital's hardware or software functionality could lead to material or even complete losses to the Clients. Hackers could also theoretically access and steal Teza Capital's research, Models, trading programs or other software or data and implement such programs or software on their own behalf. This could lead to increased competition for, or elimination of, the investment opportunities sought by the Clients or otherwise render the Models obsolete, possibly resulting in material or complete losses to the Clients. The Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the

dissemination of confidential and proprietary information and reputational damage. Any such breach could expose Teza Capital and the Clients to civil liability as well as regulatory inquiry and/or action. In addition, Client Investors could be exposed to additional losses as a result of unauthorized use of their personal information. While Teza Capital and its affiliates have established policies, business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified or that such measures may become outdated, incomplete or ineffective. In addition, such measures cannot adequately protect against potentially vulnerable or unexpectedly hostile employees, who may have extensive access to Teza Capital's technology infrastructure and may inappropriately convert information or property, with or without the awareness of the Clients or Teza Capital.

Failure of Connectivity. Teza Capital's Models may trade frequently and may depend on low latency to be profitable. As a result, the success of Teza Capital's Models depends on network connectivity to a much greater extent than most private fund managers. A material disruption or failure of Teza Capital's network connectivity, or even a delay in transmission speed, could result in substantial or total losses to the Clients.

Co-Location. Teza Capital intends to locate certain of its computer systems at or near exchanges (commonly known as "co-location") in order to reduce the time it takes to execute orders. In addition to the general risks applicable to hardware and software (see below), co-location adds certain additional risks. Among other risks, Teza Capital personnel may not be able to readily repair malfunctioning or failed hardware, Teza Capital is dependent on others to maintain the physical co-location space, including electrical and network connections, and such arrangements may be subject to regulation in the future.

Computer Hardware and Software. Many components of Teza Capital's critical computer hardware and software may have flaws, may not be redundant, may be leased rather than owned or may be provided in whole or in part by another party. Should these components fail or be inaccessible, there is no certainty that Teza Capital will be able to recover promptly and the Clients may suffer material or total losses as a result.

Product and Instrument-Specific Risks

Futures Contracts. The Clients buy and sell futures contracts, including futures contracts on equity indices. Trading in futures involves significant risks, including volatility, high leverage, illiquidity and high transaction costs. The use of futures is a highly specialized activity which involves investment strategies and risks different from those associated with ordinary portfolio securities transactions, and there can be no guarantee that their use will increase the Clients' returns or not cause the Clients to sustain large losses. If Teza Capital applies a strategy at an inappropriate time or judges market conditions or trends incorrectly, futures strategies may lower the Clients' returns or cause substantial losses. A Client could also experience losses if the values of its futures positions were poorly correlated with its other positions, if applicable, or if such Client could not close out its positions because of an illiquid market. In addition, a Client could incur high

transaction costs, including trading commissions, in connection with their futures transactions and these transactions could significantly increase a Client's investment turnover rate.

Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical. As a result, a relatively small price movement in a futures contract may result in substantial losses. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested. Price movements of futures contracts are influenced by numerous factors outside of the control or predictive ability of Teza Capital, including, among other things, changing supply and demand relationships, government trade programs and policies, and national and international political and economic events.

Futures Trading Is Highly Leveraged. The low initial margin deposits normally required in futures contract trading (typically between 2% and 15% of the value of the contract purchased or sold) permit an extremely high degree of leverage. Accordingly, a relatively small price movement may result in immediate and substantial losses to the Clients. Like other leveraged investments, any trade may result in losses in excess of the amount invested. Although the use of leverage can substantially improve the return on invested capital, its use also will increase any adverse impact to which the investment portfolios of the Clients may be subject.

Futures and Forward Contract Trading Is Volatile. Trading in the futures and forward markets, as well as spot currency markets, typically results in volatile performance. Several occasions in the recent past have witnessed sudden and major reversals in these markets, resulting in major losses for traders.

Certain Special Considerations Related to Forward and Spot Trading. The United States Commodity Futures Trading Commission ("CFTC"), National Futures Association ("NFA"), futures exchanges or banking authorities may not regulate or only regulate strictly limited aspects of the inter-bank currency markets and trading in these markets. Because a principal portion of the Clients' currency forward and spot trading (if applicable) takes place in these markets, prospective investors must recognize that much of such activity takes place in lightly regulated markets rather than on futures exchanges or through "retail" foreign exchange markets that are subject to more rigorous regulation by the CFTC or other regulatory bodies, and the responsibility for performing under a particular transaction rests solely with the counterparties to such transaction, not with any exchange or clearinghouse. This results in the risk that a counterparty may not settle a transaction with the Client in accordance with its terms, because the counterparty is either unwilling or unable to do so (for example, because of a credit or liquidity problem affecting the counterparty), potentially resulting in significant loss. In addition, counterparties generally have the right to terminate trades under a number of circumstances including, for example, declines in the Clients' net assets and certain "key person" events. Any premature termination of the Clients' currency forward trades could result in material losses for the Client, as the Client may be unable to quickly re-establish those trades and may only be able to do so at disadvantageous prices. Client assets on deposit with the currency forward and spot counterparties with which a given Client trades are not protected by the same segregation requirements imposed on CFTC regulated commodity brokers in respect of customer funds deposited with them. Although the Clients deal only with major financial institutions as currency forward and spot counterparties, the insolvency or bankruptcy of a currency forward or spot counterparty could

subject the Clients to the loss of their entire deposit with such counterparty. The forward and spot markets are well established. However, it is impossible to predict how, given certain unusual market scenarios, the evolving regulatory environment for these markets might affect the Clients, and the events underlying the bankruptcies of certain futures brokers have underscored, amongst other things, the risks of maintaining capital at unregulated entities.

Furthermore, the inter-bank currency markets may in the future become subject to increased regulation under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), a development which may entail increased costs and result in burdensome reporting requirements. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to Dodd-Frank might limit such forward trading to less than that which Teza Capital would otherwise recommend, to the possible detriment of the Clients.

Effect of Speculative Position Limits. The CFTC and U.S. futures exchanges (the “Exchanges”) impose limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contract traded on the Exchanges. For example, the CFTC currently imposes speculative position limits on a number of agricultural commodities (e.g., corn, oats, wheat, soybeans and cotton) and the Exchanges currently impose speculative position limits on many other futures and options contracts. The CFTC and the Exchanges’ rules require “aggregation” of positions across multiple accounts for which a person directly or indirectly controls trading or holds a 10% or greater ownership interest, as well as the positions of any other entity with whom the person trades pursuant to an express or implied agreement. Aggregation is not done on a pro rata basis. The Clients could be required to liquidate positions it holds in order to comply with position limits or may not be able to fully implement trading instructions generated by its Models, in order to comply with position limits. Any such liquidation or limited implementation could result in substantial costs to the Clients.

Dodd-Frank significantly expanded the CFTC’s authority to impose position limits with respect to futures contracts, options on futures contracts, swaps that are economically equivalent to futures or options on futures, swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. The CFTC has attempted to exercise this authority to enact additional and more restrictive speculative position limits, but those limits were vacated by a United States District Court. The CFTC may once again attempt to enact additional and more restrictive speculative position limits in the near future. If it does so, the size or duration of positions available to the Clients may be further limited, such that the Clients may be forced to liquidate positions or constrain the implementation of trading instructions.

Equities. Certain Clients’ investment portfolios include equity and equity-related securities. Investments in equities involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Clients may invest, subject to the applicable Governing Documents. Numerous economic factors, as well as market sentiment, political and market-related factors, among others, influence the value of equities. The Clients’ directional equity positions may be leveraged, and even comparatively minor adverse market movements can result in substantial losses. The Clients may

take both long and short positions in equities and the Clients' profit potential may be generally diminished during market cycles in which there is a sustained decline in equity price levels.

Short Sales. Certain Clients may make short sales in any type of securities for profit in anticipation of a change in the market price of a financial instrument or as a hedge against other positions held by the Clients. A short sale of a security is subject to materially greater restrictions than, for example, short sales of commodities or currencies. A short sale of a security is effected by selling a security that a Client does not own, or selling a security which a Client owns but that it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the applicable Client must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to re-deliver such asset to the lender. The applicable Client must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must, unless the given Client then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash or marketable securities with the lender. Short-selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Client. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing any loss incurred by the Client. Furthermore, a Client may be forced to close out a short position prematurely if a counterparty from which such Client borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position. Under adverse market conditions, a Client might have difficulty purchasing securities to meet its short sale delivery obligations and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

The SEC adopted an "uptick rule" in 2010 and securities exchanges have also reinstated "uptick rules"—generally prohibiting short sales unless the last recorded sale price of a stock was higher than the previous transaction. Over time, "uptick rules" could materially increase the Clients' transaction costs by requiring Teza Capital to delay executing certain short sales (as well as to execute them at higher prices than would otherwise be the case), and in certain circumstances could prevent the Clients from acquiring a short position which Teza Capital would otherwise have acquired for them.

European Union ("EU") Short Selling Regulation. Regulation (EU) No 236/2012 on Short Selling and Certain Aspects of Credit Default Swaps (as supplemented by Commission Delegated Regulations 918/2012, 919/2012, 826/2012 and Commission Implementing Regulation 827/2012) (the "SSR") applies directly (*i.e.*, without national implementation) in all EU member states.

The SSR imposes certain private and public disclosure obligations on all natural or legal persons, irrespective of regulatory status, located inside or outside the EU, who have net short positions (as calculated in accordance with the SSR) in EU-listed shares and EU sovereign debt, which reach or fall below the specified thresholds.

The SSR also contains prohibitions on uncovered short sales of EU-listed shares and EU sovereign debt (a short sale is “uncovered” unless the specified conditions under the SSR are met for such short sale). In addition, the SSR prohibits uncovered positions in credit default swaps (“CDS”) referencing EU sovereign debt issuers.

National regulators, and in certain circumstances the European Securities and Markets Authority, are able to take certain additional emergency measures (including complete bans on short-selling activities) if certain conditions are met.

The SSR may prevent Teza Capital from fully expressing negative views in relation to EU-listed shares and/or EU sovereign debt and may also restrict the ability of Teza Capital to hedge certain risks through EU sovereign CDS. Accordingly, the ability of Teza Capital to implement the investment approach and to fulfill the investment objective of the Clients may be constrained.

For the purposes of this provision, “EU-listed shares” means shares admitted to trading on a regulated market or multilateral-trading facility (as defined in MiFID) in the EU, unless the principal trading venue (as determined by the relevant national regulator) for the relevant shares is located in a country outside the EU; “EU sovereign debt” means debt instruments issued by an EU sovereign issuer (which includes EU institutions, governments of EU member states and certain international institutions established by two or more EU member states); and “MiFID” means Directive 2014/65/EU on Markets in Financial Instruments.

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

counterparty credit risk related to swaps and the CFTC has enacted regulations to govern these markets, the ultimate success of these rules and regulations is not yet clear and may not become clear for many years.

Non-U.S. Securities and Currencies. The Clients may invest certain of their assets in securities of non-U.S. issuers and securities denominated in non-U.S. currencies and related derivative and currency contracts, or other contracts, such as futures contracts. Non-U.S. investments pose a range of potential economic, political, and legal risks that may not exist in the United States. The economies of individual countries may differ with respect to growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payments position. Each country has different standards of regulation with respect to matters such as government approval requirements, as well as insider trading rules, restrictions on market manipulation, shareholder proxy requirements, and timely disclosure of information. Reporting, accounting and auditing standards of different countries vary, and little information may be available to investors in securities or other assets of such issuers. Other potential risks that could have an adverse effect on investments include (depending on the country involved) nationalization, expropriation, confiscatory taxation, negative diplomatic developments, and other governmental actions that make it difficult or impossible to liquidate assets and distribute proceeds. The laws of various countries governing business organizations, bankruptcy, and insolvency may make legal action difficult and provide little, if any, legal protection for investors. The securities markets in many foreign countries may be significantly less developed than the securities markets in the United States.

The U.S. Dollar value of portfolio securities of non-U.S. issuers fluctuates with changes in market and economic conditions outside the United States and with changes in relative currency values. In addition, the Clients are exposed to the risk of counterparty default on currency forward contracts.

Exchange-Traded Funds. The Clients may trade ETFs. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. ETFs are designed to provide broader-based market exposure than investing in the securities of individual issuers and, as a result, have less potential materially to outperform the general market (as opposed to being generally representative of it). The price of an ETF can fluctuate within a wide range, and the Clients could lose money investing in an ETF if the prices of the securities or other assets owned by the ETF decrease. Further, an ETF may fail accurately to track the market segment or index that underlies its investment objective. ETFs are also subject to their own fees as well as the risk that they are selected and maintained by third parties over which Teza Capital will have no control. An investment in an ETF generally presents the same primary risks as an investment in a conventional mutual fund that has the same investment objective, strategies and policies. In addition, ETFs are subject to the following risks that do not apply to conventional mutual funds: (i) the market price of ETF shares may trade at a discount to its net asset value; (ii) an active trading market for ETF shares may not develop or be maintained; or (iii) trading of ETF shares may be halted if the listing exchange's officials deem such action appropriate.

Options on Futures and Commodities. A large number of options on futures contracts and physical commodities have been approved for trading on and off exchanges. Each such option is a right, purchased for a certain price, to either buy or sell the underlying futures contract or physical commodity during a certain period of time for a fixed price. Such trading involves risks substantially similar to those involved in trading futures and forward contracts in that options are speculative and highly leveraged. Specific market movements of the instruments underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option, the strike price of the option and the price of the instrument underlying the option which the writer must purchase or deliver upon exercise of the option.

Options. Teza Capital may make use of listed options. Options trading is highly specialized and is subject to risks that are in addition to the risks generally associated with trading derivatives instruments. If a Client purchases a put or a call option, it may lose the entire premium paid, and will profit only if it is able to liquidate or exercise the option for a return in excess of the premium paid and any transaction costs. In the case of an option on a future, certain exchanges in some jurisdictions permit deferred payment of the option premium, further leveraging the option's inherent leverage and exposing the purchaser to liability for margin payments (not exceeding the amount of the premium). If a Client writes or sells a put or call option, its loss is potentially unlimited. The premium received by a Client as an option writer is fixed, but the Client must post margin to secure its position and may sustain a loss well in excess of the premium amount it received for writing the option. For example, the seller of an uncovered call option is subject to the risk that the price of the underlying security will increase, thereby subjecting the seller to significant losses. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. Option prices tend to decline over time as options near their exercise dates. This "time decay" must be offset by other factors, such as increased volatility, or options positions will decline in value. As short sales are often used by options market makers to hedge risks with respect to using and/or selling options, bans on short sales may have an unpredictable effect on the options markets making it difficult or uneconomical to buy or sell options.

Risks Related to Trading in Non-U.S. Markets

Trading on Exchanges Outside the United States. Teza Capital trades on exchanges outside the United States on behalf of the Clients. Trading on such exchanges is not regulated by any United States government agency and may involve certain risks not applicable to trading on United States exchanges. Trading on foreign exchanges may involve the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums, exchange or investment controls and political or diplomatic disruptions, each of which might materially adversely affect the Clients' trading activities. In trading on foreign exchanges, the Clients are also subject to the risk of changes in the exchange rates between the United States dollar and the currencies in which the foreign contracts are settled. The Clients also may not have the same access to certain trades as do various other participants in non-U.S. markets.

Trading on Futures Exchanges Outside the United States. Teza Capital trades on futures exchanges outside the United States on behalf of the Clients. Some non-U.S. futures exchanges,

in contrast to United States exchanges, are “principals’ markets” similar to the forward markets in which performance is the responsibility only of the individual member with whom the applicable Client has entered into a futures contract and not of any exchange or clearing corporation. In such cases, the Client will be subject to the risk of the inability or refusal to perform with respect to the individual member with whom the Client has entered into a futures contract. The Clients also may not have the same access to certain trades as do various other participants in non-U.S. markets.

Emerging Market Investing. The Clients may invest a portion of their assets in equity and debt securities and related instruments in emerging markets. The value of emerging market instruments may be drastically affected by political developments in the country of issuance. In addition, the existing governments in the relevant countries could take actions that could have a negative impact on the Clients, including nationalization, expropriation, imposition of confiscatory taxation or regulation or imposition of withholding taxes on interest payments. The economies of many of the emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Also, many emerging market country economies have a high dependence on a small group of markets or even a single market. Emerging market countries tend to have periods of high inflation and high interest rates as well as substantial volatility in interest rates. The value of emerging market debt can be expected to be extremely sensitive to changes in interest rates worldwide and, in particular, in the country of the relevant issuer. Emerging market debt issuers and their obligations are not generally rated by any credit rating agency, and a significant proportion of such issuers and obligations would likely fall in the lowest rating category if they were rated.

Recent EU Market Developments and Brexit. There is often a high degree of government regulation in European economies, including in the securities markets. Action by such governments may directly affect foreign investment in securities in those countries and may also have a significant indirect effect on the market prices of securities and on the payment of dividends and interest. Changes in policy with regard to taxation, fiscal and monetary policies, repatriation of profits, and other economic regulations are possible, any of which could have an adverse effect on investments. The United Kingdom and other European countries have undergone a substantial political and social transformation, and there can be no assurance that the economic, educational and political reforms necessary to complete political and economic transformation will continue.

In addition, global markets and economic conditions have been negatively affected by the ability of certain EU member states to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments’ financial support programs and the possibility that other EU member states may experience financial troubles could further disrupt global markets. In particular, it has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members. These factors could have a material adverse effect on the Clients’ financial conditions and liquidity. It may be possible for a member state that has adopted Euro as its currency to opt out of it as a currency. The exit of one or more countries from the EU/euro zone or the dissolution of the EU could lead to redenomination and revaluation of obligations of obligors in exiting countries. Any such exit and redenomination and revaluation would cause significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and lead to complex, lengthy litigation. The resulting uncertainty and market stress, coupled with the sovereign debt crisis,

could also cause, among other things, severe disruption to equity markets, significant increases in bond yields generally, potential failure or default of financial institutions, including those of systemic importance, a significant decrease in global liquidity, a freeze-up of global credit markets and worldwide recession.

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

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

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

Trade and Currency Disputes Between Countries. The recent creation of tariffs and other trade barriers by political regimes in the United States, China and elsewhere may affect global economic growth. Tariffs levied on goods in the United States and China could affect the value of currencies both in those markets and globally. Recently, as a result of such increases in tariffs, central banks in India, New Zealand and Thailand cut interest rates. These and similar shifts may continue to occur globally, affecting markets and the value of various currencies. Such trade and currency disputes may affect the prices and availability of the securities and interests in which the Clients invest, the ability of the Clients to raise capital and the ability of the Clients to exit investments, among other things.

European Financial Transaction Tax. On February 14, 2013, the EU Commission published a proposal for a Council Directive ("Draft Directive") on a common financial transaction tax ("FTT") intended to be implemented as of January 1, 2014. Ten EU member states (Austria,

Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia, the “Participating Member States”) are currently participating in the implementation of the FTT.

If the Draft Directive is adopted, the FTT would be a tax primarily on “financial institutions” in relation to “financial transactions.” Under the Draft Directive, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to “financial transactions” where at least one party is a “financial institution” and at least one party is established in a Participating Member State. A “financial institution” may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a Participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The Draft Directive remains subject to negotiation between the Participating Member States and it may therefore be altered prior to any implementation, the timing of which remains unclear. In December 2015, the EU Commission announced that the Participating Member States remain committed to the implementation of the FTT. Additional EU member states may decide to participate.

Prospective Clients and Client Investors are advised to consult their own professional advisers in relation to the FTT; however, it is possible that the FTT may materially impact the implementation of the Clients’ strategies, decreasing profitability or resulting in losses, which may be material.

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

MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with the Clients. Subject to certain conditions and exceptions, the Clients may be unable to trade shares or derivatives with affected counterparties other than as provided by MiFID II. MiFID II also applies position limits to the size of a net position that a person can hold at all times in commodity derivatives traded on EU trading venues and in “economically equivalent” OTC derivatives.

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

European Market Infrastructure Regulation. On August 16, 2012, EMIR (EU No. 648/2012) entered into force. EMIR introduced certain requirements in respect of derivative contracts, which

apply to varying degrees to entities established in the EU. As such, where the Clients transact with EU counterparties, they will likely require the transaction to be EMIR compliant.

Broadly, EMIR's requirements in respect of derivative contracts are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts, including the mandatory margining of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts. The extent to which the above-mentioned requirements apply is dependent on the classification of EU counterparties such as EU authorized investment firms, credit institutions, insurance companies, Undertakings for Collective Investment in Transferable Securities and alternative investment funds managed by EU authorized alternative investment fund managers ("FCs") and non-financial counterparties, being EU entities which are not financial counterparties ("NFCs"). The classification will determine whether the EU counterparty is an FC, an NFC above EMIR's prescribed clearing threshold or an NFC below EMIR's prescribed clearing threshold, as well as the classification of the Client were it to be established in the EU.

It is difficult to predict the full impact of these regulatory developments on the Clients. Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Clients' ability to engage in transactions in derivatives.

The EU General Data Protection Regulation. The Clients and/or Teza Capital may be directly or indirectly subject to the requirements of the General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"), which came into effect in the European Economic Area ("EEA") in May 2018. GDPR has direct effect in all EU member states and has extraterritorial effect where non-EEA organizations process personal data in relation to the offering of goods and services to individuals in the EEA or the monitoring of the behavior of individuals in the EEA. GDPR imposes a number of obligations on data controllers and rights for data subjects, including, among others: accountability and transparency requirements, which will require controllers to demonstrate and record compliance with GDPR and to provide more detailed information to data subjects regarding processing; enhanced requirements for obtaining valid consent; obligations to consider data protection as any new products or services are developed and to limit the amount of personal data processed; obligations to comply with data protection rights of data subjects including a right of access to and rectification of personal data, obtain restriction of processing or to object to processing of personal data and a right to ask for a copy of personal data to be provided to a third party in a useable format and erasing personal data in certain circumstances; and reporting of personal data breaches to the supervisory authority without undue delay (and no later than 72 hours where feasible). GDPR also introduces fines for serious breaches of up to the higher of 4% of annual worldwide turnover or €20m. GDPR identifies a list of points to consider when determining the level of fines to impose (including the nature, gravity and duration of the infringement). Data subjects also have a right to compensation for financial or non-financial losses (e.g., distress). If determined to be applicable, GDPR could adversely impact the Clients' business by increasing their operational and compliance costs. Further, there is a risk that the measures will not be implemented correctly or that individuals within the business will not be fully compliant with the new procedures. If there are breaches of these measures, the Clients, Teza Capital and/or their respective affiliates (as relevant) could face significant administrative and monetary sanctions

as well as reputational damage which may have a material adverse effect on the operations, financial condition and prospects of the Clients.

Operational and Structural Risks

Operational Risks. The strategies employed by Teza Capital on behalf of the Clients are highly dependent on information systems and technology. Any failure or deterioration of these systems or technology due to human error, data transmission failures or other causes could materially disrupt the Clients' operations or cause significant or even total losses.

A disaster or a disruption in the infrastructure that supports Teza Capital's business, including a disruption involving electronic communications or other services used by it or third parties with whom it conducts business, or directly affecting one of its offices or facilities, may have a material adverse effect on its ability to continue to operate the business without interruption. There can be no assurance that any backup or contingency measures will be sufficient to mitigate the harm that may result from such a disaster or infrastructure disruption or avoid losses, including total losses. In addition, any applicable insurance coverage and other safeguards might only partially mitigate the effects of such a disaster or disruption.

Teza Capital relies on third-party service providers for certain aspects of its business, including certain financial operations of the Clients, as well as certain software maintenance and support, trading operations support and research and development services in relation to certain Client strategies. Any interruption or deterioration in the performance of these third parties, including the termination of related service agreements, could disrupt or otherwise negatively impact certain strategies implemented for the Clients, impair the quality of the Teza Capital's and/or the Clients' operations, or make it difficult if not impossible for Teza to implement its compliance procedures, any of which could lead to a complete loss.

Trading Errors. Teza Capital trades quantitatively, and due to the speed and volume of transactions entered into, as well as possible errors in computer code, software, hardware, and modes of transmission, trades may be executed in error. Many exchanges have adopted "obvious error" rules that prevent the entry and execution of trades more than a specified amount away from the current best bid and offer on the exchange. However, such rules generally will not be in place on the exchanges where Teza Capital trades on behalf of the Clients, and may not be enforced even if in effect. Moreover, such rules would likely not prevent the entry and execution of a trade entered close to the market but at an erroneous size. Any systems trading error (including trading system/computer code malfunctions) or human trading error, or combinations thereof, affecting a Client that are not due to a breach of Teza Capital's standard of care under such Client's investment management agreement will be for the account of the Client, which will enjoy the profits or suffer the losses from such trading error.

Markets May Be Illiquid or Disrupted. Most United States futures exchanges limit fluctuations in some futures contract prices during a single day by regulations referred to as "daily limits." During a single trading day no trades may be executed in such contracts at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Clients from

promptly liquidating unfavorable positions and subject the Clients to substantial losses. Also, the CFTC or exchanges may suspend or limit trading. Trading on non-United States exchanges may also be subject to price fluctuation limits and are otherwise subject to periods of significant illiquidity. Trading in the forward currency markets is not subject to daily limits, although such trading is also subject to periods of significant illiquidity.

Suspensions of Trading. For all securities and futures traded on public exchanges, each exchange typically has the right to suspend or limit trading in whole or in part. Such a suspension could render it temporarily impossible for the Clients to liquidate their positions and thereby expose them to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Clients to close out positions.

Manual Trading. Notwithstanding a Client's exchange memberships (if applicable), Teza Capital may cause a Client to execute manual securities or futures trades with various brokers when it determines that doing so could be beneficial to such Client. This might occur, for example, if the Client intends to place a block trade that could receive preferential pricing through a broker. All such actions are subject to human error, which could have a material adverse effect on the performance of the Clients.

Currency Hedging. Certain Clients may issue classes denominated in non-U.S. dollar currencies, and Teza Capital may engage in hedging transactions, with respect to currency exchange risk, on behalf of such classes. There can be no assurance that any hedging transactions will be successful, and there are transaction costs associated with such hedging, which will be borne by the relevant classes.

Non-U.S. currency hedging is a trading strategy that is effected through the use of derivatives, and the applicable Client will be required to settle trading losses on those derivatives, regardless of the liquidity of such Client's investment portfolio. There are several methods that a Client can use to ensure that it has sufficient liquidity to satisfy such trading losses and/or meet margin calls. First, a significant portion of the portfolio can be kept in cash to settle any hedging losses. However, holding cash dilutes a Client's returns from investments. Second, a Client can invest in strategies that are more liquid. This would allow Teza Capital to liquidate positions as necessary to satisfy losses on currency hedging transactions, if necessary and as needed. However, if the Client's investments suffer losses, then the assets invested in this structure may not be available to settle hedging losses. Client Investors should also recognize that to the extent investments are liquidated to satisfy losses on hedging transactions, the most liquid investments are most likely to be liquidated. Thus, satisfying hedging transaction losses will likely result in a less liquid portfolio for the Client. Third, a Client can seek to obtain a credit facility that can be drawn on in connection with its currency hedging activities, including among other things, to settle hedging losses. However, there can be no assurance that the credit facility provider will maintain the facility indefinitely, will not refuse a draw request, or will not itself fail, resulting in the loss of the credit line.

If the losses being incurred under an outstanding hedging transaction risk putting a Client in breach of that hedging transaction, the hedging transaction counterparty or broker, or Teza Capital itself, may determine that the hedging transaction must be liquidated in order to protect the relevant class

from defaulting on its non-U.S. currency hedging contracts or causing termination events under those contracts or other counterparty relationships.

Creditors of a Client may, absent contrary contractual provisions, enforce claims against all assets of such Client, even if the creditors' claims relate to shares corresponding to a single class or series, because classes and series are not separate legal entities. Therefore, in the unlikely event of a deficit in Client shares corresponding to one class or series, assets corresponding to another class or series will be available to cover the deficit. As a result, if Client shares corresponding to non-U.S. dollar denominated shares of such Client experience losses that deplete the assets of the relevant class, those losses may be offset against shares corresponding to U.S. dollar interests or other non-U.S. dollar denominated interests (as applicable).

Regulatory and Compliance Risks

Increased Regulatory Scrutiny of the Quantitative Trading Industry. Electronic, automated and/or algorithmic trading strategies continue to be the focus of extensive regulatory scrutiny by federal, state and foreign regulators, self-regulatory organizations and media outlets (including in the popular press), and such scrutiny is likely to continue. As compared to certain other pooled investment vehicles, the quantitative trading industry operates in a relatively unregulated environment. Teza Capital believes it likely that the quantitative trading industry will be subject to more restrictive rules and regulations in the future. Due to the algorithmic nature of Teza Capital's trading, the investment strategy employed on behalf of a Client likely will be particularly sensitive to any change in regulation that affects clearing or execution, market access, technological systems or other factors typically associated with the quantitative trading industry. As a result, any change in regulation could negatively impact Teza Capital's trading strategy, make it impractical to implement the Clients' strategy and/or result in material, or even total, losses to the Clients.

While the Clients do not presently engage in a trading strategy where all or substantially all of their trades are held for very short periods (*i.e.*, seconds) and placed in substantial volumes, the Clients' trading activities are characterized by quantitative, algorithmic-based trading in substantial volumes with an emphasis on technology and certain other characteristics. Further, Teza has in the past, and may in the future, implement trading strategies that do in fact hold positions for very short periods of time in substantial volumes. It is possible that Teza Capital and its affiliates could come under regulatory scrutiny, which may cause it to cease or materially alter operations or require it to devote substantial resources in terms of money and time to addressing such scrutiny even if no adverse regulatory action is taken. As a result, Teza Capital may experience difficulties in raising capital for the Clients, increased regulatory attention to the activities of the Clients and increased costs and expenses related to the operation of the Clients, all of which could negatively impact the business, financial condition and results of operations of the Clients and Teza Capital.

Regulators have recently shown substantial interest in quantitative trading, including high speed trading, co-location arrangements, market data latencies and undisplayed or "dark" liquidity. For example, the SEC has in recent years indicated its intention to increase oversight and regulation of computer-driven trading. The SEC has proposed a rule that would require more broker-dealers that trade only on exchanges to become members of FINRA. The SEC will likely propose an anti-

disruptive trading rule, which would prevent traders from engaging in certain short-term strategies and could disrupt markets and increase order volatility. The SEC will also possibly take actions designed to neutralize perceived advantages that high-frequency traders have over other market participants, or to impose affirmative or negative obligations on certain high-frequency traders similar to those to which market makers are subject. Any such action could increase costs associated with algorithmic trading or eliminate the viability of certain high-frequency strategies.

In late 2014, the SEC adopted Regulation SCI, which requires key market participants to have comprehensive policies and procedures in place regarding their technical systems. Regulation SCI further requires certain self-regulatory organizations, alternative trading systems, plan processors and exempt clearing agencies to design, develop, test, maintain and surveil systems that are integral to their operations. Regulation SCI is intended to address the increased use of technology in securities trading and routing; however, any additional requirements or changes to the technical systems of the parties subject to Regulation SCI could impact the profitability of Teza Capital's trading strategies, perhaps in a materially adverse manner.

FINRA has expressed its concern that algorithmic trading malfunctions present reputational risks to the trading firms and risks to the integrity of the U.S. markets. FINRA further expressed its intent to employ a dual strategy of examinations and targeted investigations to assess the adequacy of member firms' testing and controls related to high-frequency trading and algorithmic trading strategies. Although Teza Capital is not a member of FINRA as of the date of this filing, FINRA's examination priorities could impact the algorithmic and quantitative industry in general, which could have an adverse effect on the performance of the Clients.

The CFTC has in the past proposed, and may in the future propose, regulations relating to algorithmic or automated trading in U.S. futures markets. For example, in November 2016, the CFTC approved a supplemental proposal to amend a previously proposed rulemaking designed to address various automated trading-related issues in U.S. designated contract markets ("Regulation AT"). Regulation AT, as proposed, sought to address automated commodities trading by requiring the registration of entities engaged in automated trading using direct electronic access as well as standardizing and mandating pre-trade risk controls, trade reporting and other transparency measures. Although Regulation AT has not been implemented as of the date of this Memorandum, the adoption of Regulation AT or any similar regulation or the imposition of any additional restrictions by the CFTC could have a material adverse effect on the performance of the Clients.

Regulatory action in these areas by the SEC, the CFTC or any non-U.S. regulator or governmental agency, may result in increased regulatory burdens, attendant expenses and increased latency, and may render certain strategies employed by Teza Capital impractical or impossible to implement, which, in turn, could materially, adversely affect the profitability of the Clients.

Forwards, Swaps and Other Derivatives Are Subject to Varying CFTC Regulation. Enacted in July 2010, Dodd-Frank includes provisions that comprehensively regulate the OTC derivatives markets for the first time. These regulations largely relate to swaps but aspects of them may also apply to certain forwards that are characterized as swaps. Dodd-Frank requires that a substantial portion of OTC derivatives must be executed in regulated markets and be submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin

requirements mandated by the CFTC, the SEC and/or federal prudential regulators. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. OTC derivative dealers also are required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as was widely permitted before Dodd-Frank. This has increased and will continue to increase the dealers' costs, which costs are generally passed through to other market participants in the form of new and higher fees, including clearing account maintenance fees, and less favorable dealer marks.

The CFTC also now requires certain derivative transactions that were previously executed on a bilateral basis in the OTC markets to be executed through a regulated futures or swap exchange or execution facility. The SEC is also expected to impose similar requirements on certain security-based derivatives in the near future, though it is not yet clear when these parallel SEC requirements will go into effect. Such requirements may make it more difficult and costly for investment funds, including the Clients, to enter into highly tailored or customized transactions. They may also render certain strategies in which the Clients might otherwise engage impossible or so costly that they will no longer be economical to implement. If a Client decides to execute derivatives transactions through such exchanges or execution facilities—and especially if it decides to become a direct member of one or more of these exchanges or execution facilities—such Client would be subject to the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential requirements under applicable regulations and under rules of the relevant exchange or execution facility.

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

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

Dodd-Frank, enacted in response to the financial crisis of 2008-2009, established a comprehensive framework for the regulation of markets, market participants and financial instruments that previously had been unregulated and substantially altered the regulation of many other markets,

market participants and financial instruments. Dodd-Frank and regulations adopted pursuant to Dodd-Frank could have a material adverse impact on the profit potential of the Clients.

Government Intervention in the Credit Markets. The central banks and, in particular, the U.S. Federal Reserve, have taken unprecedented steps since the financial crisis of 2008-2009. It is impossible to predict if, how and to what extent the United States and other governments may further intervene in the credit markets. Such intervention has been prompted by politically sensitive issues involving family homes, student loans, real estate speculation, credit card receivables, etc., and may, as a result, be contrary to what the Clients would predict from an “economically rational” perspective. On the other hand, recent governmental intervention may mean that the willingness of governmental bodies to take additional extraordinary action may be diminished. In the event of a major market disruption in the near future, there may be only limited additional government intervention, resulting in correspondingly greater market dislocation and materially greater market risk.

Regulatory Change. The regulation of the U.S. and other non-U.S. securities and futures markets and of private investment funds such as the Clients has undergone substantial change in recent years, and such change is expected to continue for the foreseeable future. The effect of regulatory or tax change on the Clients, while impossible to predict, could be substantial and adverse. As noted above, Teza Capital’s Models are particularly sensitive to regulatory change or increases in costs (such as taxes), which could further exacerbate potential losses to the Clients.

Political Uncertainty. Some of the results of elections and referenda in recent years in the United States, Europe, Italy, China, India and other developed and emerging market countries have been unexpected and resulted in material market changes and increases in market uncertainty. The foregoing changes in political regimes have destabilized long-held treaties and customs between nations leading to further market instability in both developed and emerging countries. Given changes in administrations and applicable law following these votes, the future of current regulations, or the adoption of new regulations, is also uncertain. These uncertainties may have adverse impacts on, or alternatively create investment opportunities for, the Clients.

The above description is a non-exhaustive representation of certain material risks associated with Teza Capital’s investment strategies. Clients and Client Investors should refer to the applicable Governing Documents, including the offering memorandum or prospectus, for a more comprehensive description of the various risks.

ITEM 9. DISCIPLINARY INFORMATION

There are no civil, criminal, regulatory, self-regulatory or administrative proceedings, actions or investigations pending against Teza Capital, Dr. Mikhail Malyshev or other members of Teza Capital's management that would be material to a Client's or prospective Client's evaluation of Teza Capital's business or the integrity of its management.

From July 2009 to April 2012, Dr. Malyshev and Teza were involved in a number of disputes related to Dr. Malyshev's departure from Citadel and his formation of Teza. All such disputes have been resolved. On July 9, 2009, Citadel LLC (formerly known as Citadel Investment Group LLC, "Citadel") brought a civil action against Dr. Malyshev, Teza Technologies LLC and other related parties in the Circuit Court of Cook County, Illinois (the "State Court Matter"). Citadel also brought claims in a confidential arbitration against Dr. Malyshev and others for the same conduct underlying the State Court Matter.

On October 16, 2009, the Circuit Court issued an order enjoining Dr. Malyshev and Teza from operating for a period of approximately one month on a non-compete claim. During the State Court Matter, Dr. Malyshev was individually sanctioned for discovery violations relating to the proceeding. He was ordered to pay Citadel's legal fees as well as a penalty, which obligations have been discharged. Dr. Malyshev was also acquitted of perjury charges relating to these sanctions as a result of a directed verdict during a bench trial in the Circuit Court on April 12, 2012. The arbitration, which is subject to a confidentiality agreement, was concluded in February 2011, with no further claims remaining.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CFTC/NFA Registration. Teza Capital is registered with the CFTC as a commodity pool operator and a commodity trading advisor and is a member of the NFA in such capacities. Teza Capital employs certain management personnel that are registered with the NFA as associated persons and principals.

Client Terms. Certain Clients trade pari passu in the same strategies and instruments as the other Clients but have materially more advantageous liquidity or termination rights, position transparency and/or access to Teza personnel, as well as other terms.

Proprietary Trading. Teza Capital and its affiliates (collectively, “Teza”) manage proprietary capital, and Teza Capital serves as investment adviser to certain proprietary accounts of Teza affiliates. The management of such proprietary capital constitutes a substantial portion of Teza’s business. Certain of Teza’s proprietary strategies will be the same, similar to, based upon, or otherwise share common features, signals or other elements with the strategies implemented for the Clients. Further, certain proprietary accounts will trade in the same instruments and markets as the Clients. Such proprietary accounts can be expected to take positions opposite to, or ahead of, those held by the Clients, and may compete with the Clients for positions in the marketplace or otherwise limit the Clients’ trading activity (e.g., as a result of firm-level position limits or canceled orders resulting from self-match prevention). This proprietary trading could adversely affect the Clients’ performance.

Teza expects that its proprietary trading will be materially more profitable, at least to Teza, than the Clients’ trading. The Clients will not share in the risks or rewards of such proprietary trading. Teza will have a conflict of interest with respect to such proprietary trading. As previously noted in Item 6, Teza Capital has an incentive to favor its proprietary accounts over the Clients. However, Teza Capital recognizes that it is a fiduciary and, as such, must act in the best interests of Clients and must treat all Clients fairly and refrain from favoring the interests of Teza over those of the Clients. Please see Item 11 and Item 12, respectively, regarding (i) the conflicts of interest related to proprietary trading and (ii) allocation policies and procedures intended to mitigate these conflicts.

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

Code of Ethics

Teza Capital has adopted a Code of Ethics (the “Code”) pursuant to SEC rule 204A-1. The Code, along with related policies and procedures, is designed to ensure that Teza Capital employees place the interests of Clients before the employees’ own personal interests and maintain full compliance with applicable federal securities laws. Teza Capital’s Code contains policies and procedures intended to ensure that personal securities trading by Teza Capital employees is conducted in such a manner as to avoid conflicts of interest or abuse of an employee’s position. In addition, the Code includes: (i) a 30-day holding requirement for personal securities trading, (ii) disclosure of relevant personal accounts and transactions, and (iii) restrictions and limitations on certain types of transactions. Compliance with the Code is a material term of our employees’ employment agreements, and any employee who violates the Code may be subject to disciplinary action, including termination of employment.

Teza Capital will provide a copy of the Code and other relevant policies to any Client or prospective client upon request.

Certain Conflicts of Interest

The following description of certain conflicts of interest does not purport to be an exhaustive list or a complete explanation of all of the potential conflicts of interest involved in an investment with Teza Capital. The order in which they are described, and the length of each description do not indicate a priority or relative importance. Clients and prospective clients should refer to the applicable Governing Documents for a more comprehensive description of the various risks applicable to such Client.

Various Businesses; Proprietary Trading.

Teza will be subject to a number of actual and potential conflicts of interest in relation to its various businesses, including Teza’s proprietary trading, Teza’s participation in a Chinese joint venture, and the Teza’s management of the Clients. Teza generally operates as an integrated organization. Teza’s management of the Clients and Teza’s management of proprietary capital will depend on the services, facilities and personnel of the same Teza affiliates, such as Teza Technologies LLC, including not only programmers and portfolio managers but also middle- and back-office personnel, such as financial, operations, legal and compliance professionals. As a result, the same personnel will generally be responsible for developing, managing and monitoring both proprietary strategies and strategies implemented for the Clients. Although these personnel will have an incentive to favor Teza’s proprietary trading over the Client’s trading, employees are instructed regarding Teza’s fiduciary duty to clients and its related policies and procedures. The “dual hatting” of these professionals can also be expected to result in other operational issues, as such personnel may have insufficient time, ability or support to fulfill their obligations or may not have sufficient expertise in one or the other parts of Teza’s business to effectively perform their assigned functions.

As many Teza employees will be responsible for both proprietary and Client trading, Teza does not expect to implement informational, operational or technical barriers between its business lines. While this integrated structure results in certain efficiencies, the lack of such barriers can be expected to exacerbate the conflicts of interest inherent in Teza's structure. Teza does not expect to take other structural steps to minimize such conflicts, although Teza does instruct its employees regarding Teza's fiduciary duty to Clients. Teza intends to monitor and manage the conflicts of interest inherent in such an integrated structure, including pursuant to its allocation policies and procedures, as described in Item 12.

ITEM 12. BROKERAGE PRACTICES

Except to the extent set forth in the relevant Client's Governing Documents, Teza Capital is authorized to determine the broker or dealer to be used for each transaction on behalf of the Clients. In selecting brokers and determining commission rates, Teza Capital takes into account best execution qualities for the applicable Client. In selecting brokers, Teza Capital considers such factors as execution capability, research quality, commissions and pricing, block trading coverage for a particular security, effective communications, ability to position the proposed trade (*e.g.*, trading odd lots), distribution and underwriting capabilities, use of electronic efficiencies, ability to settle trades efficiently, financial stability, ancillary services and general reputation. In general, the primary criteria Teza Capital considers in selecting brokers are creditworthiness and efficiency of trade execution. If Teza Capital determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage, research products or investment management services and products provided by such broker, a Client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Consistent with seeking best execution, Teza Capital may direct transactions for a Client to executing brokers in return for research or brokerage services furnished by the broker-dealer to Teza Capital. Selecting an executing broker in recognition of such research or brokerage services, rather than on the basis of simple transaction execution, is known as paying for those services with "soft dollars." Teza Capital does not currently expect to make any material use of soft dollar research. If Teza Capital makes any material use of soft dollar research in the future, such research and other brokerage services or products received by Teza Capital generally will be used to service all of Teza Capital's clients, and therefore a Client may not, in any particular circumstance, be the direct or indirect beneficiary of such brokerage services or products. In addition, it is possible that brokerage commissions paid by a Client may be used to pay for research or services that are not used in managing such Client. In some cases, the soft dollars paid to an executing broker for a Client may be greater than the commissions that are charged by another broker that does not provide soft dollar research or services to Teza Capital. Because many brokerage soft dollar products or services could be considered to provide a benefit to Teza Capital, and because the soft dollars used to acquire them are the assets of the Clients, Teza Capital has a conflict of interest in allocating the Clients' brokerage business.

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use soft dollars. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. It is Teza Capital's policy to limit its use of soft dollars to arrangements falling within the safe harbor of Section 28(e). Only bona fide research and brokerage products and services that provide assistance to Teza Capital in the performance of its investment decision-making responsibilities are permitted and any allocation of brokerage commissions will be reasonable in relation to the research, services or products provided. Teza Capital does not use brokerage in exchange for client referrals nor does it participate in "directed brokerage."

Teza Capital pays bundled commission rates and receives research and brokerage services provided by many of its executing and prime brokers. Teza Capital need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Commission rates are generally negotiable, and selecting brokers on the basis of considerations that are not

limited to commission rates may result in higher transaction costs than would otherwise be obtainable. Brokers may provide research and brokerage services directly or by paying service providers engaged by Teza Capital. In addition, Teza Capital may, subject to its best execution policy, trade with certain brokers primarily in consideration for providing research services. In any such case Teza Capital will determine in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research products or services provided by the broker.

Teza Capital may, but is not obligated to, enter into arrangements under which certain direct expenses of a Client are paid with soft dollars. Teza Capital will enter into such arrangements where it believes that it is administratively or operationally expedient to do so or where they are more favorable to such Client than an arrangement under which the Client pays for the products or services in question with cash. However, such arrangements make it more difficult for investors to evaluate the cost structure of such Client because the costs of such products or services are not broken out separately.

In addition to any soft dollar arrangements that Teza Capital enters into with brokers, brokers may provide certain research or other products or services to all of their customers, including Teza Capital, without being requested to do so. Teza Capital may take advantage of the products or services provided rather than producing or paying for them from another provider. In these situations Teza Capital receives a benefit because it does not have to pay for the products or services, such as research.

Teza Capital assumes no responsibility for the actions or omissions of any broker or dealer selected by Teza Capital in good faith.

Although in securities trading the brokerage and other transaction costs negotiated by an advisor for its clients are subject to the principle of best price and execution, as described above, no such requirement applies in futures and forward trading, in which the transaction charges are entirely a matter of negotiation. The brokerage commission rates charged to a Client may vary significantly. Futures and forward charge negotiations typically involve Teza Capital and the clearing brokers analyzing how frequently Teza Capital trades and then “backing into” a per-trade commission figure which generates sufficient revenues for the clearing brokers. Brokerage commissions vary depending on a Client’s volume of trading, whether the trading is done on electronic exchanges, and other considerations. In addition, Teza Capital in its discretion may cause a Client to execute its trades on an average price basis.

Notwithstanding a Client’s indirect exchange memberships, Teza Capital may cause a Client to execute manual securities or futures trades with various brokers when it determines that doing so could be beneficial to such Client. This might occur, for example, if a Client intends to place a block trade that could receive preferential pricing through a broker.

Aggregation of Orders. Teza Capital currently aggregates sale and purchase orders of securities and futures held by certain Clients with similar orders being made simultaneously for other Clients or proprietary accounts, in each case where multiple accounts trade *pari passu* in the same strategy. In such cases, Teza Capital will only aggregate orders if, in Teza Capital’s reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to each

applicable account, including each Client based on an evaluation that such account is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. When the purchase or sale of instruments for a Client is effected simultaneously with the purchase or sale of like instruments for other Clients or proprietary accounts, such transactions will be allocated in accordance with Teza Capital's systematic allocation methodology, which is intended to ensure that allocations are made in a fair and equitable manner. Such transactions may be made at different prices, due to the volume of instruments purchased or sold. In such event, the average price of all instruments purchased or sold in such transactions will be determined, and the Client will be charged or credited, as the case may be, the average transaction price. However, the commissions charged to a Client may differ from those charged to other Clients or proprietary accounts as a result of the specific arrangements with the applicable prime broker or futures commission merchant, and/or exchange memberships applicable to each account. However, the aggregation of orders is not expected to adversely affect a Client's own exchange pricing or latency in trading.

Principal and Cross Trades. Periodically, Teza Capital may seek to adjust or rebalance Fund investment accounts or portfolios by effecting cross trades between or among client investment accounts, including Fund accounts in which Teza Capital and its affiliates are invested (i.e., causing one or more such accounts to sell securities to one or more such client accounts). Such transactions may involve the Fund. In effecting such cross trades, Teza Capital seeks to reduce the transaction costs to its clients of such account adjustments. All such intentional cross trades will be consistent with the investment objectives and policies of each client account involved in the trades and generally will be effected at a current independent market price of the securities involved in the trades determined by Teza Capital. Cross trades will not be effected in securities for which no current independent market price is available. Client accounts, including the Funds, involved in cross trades will not pay any brokerage sales commissions in connection with the trades, but may pay independent broker dealers charges for independent pricing, execution and clearing of the trades and related services.

Teza Capital or its affiliates may enter into "principal transactions" with a Fund within the meaning of Section 206(3) of the Advisers Act in which any of Teza Capital or such affiliates act as principal for its own account with respect to the sale of a security to or purchase of a security from the Fund. Principal transactions and other significant transactions between a Fund and Teza Capital or its affiliates will be done in compliance with applicable law. In analyzing such trades, Teza Capital will have a conflict between acting in the best interests of the Fund and assisting itself or its affiliate by selling or purchasing a particular security.

Allocation of New Strategies.

At present, Teza manages and expects to continue to manage the Clients and proprietary accounts, some of which invest pursuant to the same or similar strategies. There are no or limited restrictions on Teza's ability to manage other clients or proprietary accounts, including those that follow the same investment objective, philosophy and strategy as those used for the Clients. Further, certain Clients trade *pari passu* in the same strategies and instruments as other Clients, but have materially more advantageous investor liquidity, position transparency and/or access to the Teza personnel, as well as other terms, and in the future proprietary accounts may trade *pari passu* with Clients as well. In the event other Clients or proprietary accounts liquidate positions that are the same or similar to those of a Client, such liquidations could have an adverse effect on such Client. Notwithstanding any similar investment mandates or strategies, however, the Clients' respective strategies and the implementation thereof may differ in certain respects from those used for other Clients or proprietary accounts, and there can be no assurance that any Client will trade *pari passu* in the same strategies as another Client or proprietary account.

Teza faces conflicts of interest in allocating strategies among the Clients and the proprietary accounts because Teza has an incentive to favor accounts with more favorable fee arrangements and proprietary accounts, and allocation decisions sometimes involve subjective determinations by Teza. Subject to the applicable Governing Documents, Teza determines the strategy allocation between Client accounts and proprietary accounts, and the relative strategy mix and exposures for each such account, based upon the expected characteristics of each strategy and the intended characteristics of each account, including (without limitation): investment objectives, investment universe, markets traded, instruments traded, target volatility, holding period, risk tolerance, capital requirements, account capital (including as a result of subscriptions and withdrawals/redemptions), return objectives and liquidity considerations. Teza may determine that an investment opportunity is appropriate for one Client, or for itself, but not for another Client. Teza may allocate to its proprietary accounts or other Clients strategies that are the same, similar to, based upon, or otherwise share common features, signals or other elements with the strategies implemented on a Client's behalf. In addition, adjustments or improvements made to strategies implemented for a Client may be allocated only to proprietary accounts and/or other Clients, and such Client may not receive the benefit of such adjustments or improvements. Certain proprietary strategy research and developments may also indirectly benefit the strategies implemented for the Clients, but there can be no assurance of any such indirect benefits.

Situations may arise in which other Clients or proprietary accounts have made investments that would have been suitable for investment by a Client but, for various reasons, were not pursued by, or available to, such Client. To the extent that Teza, its affiliates, or another Client invests in a particular strategy or investment, a Client's ability to invest in the same strategy or investment may be adversely affected by any limitation on availability thereof (e.g., capacity-constrained strategies).

Allocation decisions will be based on subjective factors and, in the event a strategy is allocated to multiple accounts, such allocation may not be proportionate to each account's net asset value. Clients will not be entitled to participate in any strategies other than those allocated to such Client by Teza Capital. In the future, Teza may manage additional clients or proprietary accounts with

different characteristics, and Teza will consider such clients' or accounts' characteristics when making strategy allocation decisions.

ITEM 13. REVIEW OF ACCOUNTS

Teza Capital’s portfolio managers and other senior personnel regularly review the Clients’ accounts. The nature of the review involves, but is not limited to, analyzing certain performance and risk measures. Investors in Funds sponsored by Teza Capital receive written monthly unaudited performance information, and are provided annually with a copy of the Schedule K-1 (for domestic “feeder funds” only) and audited year-end financial statements for the applicable Fund, generally within 120 days of year-end. Investors in other Clients receive such reporting set forth in the applicable Governing Documents.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Teza Capital, or a related person, may directly or indirectly compensate certain person(s) who are not supervised persons for investor referrals. These are typically compensation arrangements involving placement agents referring investors to the Funds. Placement agents may receive, in respect of investors introduced to a Fund, an upfront commission equal to a percentage of the amount invested by any such investor in addition to any ongoing share of Teza Capital's fees and allocations. These placement fees will be paid upon subscription and will be in addition to, not a deduction from, the subscription amount. Any placement fee may be waived or reduced in respect of any particular investor without thereby entitling any other investor to a similar waiver or reduction.

Other than the previously described "soft dollars" (see "Brokerage Practices" above) that Teza Capital may receive from broker-dealers, Teza Capital does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

ITEM 15. CUSTODY

Under Rule 206(4)-2 of the Investment Advisers Act of 1940, Teza Capital or, in respect of the onshore “feeder funds” sponsored by Teza Capital, Teza GP LLC (“Teza GP”), the general partner of such onshore “feeder funds,” are deemed to have custody of the securities and other assets of each Fund sponsored by Teza Capital even though neither Teza Capital nor Teza GP physically holds the securities and other assets, and such securities and assets are not held or registered in Teza Capital’s or Teza GP’s name. Teza Capital and Teza GP are exempt from many of the provisions of Rule 206(4)-2 because each such Fund is audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financial statements are distributed to each Client Investor in a Fund within 120 days of the end of each fiscal year.

Teza Capital does not expect to have custody with respect to Clients that are sponsored by third parties.

ITEM 16. INVESTMENT DISCRETION

Teza Capital has discretionary authority over each Client's investment portfolio (or relevant accounts, as applicable) pursuant to a grant of authority in the applicable Governing Documents. Client Investors cannot impose any restrictions on Teza Capital's investment discretion over the Clients.

ITEM 17. VOTING CLIENT SECURITIES

Teza Capital has authority to vote the Clients' securities. The Clients may not direct their votes in a particular proxy solicitation, except to the extent otherwise set forth in the applicable Governing Documents.

Teza Capital maintains proxy voting policies and procedures designed to act in the best interest of the Clients. Teza Capital's trading follows a systematic approach and is not dependent on the outcome of proxy contests. In fact, in many cases Teza Capital will have exited a position by the time it receives proxy voting material. Accordingly, Teza Capital has determined that the costs of such voting would outweigh the potential benefits to the Clients, and therefore will not vote proxies.

However, in the event Teza Capital determines in the future that voting proxies would provide a material benefit to Clients (*e.g.*, as a result of changes in its trading strategies) or the Teza Capital is otherwise required to vote proxies by law or regulation or pursuant to the applicable Client agreement, Teza Capital will vote such proxies in the best interests of each Client and a matter consistent with its fiduciary duty to each Client and each Client's stated investment objectives, including maximizing the value of the Client's portfolio.

To the extent applicable, the Chief Compliance Officer will monitor the potential for conflicts of interest on the part of Teza Capital with respect to proxy voting as a result of personal relationships, significant Client relationships, potential conflicts of interest among Clients or special circumstances that may arise during the conduct of Teza Capital's business. If a conflict of interest is identified, Teza Capital will not make related proxy voting decisions until it has been determined that the conflict of interest is not material or a method for resolving the conflict of interest has been agreed upon and implemented, in accordance with Teza Capital's proxy voting policies and procedures.

Clients and investors may obtain a copy of Teza Capital's proxy voting policies and procedures as well as relevant proxy voting records (if any) upon request.

ITEM 18. FINANCIAL INFORMATION

This Item is not applicable. Teza Capital has never filed for bankruptcy and is not aware of any financial condition that is expected to impair its ability to meet contractual commitments to its Clients.