

Form ADV Part 2A: Firm Brochure

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Systematica Investments Limited is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Systematica Investments Limited. If you have any questions about the contents of this brochure, please contact us at +44 1534 841 090. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Systematica Investments Limited also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Since our last annual brochure in March 2019, we have updated Item 1 to include updates regarding our business.

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1. Advisory Business

Systematica Investments Limited is an investment advisory services firm which specializes in investment management for hedge funds and managed accounts.

Systematica Investments Limited, a limited company incorporated in Jersey, was founded in October 2014 and is controlled and managed by Leda Braga and her team.

We are a member of the Systematica Group which comprises (i) Systematica Investments GP Limited, Systematica Investments UK LLP and Systematica Investments Singapore Pte. Ltd, each of which acts as a sub-investment manager of certain of our clients and (ii) other related persons described in Item 7 of Part 1A of Form ADV (collectively referred to herein as the “Systematica Group”). Systematica Investments Limited, acting as agent of our funds and managed accounts, has appointed Systematica Investments GP Limited, Systematica Investments UK LLP and Systematica Investments Singapore Pte. Ltd to provide investment management services to certain of our clients in our place, each acting as agent of the relevant clients. Each of Systematica Investments GP Limited, Systematica Investments UK LLP and Systematica Investments Singapore Pte. Ltd is registered as an investment adviser with the U.S. Securities and Exchange Commission.

We specialize in a wide range of global investment strategies in both the stock and bond markets. Our team advises clients on numerous investment strategies, including, systematic trading, managed futures trading, and quantitative strategies.

For more information on the investment strategy of each of our clients, please see Item 5: Method of Analysis, Investment Strategies and Risk of Loss.

Our firm tailors advisory services in accordance with each client’s needs and investment strategy as disclosed in its offering document or managed account agreement. Our advisors adhere to the investment strategy and restrictions set forth in each client’s offering document or managed account agreement. Restrictions on the types of securities in which we invest for our clients will vary from client to client as disclosed in the client’s governing documents.

Each of BlueCrest Capital Management Limited, an investment advisory firm, and Abacos Atlantic Holdings Ltd., an ultimately wholly-owned subsidiary of Affiliated Managers Group, Inc., holds a minority interest in our firm and certain of our affiliates. Affiliated Managers Group, Inc., a publicly-traded asset management company (NYSE: AMG), holds other equity and financial interests in certain other investment advisers unaffiliated with Systematica Investments Limited.

We do not participate in wrap fee programs.

The amount of client assets that we manage on a discretionary basis, as of December 31, 2019, is \$8,516,405,942. We do not manage any assets on a non-discretionary basis.

2. Fees and Compensation

We have intentionally omitted the full section on compensation for advisory services, as our firm is an SEC registered adviser and this brochure is being delivered only to “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

The fees and expenses associated with an investment in our clients vary and are described in the governing documents. The following is a general description of the fees and expenses paid by our clients.

All compensation described below is deducted automatically from our clients’ accounts pursuant to their governing documents. A third-party administrator generally polices and controls this process. We generally charge management fees to our clients based on each client’s asset level. Our clients typically pay management fees monthly in arrears.

We also charge performance-based compensation to our clients. Depending on the client, we assess these charges in arrears at the end of each calendar year.

Our clients do not pay any asset-based management fees or performance-based compensation in advance. Investors in our clients indirectly bear their pro rata share of the management fees and performance fees or allocations. If an investor withdraws or redeems from a fund client before the end of a payment period, the investor will indirectly be charged the performance compensation and the management fees at the time of its withdrawal or redemption on the withdrawn or redeemed amount.

With respect to our client managed accounts, our firm charges monthly management fees and receives annual performance-based compensation.

In connection with our advisory services, our clients bear all of their own expenses (ordinary and extraordinary). The lists below are detailed but do not include every possible expense a client may incur. Each client bears its share of:

- (a) brokers’ commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions;
- (b) the charges, costs and expenses of legal advisers, tax advisers and auditors and any replacement or additional prime brokers and/or custodians that may be appointed from time to time;
- (c) all taxes and corporate fees payable to governments or agencies;
- (d) the fees and expenses of the client’s, its master fund’s and its general partner’s directors, as applicable;
- (e) interest on, and the costs and expenses of, borrowings, including borrowings from any counterparties;

- (f) communication expenses with respect to investor services and all expenses of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents;
- (g) the cost of insurance (if any) for the benefit of the directors;
- (h) litigation and indemnification expenses, including under any contractual arrangements entered into;
- (i) extraordinary expenses not incurred in the ordinary course of business;
- (j) the cost of obtaining and maintaining any future offering of interests or shares in the client;
- (k) the cost of preparing, submitting and filing any relevant legal, regulatory or taxation related reports and any related expenses; and
- (l) any other costs incurred by the Systematica Group that the client agrees to reimburse.

In addition, our clients that invest in other hedge funds managed by our firm incur expenses in connection with these investments, such as proxy, underwriting and private placement costs and expenses relating to the underlying clients' investment program and operations.

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

We allocate the expenses to the clients that incur them, and if multiple clients incur expenses in the same transaction, we allocate the expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner.

Our firm may receive transaction-based compensation for the sale of securities of the non-U.S. funds we manage to non-U.S. investors pursuant to distribution agreements. With respect to certain clients, our firm, acting as agent of such funds, has appointed representatives of our advisory affiliates to provide certain marketing services to the funds in our firm's place, acting as an agent of the relevant clients. However, we have full authority to supervise and monitor such personnel, and we will seek to ensure that they comply with our policies.

3. Performance-Based Fees and Side-By-Side Management

Our firm or our affiliates receive performance-based compensation in the form of a performance fee or a performance allocation from some of our clients. The existence of the performance fee or allocation may create an incentive for our firm or our affiliates to make riskier or more speculative investments on behalf of the clients paying a performance fee or performance allocation than would otherwise be the case.

In addition, the non-existence or the existence of different rates of performance fees or allocations may create an incentive for the Systematica Group to favor certain clients when

making an investment decision than would be the case in the absence of these arrangements. Such conflicts are dealt with on a case by case basis, having regard to relevant facts and circumstances.

4. Types of Clients

All of our clients are either hedge funds, funds of hedge funds or managed accounts. Our clients rely on certain exclusions from the definition of “investment company” in the Investment Company Act of 1940, as amended. Accordingly, none of our clients is registered as investment companies with the Securities and Exchange Commission.

Our firm determines in its sole discretion any requirements for entering into an investment advisory contract with a fund client or otherwise opening or maintaining an account, including whether a private fund is large enough to implement its desired investment program.

We also provide investment advisory services to separately managed accounts and may, in the future, agree to provide services to additional separately managed accounts.

5. Method of Analysis, Investment Strategies and Risk of Loss

In managing our clients, we employ methods of analysis and investment strategies suitable for each client’s investment objective. We employ a wide variety of investment strategies that vary from client to client and the specific investment strategies followed by our clients (which are more fully described in each fund client’s offering documents) are the following:

- Systematic trend following strategies
 - These are strategies that involve trading managed futures and OTC instruments across a wide range of markets, seeking to algorithmically identify and capture movements in markets relating to momentum or trends. The strategies attempt to identify trends over multiple time horizons for each market traded, ranging from a few days to a few months, and are combined to produce an aggregate forecast for the market. Some strategies specifically seek to capitalize on the attractive return potential and increased diversification benefits of less commonly traded markets.
- Systematic market neutral equity strategy
 - This strategy aims at identifying anomalies between groups of individual stocks with a view that these temporary dislocations will mean revert. This strategy trades across a broad range of single-stocks on major stock exchanges around the globe. This strategy systematically adjusts its positions within each market, and hence achieves a dynamic distribution of risk, according to proprietary signals and market risk levels.
- Systematic alternative risk premia strategy
 - This strategy aims to implement well documented alternative risk premia strategies across global markets. Strategies covered are diversified

implementations of value, momentum, carry and defensive investment themes across asset classes. The markets traded are a broad range of liquid futures, forward and single stocks.

- Systematic macro relative value strategy
 - This strategy aims to implement relative value trades utilizing a variety of liquid futures and derivative instruments in a systematic manner.
- Multi- strategy offerings
 - These strategies currently involve investing in underlying hedge funds managed by the Systematica Group that follow the systematic and quantitative strategies listed above, either through a portfolio with equal notional based allocations to certain of the above strategies or via customized mandates to allow for tailored mixed of strategies.

We also act as investment manager (or investment adviser as the case may be) to certain investment vehicles utilized by a number of the funds trading the strategies detailed above to make certain investments.

In the following risk factors, the word “client” includes the underlying funds through which our fund of funds clients and feeder fund clients invest.

Investing in any security involves a risk of loss that clients and investors in our clients must be prepared to bear. Please see below for a detailed explanation of some of the significant risks associated with the investment strategies we will employ.

General Economic and Market Conditions

General economic and market conditions influence the success of our clients’ activities. For example, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances may affect clients’ and/or their underlying funds’ activities. These factors may affect the level and volatility of securities prices and the liquidity of the clients’ and/or their underlying funds’ investments. Volatility or illiquidity could hurt our clients’ profitability or result in losses.

Market Disruptions

Our clients may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a client from its banks, dealers and other counterparties will typically be reduced in disrupted markets. A reduction may result in substantial losses to the client. A sudden restriction of credit by the dealer community has resulted in forced liquidations and major losses for a number of investment funds

and other vehicles. Because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment funds and other vehicles have suffered heavy losses even though they were not necessarily heavily invested in credit-related investments. In addition, market disruptions caused by unexpected political, military, terrorist and global health events may from time to time cause dramatic losses for the client and these events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. A suspension could render it difficult or impossible for the client to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the client to close out positions.

Epidemics, Pandemics and Covid-19

Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, the coronavirus "Covid-19" which the World Health Organization has declared to be a pandemic. Countries that already have suffered outbreaks of Covid-19 are likely to suffer a continued increase in recorded cases of the disease. A continued escalation in the Covid-19 outbreak could see a continual decline in global economic growth (some economists have warned that global economic growth could be cut by more than half and that countries and the global economy could be plunged into recession). Many businesses around the world have curtailed their travel and meeting plans. This is likely to slow business activity, including in particular international business activity. The spread of Covid-19 may have an adverse impact on the Systematica Group and its clients. The impact of a viral pandemic in certain areas with large and crowded cities may be especially severe. In consumer goods, for example, customers may delay discretionary spending and travel plans because of concern about the pandemic. The banking industry, and in particular, the consumer finance sector, may be significantly affected by credit losses resulting from financial difficulties of borrowers impacted by Covid-19. Certain governmental regulators have imposed limitations on short sales of equity securities, which may impact the Systematica Group's ability to trade in certain equities and/or equity index derivatives. Covid-19 may trigger employees of the Systematica Group and certain other service providers to the Systematica Group's clients to be absent from work or work remotely for prolonged periods of time. The ability of the employees of the Systematica Group and/or other service providers to its clients to work effectively on a remote basis may adversely impact the day-to-day operations of the clients. Any similar future outbreak or pandemic could have similar potential adverse effects on the global economy, the Systematica Group and/or its clients.

Conflicts of Interest

Our firm, service providers and certain entities appointed to provide investment management services and/or their respective affiliates or any person connected with them may from time to time act as directors, investment manager, manager, sub-investment manager, sales agent, prime broker, broker, execution broker, custodian, director, registrar, broker, administrator, investment advisor, distributor or dealer in relation to, or be otherwise involved in, other investment funds and/or other vehicles (including those which invest in our clients, either directly or indirectly, and/or in which our clients, either directly or indirectly) which have similar or different

objectives to other funds. It is, therefore, possible that any of the foregoing may, in the course of business with one fund, have potential conflicts of interest with another fund.

Further, where permitted by applicable law, any of the foregoing entities may deal, as principal or agent, with our fund clients, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. Our firm, its affiliates or any person connected with them may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by our clients. None of our firm, our affiliates or any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to our clients or to account to our clients in respect of (or share with our fund clients or inform the our clients of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities at their discretion on an equitable basis among our clients having regard to the nature (including the risk profile) of our clients.

Members of our firm, our affiliates or any person connected with them, advise and/or manage certain investors in our clients as well as such clients and, as a result of these separate capacities, may have access to more information regarding the investments of these clients than is generally available to other investors. Accordingly, in the course of business, the relationship among certain investors, our clients and members of our firm or our affiliates or any person connected with them may pose potential conflicts of interest.

The potential fees payable to us by certain clients may exceed the potential fees payable by other clients. Our firm will allocate resources as it in its sole discretion considers appropriate in managing the assets of our clients and any other investment funds, vehicles or accounts in accordance with their respective investment objectives and strategies.

Further information is set forth in the relevant fund client's private placement memorandum or prospectus, as applicable.

Other Clients

Members of our firm, our affiliates or any person connected with them may manage or advise other funds and/or accounts and each will remain free to provide such services to additional funds and accounts, including for their own accounts, in the future. Members of our firm, our affiliates or any person connected with them may vary the investment strategies employed on behalf of our clients from those used for themselves and/or for other clients. No assurance is given that the results of the trading by our firm, our affiliates or any person connected with them on behalf of our clients will be similar to that of other funds and/or accounts concurrently managed by the our firm, our affiliates or any person connected them. Some of our firm's strategies have capacity constraints. It is possible that such funds and accounts and any additional funds and accounts to which we in the future provide such services may compete with our clients for the same or similar positions in the markets.

The Systematica Group owns (and may transfer and/or license to any affiliate or person connected with our firm or its affiliates as they see fit) any intellectual property developed by them in the performance of services to our clients, including without limitation any intellectual

property in the investment approach and strategies of our clients. The Systematica Group may use information, intellectual property and trading strategies which any of them obtains, produces, creates, develops or utilizes in the performance of services to our clients in relation to other investment funds, vehicles or accounts, as they determine in their sole discretion.

Regulatory Risks

The regulatory environment for hedge funds continues to evolve and changes therein may adversely affect the ability of our clients to obtain the leverage they might otherwise obtain or to pursue their investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by our clients. The effect of any future regulatory or tax change on our clients is impossible to predict.

In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (also known as the Dodd-Frank Act) has impacted and will continue to impact us and our clients. Certain provisions of the Dodd-Frank Act require rulemaking by the applicable regulators before becoming fully effective, it is therefore difficult to predict the full impact of the Dodd-Frank Act on the markets in which our clients trade and invest. The Dodd-Frank Act could result in certain investment strategies in which our clients engage or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the act could have a material adverse impact on the profit potential of our clients.

In addition, under the Directive of the European Parliament and the Council of the European Union on alternative investment fund managers (commonly referred to as “AIFMs”) (known as the AIFM Directive), certain conditions must be met to permit the marketing of interests to prospective and existing investors in the European Union, including that prescribed disclosures are made to such investors. It is also possible that interpretation of the AIFM Directive may vary among the European Union Member States. It is therefore difficult to predict the full impact of the AIFM Directive on our clients and the members of the Systematica Group and the effect on our clients and the members of the Systematica Group may vary over time. The AIFM Directive will result in requirements to make certain reports and disclosures to the regulators of the European Union Member States and of members of the European Economic Area (known as the EEA) in which a client is marketed. Such reports and disclosures may become publicly available.

Furthermore, the package of European Union market infrastructure reforms known as “MiFID II” took effect on January 3, 2018 and increases regulation of trading platforms and firms providing investment services. MiFID II affects financial market structure, trading and clearing obligations, product governance and investor protection. The MiFID II directive has been “transposed” into national law by member states. The transposition process has opened the door to the act of so-called “gold-plating”, where individual member states and their national competent authorities (“NCAs”) introduce requirements over and above those of the European text and apply MiFID II provisions to market participants that would not otherwise be caught by MiFID II. NCAs in certain jurisdictions may propose a number of regulatory measures and/or regulatory positions that may be unclear in scope and application resulting in confusion and uncertainty. It is difficult to predict how these regulatory positions or additional governmental restrictions may be imposed on market participants and/or the effect of such restrictions on the implementation of a client’s investment

objective. It is also difficult to predict the unintended consequences of MiFID II on the operation and performance of a client, which may be directly or indirectly impacted by changes to market structure, trading and clearing obligations, product governance and investor protection and/or regulatory interpretation.

New rules requiring the unbundling of the costs of research and other services from dealing commission and further restrictions on the Systematica Group's ability to receive certain types of goods and services from brokers are likely to result in an increase in the investment-related expenditure of a client and/or negatively impact the Systematica Group's ability to access investment research.

Concentration of Investments

The Systematica Group will generally seek to maintain a diversified portfolio of investments on behalf of our clients. However, some of our clients may at certain times hold relatively few investments. Accordingly, a client could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected.

Currency Exposure

Some of our clients' holdings are denominated in U.S. dollars. The clients' assets may, however, be invested in securities and other investments which are denominated in currencies other than U.S. dollars. Accordingly, the value of those assets may be affected favorably or unfavorably by fluctuations in currency rates. The Systematica Group will usually seek to hedge our clients' foreign currency exposure. However, the clients' assets will necessarily be subject to foreign exchange risks. Accordingly, there is a potential risk of loss arising from fluctuations in value between the U.S. dollar and other currencies.

European Union – Brexit Referendum

Following a 2016 referendum vote to withdraw as a member of the European Union (the "EU"), the United Kingdom (the "UK") passed legislation to exit the EU on January 31, 2020, with a transitional period applying until December 31, 2020, until which EU law will continue to apply in the UK.

The outcome of the referendum has caused significant uncertainty, in particular, with regards to the functioning of European markets, including the ability and willingness of persons to trade and invest within Europe, the scope and functioning of European legal and regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), the nature and scope of the regulation of the provision of financial services within, and to, persons in Europe and the nature and scope of industrial, trade, immigration, and other governmental policy pursued within Europe. These effects may persist for some time. Significant uncertainty remains regarding whether the UK and EU will conclude agreements establishing relevant legal bases for the cross-border provision of financial services, and/or whether legal "equivalence" decisions will be issued. It is not clear that agreements for financial services and equivalence decisions, as applicable, will be available before the end of the transition period.

Brexit may have other consequences, including a recession of the UK economy, down-grading of the UK's credit rating, and an increased likelihood of pro-independence movements in Scotland and other parts of the UK taking steps to secede from the UK. The volatility and uncertainty caused by Brexit may adversely affect the value of client investments, the net asset value of client assets and the liquidity and trading of client investments.

Cybersecurity

Our clients or any of their service providers, including the Systematica Group, may be subject to risks resulting from cybersecurity incidents. A cybersecurity incident is an event that may cause a loss of proprietary information, data corruption or a loss of operational capacity. Cybersecurity incidents can result from deliberate cyber attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (for example, through hacking or malicious software coding) for the purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites, which may make network services unavailable to intended users. The issuers of securities and counterparties to other financial instruments in which a client invests may also be subject to cybersecurity incidents.

Cybersecurity incidents may cause our clients to suffer financial losses, interfere with our clients' ability to calculate its net asset value, impede trading, disrupt the ability of investors to subscribe for or redeem their shares or interests, violate privacy and other laws and incur regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cybersecurity incidents in the future which may adversely impact our clients.

While we have established business continuity plans, risk management strategies and cyber security policies to seek to prevent cybersecurity incidents, there are inherent limitations in such plans and strategies, including the possibility that certain risks have not been identified. Furthermore, we cannot control the business continuity plans or cybersecurity strategies put in place by other service providers to our clients or issuers of securities and counterparties to other financial instruments in which our clients invest.

Operational Risks

Our clients depend on our firm to develop and implement systems and controls for their activities. Our clients also rely heavily on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities and other instruments, to monitor their portfolios, and to generate risk management and other reports that are critical to oversight and management of the clients' activities. In addition, our clients rely on information systems to store sensitive information. Certain of our clients' and the Systematica Group's activities will be dependent upon systems operated by third parties, including the prime broker, the administrator, market counterparties and other service providers, and the Systematica Group may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Systematica Group, the prime broker, the administrator, counterparties, exchanges and similar

clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in a client's operations may cause the client to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on a client and therefore the investors' investments in the client.

Debt Securities

Our clients may invest in both investment grade and sub-investment grade debt securities in the expectation that positive returns can be made. For investment grade securities this will normally be with an assumption that the issuer will be able to make payment of interest and/or principal which will be part of the returns together with any appreciation of the debt security. For sub-investment grade securities or debt securities that are distressed, payments of interest or of principal may or may not be assumed but there could be other opportunities to generate a positive return from an investment. Sub-investment grade debt securities are subject to a greater risk of loss of principal and interest than higher-rated debt securities. Our clients may invest in distressed debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. Our clients may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Our clients may also invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness and may invest in debt securities or obtain exposure to those debt securities by selling the securities short.

The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes, and their failure to make the scheduled payments could cause our clients to suffer significant losses. Our clients will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, and making comparison between countries is difficult. In addition, the market for debt securities may be inefficient and illiquid, making it difficult to accurately value financial instruments.

Analytical Model Risks

Our clients employ certain strategies which depend upon the reliability, accuracy and analyses of the Systematica Group's or third party analytical models. To the extent these models (or the assumptions underlying them) do not prove to be correct, our clients may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the investment team and the assumptions embedded in the models. To the extent that our judgments or assumptions are incorrect, our clients can suffer substantial losses.

The trading decisions of our firm are based in part on trading strategies which utilize mathematical analyses of technical factors relating to past market behavior (the "Program"). The

buy and sell signals generated may be based upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest in the markets.

While the Program is predominantly algorithmic and mechanical, from time to time our firm or its affiliates may exercise discretion over trading orders. No assurance can be given that such use of discretion will enable our clients to avoid losses and in fact such use of discretion may cause our clients to forego profits which it may have otherwise earned had such discretion not been used.

The Program's computerized trading systems of our program rely on the ability of our personnel to accurately process such systems' outputs and to use the proper trading orders, which may include stop-loss or limit orders, to execute the transactions called for by the systems. In addition, our firm relies on its staff to properly operate and maintain the computer and communication systems upon which the trading systems rely. Our systems are accordingly subject to human errors, including the failure to implement, or the inaccurate implementation of any of our systems, in addition to errors in properly executing transactions. This could cause substantial losses on transactions, and any such losses could substantially and adversely affect the performance of our clients.

It should be noted that human discretion is necessarily involved in the development of the Systematica Group's operations, including in relation to a client's investment program and in certain circumstances members of the Systematica Group may deviate from their automatic systems, for example as a result of external, unforeseen or dramatic events.

The Program may use automated order routing and execution systems in its trading. Such systems are typically provided on an "as is" basis. Such systems may experience technical difficulties which may render them temporarily unavailable. In addition, such systems may fail to properly perform. Such failures may result in losses to our clients. The providers of such systems may have disclaimed all liability from such losses. In an effort to mitigate such risks, we closely monitor trades executed through automated order routing and execution systems and the operation of the systems themselves.

The Program is highly dependent on the proper functioning of its internal computer systems. Accordingly, defects, failures or interruptions of these systems, whether due to third party failures upon which such systems are dependent or the failure of the Program's hardware or software, computer viruses, power outages or catastrophic events could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short period of time), could, in certain market conditions, cause the accounts of our fund clients to experience significant trading losses or to miss opportunities for profitable trading. Additionally, any such failures could cause a temporary delay in reports to investors.

The Program depends to a significant degree on the receipt of timely and accurate market data from third party vendors. Any failure to receive such data in a timely manner or the receipt of inaccurate data for any reason could disrupt and adversely affect the trading for our fund clients until such failure or inaccuracy is corrected.

Convertible Securities

Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until such time as the convertible security matures or is redeemed or until the holder elects to exercise the conversion privilege. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. It is possible that the potential for appreciation on convertible securities may be less than that of a common stock equivalent.

Convertible securities may or may not be rated within the four highest categories by Standard & Poor's and Moody's and, if not so rated, would not be investment grade. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities.

Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of a client's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction which increases its outstanding securities.

Correlation Risk

We seek to diversify our clients' investment portfolios. The methods employed to achieve this diversification in part rely on historical observed correlations persisting. However, at certain times, and particularly during market stresses or events, a client's investments may become highly correlated, resulting in larger directional risk exposure than intended.

In addition, strategies that depend on the high positive or negative correlation between assets, signals or risk factors may be adversely affected by decorrelation or sudden substantial shifts in correlation.

Counterparty Risk

Our clients and/or their underlying funds are at risk if any counterparty is unable to perform in terms of a transaction because of, among other things, insolvency, bankruptcy or inability of the counterparty to access finance and/or assets to meet its obligations.

Where any counterparty enters an insolvency procedure, our clients and/or their underlying funds could experience delays in liquidating their positions and significant losses, including the following:

- loss of that portion of our client's and/or an underlying fund's portfolio financed through the counterparty transaction;
- a decline in value of its investment during the period in which our client and/or an underlying fund seeks to enforce its rights;
- an inability to realize any gains on its investment; and

- fees and expenses incurred in enforcing its rights.

During an insolvency procedure (which may last many years) our clients and their underlying funds may have restricted use of assets that are held by or on behalf of the relevant counterparty. Restricted use of the assets may give rise to the following consequences:

- our ability to fulfill the investment objective of the client may be impaired;
- we may require our client and/or its underlying funds to suspend the calculation of the net asset value and as a result subscriptions for and withdrawals or redemptions of limited partners interests or shares; and/or
- the net asset value may be otherwise affected.

During an insolvency procedure, our clients and/or their underlying funds will likely be unsecured creditors in relation to certain assets (including those which they had previously been secured creditors), and, because of this, our clients and/or their underlying funds may be unable to recover the assets from the insolvent estate of the relevant counterparty in full, or at all.

Credit Default Swaps

Our clients may take long and short positions in credit default swaps. A credit default swap is a type of credit derivative which allows one party (the “protection buyer”) to transfer credit risk of a reference entity (the “reference entity”) to one or more other parties (the “protection seller”). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events experienced by the reference entity. Credit default swaps carry specific risks, including high levels of gearing, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to meet its obligations to our clients if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative interpretation of, language used in the contract, most notably the language specifying what would amount to a credit event.

The Commodity Futures Trading Commission (the “CFTC”) and U.S. exchanges have established limits, referred to as “speculative position limits,” on the maximum net long or net short position that any person, or group of persons acting together, may hold or control in certain commodities. The Dodd-Frank Act also authorizes the CFTC to establish speculative position limits in all futures and swaps markets. The CFTC has proposed new rules that would impose position limits on certain futures and option contracts and physical commodity swaps that are “economically equivalent” to such contracts. If enacted, these rules could restrict trading activities in such contracts and swaps on behalf of our clients.

The CFTC has also adopted rules with respect to the treatment of positions held by a commodity pool, such as certain of our fund clients, for purposes of determining compliance with speculative position limits. Futures positions of a client are allocated to the person or entity controlling trading decisions for that client. Currently, all of the positions held by all accounts

owned or controlled directly or indirectly by our firm or affiliates will be aggregated. Depending upon the total amount of assets being managed in client accounts that are controlled directly or indirectly by our firm, such position limits may affect our affiliates' ability to establish particular positions in certain commodities for our clients or may require the liquidation of positions.

Derivatives

Our clients and/or their underlying funds may utilize both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of their investment policy and for hedging purposes. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in these instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In the event that a call for further margin exceeds the amount of cash available in a client, the client will be required to close out the relevant client. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when our clients use derivatives for hedging purposes, there may be an imperfect match between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter contracts may involve additional risk since there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of our clients, incorrect collateral calls or delays in collateral recovery. Our clients may also sell covered and uncovered options on securities and other assets. To the extent that the options are uncovered, our clients could incur an unlimited loss.

Emerging Markets

Our clients may invest in emerging markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, a client's investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to

uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

The fact that evidence of ownership of a client's portfolio of securities may be held outside of a developed country may subject the relevant client to additional risks, which include possible adverse political and economic developments, and the attendant risk of seizure or nationalization of foreign deposits. In addition, it may subject the client to the possible adoption of governmental restrictions which might adversely affect payments on securities or restrict payments to investors located outside the country of the issuers, whether from currency blockage or otherwise.

Furthermore, some securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realized gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries. In addition, dividend and interest payments from, and capital gains in respect of, certain securities may be subject to taxes that may or may not be reclaimable.

With respect to any emerging market country, there is the possibility of nationalization, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of a client, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the client's investments in those countries.

Where a client's assets are invested in narrowly defined sectors of a given economy, risk will be increased by potentially adverse developments within those sectors.

Some emerging countries have laws and regulations that preclude direct foreign investment in the securities of local issuers. However, indirect foreign investment in exchange-traded securities of companies in these countries may be permitted through specially authorized investment funds. A Client may invest in these investment funds. If the client invests in such investment funds, the investors will bear not only the expenses of the client, but also will indirectly bear similar expenses of the underlying investment funds.

Enhanced Regulation of the OTC Derivatives Markets

There has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular, in response to the recent financial crisis. In many

jurisdictions, regulators have begun to require OTC standardized derivatives contracts to be cleared through central counterparties or, where appropriate, traded on exchanges or electronic trading platforms and that OTC derivatives contracts be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements.

Rules and regulations required under the Dodd-Frank Act that comprehensively regulate the OTC derivatives markets are in effect. The CFTC requires that certain interest rate and credit default index swaps be centrally cleared, and that certain interest rate swap and credit default index swap contracts be executed through a swap execution facility. Additional standardized swap contracts are expected to be subject to new clearing and execution requirements in the future. OTC trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible margin requirements mandated by the SEC. The regulators have also adopted margin requirements that require the collection of initial and variation margin relating to OTC derivatives that are not required to be cleared. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called “end-users”, members of the Systematica Group are not eligible to rely on those exemptions. In addition, the OTC derivatives dealers with which our clients execute the majority of their OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore those dealers will be subject to clearing and margin requirements notwithstanding whether our clients are subject to those requirements. OTC derivatives dealers are required to post margin to the clearinghouses through which they clear their customers’ trades instead of using margin in their operations for cleared derivatives. This will increase the OTC derivatives dealers’ costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and possible new or increased fees.

The SEC and CFTC are also expected to increase the portion of derivatives transactions that will be required to be executed through regulated securities, futures, or swap exchange or execution facilities. These requirements may make it more difficult and costly for investment funds, including our clients, to enter into highly tailored or customized transactions. They may also render certain strategies in which our clients might otherwise engage impossible or so costly that they will no longer be economical to implement. OTC derivatives dealers and major OTC derivatives market participants have now registered with the SEC and/or CFTC and the CFTC’s broad interpretation of its jurisdiction has required additional dealers to register. Our clients or members of the Systematica Group may be required to register as major participants in the OTC derivatives markets if their swaps positions are too large or leveraged but the CFTC’s and the SEC’s definition of major swap participant and major security-based swap participant, respectively, make such registration unlikely. Dealers and major participants will be subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are exchange-traded or cleared. OTC derivatives dealers are also subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, limitations on conflicts of interest, and other regulatory burdens. These requirements may increase the overall costs for OTC derivatives dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. In addition, the CFTC has proposed position limits for certain physical commodity contracts and other reference contracts, such as swaps that relate to the futures contract, which would limit the ability of our clients to

concentrate on a particular type of contract. Our clients are also subject to recordkeeping and depending on the identity of the swaps counterparty, reporting requirements. While many of the requirements of the Dodd-Frank Act have been adopted, the final overall impact of the Dodd-Frank Act on our clients is uncertain, and it is unclear how the OTC derivatives markets will adapt to the final regulatory regime.

A regulation on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation) came into force in August 2012. The regulation introduces uniform requirements covering financial counterparties, such as investment firms, credit institutions, insurance companies and managers of alternative investment funds such as our clients and certain non-financial counterparties in respect of OTC derivatives contracts. Financial counterparties are subject to a general obligation to clear all so-called “eligible” OTC derivatives contracts through a duly authorized central counterparty (known as a “clearing obligation”) and to report the details of all such contracts to a trade repository (known as a “reporting obligation”). A non-financial counterparty may also be subject to the clearing obligation and the reporting obligation, subject to its positions in OTC derivatives contracts exceeding certain thresholds, as well as risk mitigation obligations. In addition, a financial counterparty or a non-financial counterparty subject to the clearing obligation which enters into an OTC derivatives contract which is not eligible for the clearing obligation would have to ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational and credit risk. While some of the obligations under the European Market Infrastructure Regulation have come into force, a number of the requirements are subject to phase-in periods. It is as yet unclear how the OTC derivatives market will adapt to certain aspects of the new regulatory regime (such as mandatory collateral exchange requirements which began to be phased-in from March 2017). Accordingly, it is difficult to predict the full impact of the draft regulation on our clients, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. The regulatory changes arising from the draft regulation may in due course adversely affect the ability of our clients to adhere to their investment approaches and achieve their investment objectives.

Eurozone Crisis

The current economic situation in the Eurozone has created significant pressure on certain European countries regarding their membership of the Euro. Some economists advocate the exit of certain countries from the Eurozone, and political movements in some Eurozone countries also promote their country’s exit from the Eurozone for economic or political reasons, or both. It is possible that one or more countries may leave the Eurozone and return to a national currency (which may also result in them leaving the European Union) and/or that the Euro will cease to exist in its current form, or entirely, and/or lose its legal status in one or more of the current Eurozone countries.

There are no historical precedents, and the effect of any such event on our clients is impossible to predict. However, any of these events might, for example:

- cause a significant rise or fall in the value of the Euro against other currencies;

- significantly affect the volatility of currency exchange rates (particularly for the Euro) and of the prices of other assets;
- significantly reduce the liquidity of some or all of our clients' investments (whether denominated in the Euro or another currency) or prevent a client from disposing of them at all;
- change, through operation of law, the currency denomination of cash, securities, transactions and/or other assets of our clients that are currently denominated in the Euro to the detriment of a client or at an exchange rate that we or our affiliates may consider unreasonable or wrong;
- adversely affect a client's ability to enter into currency hedging transactions and/or increase the costs of such transactions (which may prevent that client from allocating losses on currency hedging transactions in accordance with its usual allocation policies, or from protecting certain share classes against exposure to foreign exchange rates through hedging);
- affect the validity or interpretation of legal contracts on which a client relies;
- adversely affect the ability of a client to make payments of any kind or to transfer any of its funds between accounts;
- increase the probability of insolvency of, and/or default by, its counterparties (including prime brokers, custodians and account banks); and/or
- result in action by national governments or regulators which may be detrimental or which may serve to protect certain types of market participants at the expense of others.

Such factors could, individually or in combination with each other, impair a client's profitability or result in significant losses, prevent or delay that client from being able to value its assets and/or calculate its net asset value and affect the ability of the client to redeem interests and make payments of amounts due to investors. Although members of the Systematica Group might be able to identify some of the risks relating to the possible events described above, there might be no practicable measures available to them that would reduce the impact of such events on our clients.

Financing Arrangements; Availability of Credit

Borrowings and leverage may be an integral part of a client's strategies and may include the use of securities margin, futures margin, margined option premiums, repurchase agreements, bank or dealer credit lines or the notional principal amounts of swap transactions. There can be no assurance that a client will be able to maintain adequate financing arrangements under all market circumstances.

Where a client makes use of such borrowings to initiate long or short positions and the positions decline in value, it will usually be subject to a “margin call”, pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. In some cases, a margin call may be made even if the relevant positions have not declined in value. A client would normally satisfy such margin calls in cash or acceptable collateral from its assets and, to the extent that such collateral were insufficient, would liquidate certain assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, our firm might not be able to liquidate assets quickly enough to pay off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of a client in order to enable the client to satisfy its obligations to that lender and/or to close out transactions.

As a general matter, the banks and dealers that may provide financing to a client can apply essentially discretionary margin, “haircuts”, financing and security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers to one or more of these policies, or the imposition of other credit limitations or restrictions may be applied retrospectively to existing contracts as well as prospectively to contemplated future dealing. While our firm may seek to limit the rights of lenders to apply such retrospective changes, any such limitation will be subject to the agreement of the relevant lender, which may not be forthcoming. Retrospective changes may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Prospective changes may result in the inability of our firm to fulfil the investment objective. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel a client to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the client’s equity.

Foreign Exchange Trading

In general, foreign exchange rates can be extremely volatile, and market movements can be difficult to predict. Currency prices may be influenced by, among other factors: changing supply and demand for a particular currency; trade, fiscal and monetary policies of governments (including, without limitation, exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries; political events; changes in balances of payments and trade; domestic and foreign rates of inflation; domestic and foreign rates of interest; international trade restrictions; and currency devaluations and restrictions). Differences in the amount of volatility of the market from our expectations may produce significant losses to our clients, particularly in the case of transactions entered into pursuant to non-directional strategies.

Currency exchange rates and currency transactions are subject to certain risks arising from government activities, including those of the U.S. Federal Reserve Board, through regulation of

or intervention on the currency markets, regulation of the local exchange market, restrictions on foreign investments by residents or limits on inflows of investment funds.

Regulation or intervention could adversely affect our clients' performance. Our clients' investment in securities issued or guaranteed by sovereign governmental entities may also present risk of loss in the event of a default by a government or government agency.

Politics, recession, inflation, employment levels, trade policies, international events, war and other unforeseen events can also have significant impact upon prices. A variety of possible actions by various government agencies also can hurt the profitability of our clients' business or can result in losses. These events, which can result in huge market movements and volatile market conditions, create the risk of catastrophic losses for clients. We employ various techniques to attempt to reduce a portion of the risks inherent in the trading strategy utilized on behalf of our clients. The ability to achieve the desired effect through a particular technique is dependent upon many factors, including the liquidity of the market at the desired time of execution. Because of this, substantial risk remains that the techniques employed on behalf of our clients cannot always be implemented or effective in reducing losses.

The currency market allows investors to have a substantial degree of leverage. This leverage presents the potential for significant profits, but also entails a high degree of risk. Since clients may maintain currency positions with an aggregate value in excess of their net asset values, these include the risk that losses in excess of the amount invested will be sustained. These losses may result, for example, from significant directional movements in currency exchange rates. In times of significant volatility in the foreign exchange markets, margin requirements for exchange-traded futures or option contracts (in the context of exchanges that impose margin requirements) may be increased substantially. Any increase would reduce the degree of leverage and, therefore, the potential profitability to clients of the underlying positions. The degree of clients' leverage may also be reduced if any counterparty requires them to collateralize their contingent liabilities arising from over-the-counter forward, spot or option contracts.

Forward Foreign Exchange Contracts

Our clients and/or their underlying funds may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not the same in the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants that are electronically linked.

Documentation of transactions generally consists of an exchange of electronic messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell.

Transactions in forward foreign exchange contracts are not regulated by any regulatory authority and are not guaranteed by an exchange or clearing house. Our clients and their underlying funds will be subject to their counterparties' inability or refusal to perform with respect to these types of contracts. Any default would eliminate any profit potential and force our clients and their underlying funds to cover their commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

Highly Volatile Markets

The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts in which our clients may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. These types of intervention are often intended directly to influence prices and may, together with other factors, cause all of these markets to move rapidly in the same direction because of, among other things, interest rate changes. Our clients are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearing houses.

Identification and Exploitation of Investment Strategies

The success of our clients' investment activities depends on our affiliates' ability to identify overvalued and undervalued credit situations and to exploit price differences in the financial markets, as well as to assess the impact of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by our clients involves a high degree of uncertainty.

Our clients may be adversely affected by unforeseen events, including:

- matters such as changes in interest rates or the credit status of an issuer or counterparty;
- forced redemptions of securities or acquisition proposals;
- break-ups of planned mergers;
- unexpected changes in relative values, volatility levels or liquidity conditions;
- an inability to short stock; or
- changes in tax treatment.

Short Selling

Our clients and the underlying funds in which our clients invest may engage in short selling of securities. Short selling may expose a portion of a client's or an underlying fund's assets committed to these activities to unlimited risk. Unlimited risk occurs where no upper limit exists

on the price to which a security may rise. However, to the extent that one of our clients has exposure to short selling activities through an underlying fund, our client's losses will be limited to the amount invested in the particular underlying fund.

In the past few years, regulators have taken action to restrict taking short positions on certain securities. The levels of restriction vary across different jurisdictions and are subject to change in the short to medium term. These restrictions have made it difficult and in some cases impossible for a number of market participants either to continue to implement their investment strategies or to control the risk of their open positions. As a result, our clients and their underlying funds may be constrained in fulfilling their investment objectives.

Enhanced Regulation of Short Sales, Credit Default Swaps and Other Swaps

A short sale involves the sale of a security that a fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To deliver to the buyer, a fund must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited loss due to an increase in the market price of the security. A credit default swap is a derivative contract, typically negotiated over-the-counter, whereby credit exposure relating to a fixed income product is transferred to a counterparty. The purchaser of a credit default swap generally makes payments to its writer up until its maturity date and, in exchange, the writer agrees to pay a third party debt in case of default.

The European Union regulation on short selling and certain aspects of credit default swaps (known as CDS) applies to short sales or and short positions relating to (a) the issued share capital of companies whose shares are admitted to trading on a regulated market or multilateral-trading facility in the EEA (unless the principal trading venue for the relevant shares is located in a country outside the EEA), and (b) debt instruments issued by an EEA sovereign issuer.

This regulation provides for the disclosure of net short positions in EEA listed shares and EEA sovereign debt. It applies to all natural or legal persons, irrespective of regulatory status, located inside and outside the EEA. The regulation also contains prohibitions on uncovered or "naked" short sales of EEA listed shares and EEA sovereign debt in certain circumstances, as well as a prohibition on uncovered CDS referencing EEA sovereign debt (i.e., where the investor does not have an exposure that it is seeking to hedge either to the sovereign debt itself or to assets or liabilities whose value is correlated to the sovereign debt). In addition, this regulation permits the competent authorities of European Union Member States to prohibit or restrict short sales, limit sovereign credit default swaps and impose emergency disclosure requirements, among other things, during times of stressed markets. Competent authorities may also restrict short sales of individual financial instruments which have suffered a significant fall in price in a single day. The provisions of the regulation may hinder the investment programs of our clients by preventing them from taking positions that our firm or our affiliates consider favorable. They may also result in overvaluations of certain financial instruments due to restrictions on market efficiency. In addition, the emergency powers granted to competent authorities during times of stressed markets and with respect to individual financial instruments may adversely affect our clients by preventing them from taking hedging positions or other positions that our firm or our

affiliates consider to be in their best interests. The imposition of emergency measures under the regulation could, therefore, result in substantial losses to our clients.

Sovereign Debt Crisis

Government interference with international transactions in its currency or the debt obligations of itself or its nationals through various means, including, without limitation, regulation of the local exchange market, restrictions on foreign investments by residents, limits on flows of investments funds from abroad and debt moratoria, may expose clients to unanticipated losses.

There are increasing concerns regarding the ability of multiple sovereign entities to continue to meet their debt obligations. In particular, ratings agencies have downgraded the credit ratings of various countries. Many economies are facing acute fiscal pressures as they struggle to balance budgetary austerity with stagnant growth. Many observers predict that a depressed economic environment will cause budget deficits in these economies to expand in the short term and further increase the perceived risk of a default, thereby rendering access to capital markets even more expensive and compounding the debt problem.

Transaction Costs

Our clients' and their underlying funds' investment approaches may involve a high level of trading and turnover of investments. This investment approach may generate substantial transaction costs for which the relevant client or underlying fund will be liable.

Error Trades

Trade errors (including order errors and related operational errors), which may occur for a variety of reasons, including mistake of fact, processing error and other similar events, are an intrinsic factor in any complex investment process. The investment program employed by certain clients depends upon the reliability and accuracy of sophisticated quantitative models developed by the Systematica Group and on data generated, supplied, gathered, cleaned, culled, obtained and/or analyzed by the Systematica Group or third parties, including in relation to the investment management process, and in valuing investments or potential investments, managing risk, hedging investments held by certain clients and in executing transactions. Models and data of this kind may have errors, omissions, imperfections and malfunctions which may not be detected despite the testing and monitoring that the Systematica Group implements. Equally, due to the automated nature of data gathering, the volume and depth of available data, the complexity and potentially manual nature of data cleaning, and the fact that the substantial majority of data comes from third-party sources, it is possible that not all desired and/or relevant data will be available to, or processed by, the Systematica Group at all times. The limitations referred to in the preceding two sentences (collectively "System Limitations") could lead to substantial or even total losses as a result of, for example, the inadequate gathering or organization of data, investment decisions being made on the basis of incomplete or inaccurate data, the execution of unintended orders, the failed or delayed execution of intended orders, the failure to take certain hedging or risk reducing actions and/or the taking of actions which unintentionally increase certain risks. Investors should assume that the foregoing System Limitations and their effect

constitute an inherent risk of investing in a process-driven, systematic investment management program such as the one employed by certain clients.

Accordingly, investors will receive the benefit and bear the loss arising from trade errors, including arising from the reliance on the models and data referred to above and System Limitations, unless otherwise determined by the Systematica Group in accordance with its internal policies or as may be required by applicable law. None of the Systematica Group's members will be liable for losses caused by other persons. To the extent that a trade error is caused by a counterparty of a client, such as a broker or agent, our firm will seek to recover any related losses from such counterparty. Any gains from such trade errors may be offset against losses.

Reliance on Our Intellectual Property

Our clients' investment approach is based in whole or in part on mathematical models, which are implemented as automated computer algorithms, which our investment professionals have developed over time. The Systematica Group commit substantial resources to the updating and maintenance of existing models and algorithms as well as to the ongoing development of new models and algorithms. The investment strategies of certain clients are based rely on our intellectual property. As market dynamics shift over time, a previously highly successful model may become outdated, perhaps without the Systematica Group recognizing that fact before substantial losses are incurred. There can be no assurance that our affiliates will be successful in maintaining effective mathematical models and automated computer algorithms.

Reliance on Information Technology

The operations of our clients depend on information technology systems of our firm and of third parties. Defects, failures or interruptions of such systems, including damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors, power outages and catastrophic events, could have a material adverse effect on our clients, including a failure or delay in trade execution or confirmation, inaccuracies in reporting, and inability to monitor the portfolios. Although we have adopted data protection and recovery policies, there can be no guarantee that such policies will adequately protect against losses in the event of systems' malfunction. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data.

Underlying Funds

Our clients' underlying funds may invest in and actively trade instruments with significant risk characteristics, including, but not limited to, risks arising from:

- the volatility of securities,
- financial futures,
- derivatives,

- currency and interest rate markets,
- the leverage factors associated with trading in these markets and instruments,
- tax risks, and
- the potential exposure to loss resulting from counterparty defaults.

There can be no assurance that an underlying fund's investment program will be successful or that the investment objective of an underlying fund will be achieved.

Investment Vehicles

Our clients may form investment vehicles and structure their economic interest in such investment vehicles through a variety of means, including without limitation by holding equity interests, debt instruments (including debt instruments secured on the assets of the relevant investment vehicle) or derivatives, or a combination thereof.

Third parties may also have ownership and/or economic interests in such investment vehicles, which may rank senior to the interests of our clients in them. Investment vehicles may make a number of investments, some of which may not be for the benefit of our clients. In the event of losses attributable to a particular investment (which may not be for the benefit of a client), or the insolvency of an investment vehicle (which may be caused, or contributed to, by an investment or investments not for the benefit of a client), or other event affecting an investment vehicle, a client could be subject to significant losses.

6. Disciplinary Information

None of the members of the Systematica Group or any management person has been involved in any criminal or civil actions in a domestic, foreign or military court.

None of the members of the Systematica Group or any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

7. Other Financial Industry Activities and Affiliates

None of the members of the Systematica Group or any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

None of the members of the Systematica Group or any of our management persons is registered, or has an application pending to register, as a futures commission merchant or is an associated person thereof.

Our principal, Leda Braga, owns a majority shareholding in, and maintains control over and carries out the management of, our firm.

Each of BlueCrest Capital Management Limited, acting solely in its capacity as general partner of BlueCrest Capital Management LP, and Affiliated Managers Group, Inc., through an ultimately wholly-owned subsidiary, holds a minority equity interest in our firm. Neither BlueCrest Capital Management Limited nor Affiliated Managers Group, Inc. has any role with respect to the day-to-day business of our firm and as such neither is identified as a control person. Our firm maintains operational autonomy in managing its business, and Leda Braga maintains control over and carries out the management of our firm.

Affiliated Managers Group, Inc. also holds equity interests in certain other investment advisers, each of which, including our firm, is operated autonomously and independently. Affiliated Managers Group, Inc. and its affiliates do not formulate advice for our clients. As such, Affiliated Managers Group, Inc.'s ownership interest in our firm does not, in our view, present any potential conflict of interest for our firm with respect to our clients. More information regarding Affiliated Managers Group, Inc., including its public filings and a list of its affiliates, is available at www.amg.com.

Our firm owns Systematica GP I Limited, a Cayman Islands exempted company which acts as managing general partner or general partner to certain of our clients. In addition, 1888 Systematica Global Macro GP Limited acts as general partner to a client. Although each of Systematica GP I Limited and 1888 Systematica Global Macro GP Limited is under ultimate common control with us, it has at least a majority of independent directors. Systematica Investments Limited acts solely in its capacity as the general partner of Systematica Investments LP, a Guernsey limited partnership. Unlike a U.S. limited partnership, Systematica Investments LP does not have legal personality and therefore acts through its general partner, our firm.

The following entities, which directly or indirectly provide trading, certain compliance support, legal, finance and accounting, human resource, information technology, software and middle and back office, marketing, trade execution, implementation and technology, certain modeling and strategy research and certain other services for our firm, our affiliates and our clients, are under ultimate common control with us:

- Systematica Investments GP Limited, a Jersey limited company, and acting through its Geneva branch, as general partner of Systematica Investments Guernsey LP, a Guernsey limited partnership;
- Systematica Investments Singapore Pte. Ltd, a private limited company incorporated in Singapore;
- Systematica Investments UK LLP, an English limited liability partnership
- Systematica Investments Services Limited, an English private company limited by shares; and
- Systematica Investments US LLC, a Delaware limited liability company.

Systematica Investments GP Limited, acting through its Geneva branch, as general partner of Systematica Investments Guernsey LP, Systematica Investments Singapore Pte. Ltd and

Systematica Investments UK LLP are registered with the U.S. Securities and Exchange Commission as an investment adviser.

We utilize certain affiliated entities to directly or indirectly provide certain marketing, trading and trade execution and back-office services for our firm, our affiliates and our clients.

Our firm supervises and monitors each of our affiliates and other services providers and seeks to ensure that these entities comply with our policies.

For the strategy and other relevant information for each client that our firm or our affiliates manage, please see Item 4: Types of Clients.

Our firm acts as commodity pool operator and commodity trading adviser to certain of its clients. We are registered as a commodity pool operator and as a commodity trading advisor under the U.S. Commodity Exchange Act, as amended, with the CFTC and are a member of the U.S. National Futures Association.

We do not have any arrangements with the following types of related persons that we believe create a material conflict of interest:

- a broker-dealer, municipal securities dealer or government securities dealer or broker;
- a futures commissions merchant, commodity pool operator or commodity trading adviser;
- a banking or thrift institution;
- an accountant or accounting firm;
- a lawyer or law firm;
- an insurance company or agency;
- a pension consultant; or
- a real estate broker or dealer.

We do not recommend or select unaffiliated investment advisers for our clients, receive compensation directly or indirectly from unaffiliated advisers that will create a material conflict of interest or have other business relationships with them that will create a material conflict of interest.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has established a Code of Ethics that sets forth standards of ethical conduct for our professionals. Our employees must seek to avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of our clients as a whole.

Our code of ethics mandates that our employees will at all times:

- place our collective clients' interests ahead of the interests of the firm;
- only engage in personal investing that is in full compliance with our Code of Ethics, including the personal account dealing policy;
- abide by our market abuse policies; and
- avoid taking advantage of the employee's position of employment by accepting investment opportunities, gifts or other gratuities from individuals seeking to conduct business with our firm, other than in accordance with our gifts and entertainment policy.

Additionally, our Employee Handbook provides for a range of sanctions, as deemed appropriate by our senior management, should anyone violate the Code of Ethics. These sanctions include, but are not limited to, a warning, suspension or dismissal.

In addition, we have established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of our clients.

The paragraphs above only represent a summary of key provisions in our Code of Ethics. We will provide a copy of our entire Code of Ethics to any prospective client, any client or any investor in our hedge fund clients upon request.

We generally do not buy securities from or sell securities to our clients. However, we may engage in these transactions in certain limited circumstances. These types of transactions are known as "principal transactions." This could potentially create a conflict of interest between our firm and a fund client. As a result, we have established the following policies and procedures that address these principal transactions in order to minimize any conflicts of interest:

- Our firm or our employees may not enter into a principal transaction with a client if any employee, or any person controlling, controlled by or under common control with, our firm receives compensation from any source for acting as broker for the transaction.
- Each principal transaction shall be effected for cash consideration at the current market price of the security, based on current sales data relating to transactions of comparable size. If no comparable sales data are available on the day in question, then the transaction shall be effected at a price equal to the average of the highest current independent bid and lowest current independent offer determined on the basis of reasonable inquiry. Restricted securities or securities for which market quotations are not readily available may not be the subject of a principal transaction. No brokerage commission, fee (except for customary transfer fees) or other remuneration shall be paid in connection with any principal transaction. Trading desks may deviate from this policy and/or formulate different procedures covering their desks, but only with the prior approval of the Chief Compliance Officer.

- Before the execution of the transaction, our firm will prepare a brief memo discussing the proposed transaction, including the proposed price, any potential commissions, the reason for the transaction and any other material information about the transaction. Our firm's Chief Compliance Officer must approve the memo before the execution of the transaction.
- The approval must be available to the client for review, and a knowledgeable representative of our firm must be available to answer any questions about the transaction.
- The client must consent to the transaction before its execution.

Finally, these entities may deal with our clients as a principal or agent as long as the transactions are completed as if they were made on normal commercial terms and negotiated on an arm's length basis.

In the event that a member of the Systematica Group causes one client to purchase an investment from another client (known as a "cross trade"), there may be a conflict of interest in how the relevant member of the Systematica Group allocates that trade. As a matter of policy, the Systematica Group will generally avoid internal cross trades between clients. However, the Systematica Group may from time to time execute "external cross transactions"; provided that (i) lower transaction costs are available, (ii) such orders do not work to the disadvantage of any client and (iii) aggregation is consistent with the Systematica Group's best execution policy. These types of transactions are executed with an intermediary broker, incurring an incremental spread, with no clients facing one another and with the Systematica Group maintaining its position as manager of the execution. These transactions will only take place provided they are done in the best interest of the participating clients, at a market rate and with an intermediary broker facing both transactions to ensure that no opposing clients face each other. The member of the Systematica Group will try to ensure that any conflict of interest that we become aware of is resolved fairly. Prior to execution of a cross transaction, a person familiar with the trade will be responsible for checking that the transaction is performed at a fair price and is in the best interests of each participating client. In the event that existing market conditions do not allow to match current market prices at the time of the external cross transaction, the person responsible for the transaction must prepare a memorandum explaining the rationale behind the transaction and have it reviewed and approved by the Chief Compliance Officer before the trade can be executed.

Principals and employees of our firm may buy and sell for themselves securities that they also buy and sell for our clients. This could create a conflict of interest if our principals and employees receive more favorable execution prices than do our clients because our principals' and employees' trades might have driven up the market prices of target securities. However, we contain this conflict through the personal account dealing policy for all of our staff below.

Purpose

The activities related to personal account transactions which are prohibited are those:

- which give rise to a conflict of interest with the firm's regulatory obligations to our clients;
- which involve insider dealing (including dealing ahead of a client order), disclosing inside information other than in the proper course of the exercise of employment, market manipulation or any other behavior prohibited under market abuse rules, including but not limited to the European Union Market Abuse Directive;
- which involve advising or procuring, other than in the proper course of employment, any other person to enter into a transaction which would be covered by the above; or
- which involve disclosure, other than in the proper course of someone's employment, of any information or opinion to another person where the person disclosing that information knows, or ought reasonably to know, that the person receiving that information is likely either to deal based on that information or to encourage another to deal.

Application

This policy applies to dealings by:

- all of our firm's personnel including all employees in all of our offices, wherever located, and their spouses, family members and others living in their households, business partners, trusts or corporations directly or indirectly controlled by such persons, any other person who might receive material information from any of such persons; and by
- any person whose relationship with a member of our firm's personnel results in the member of our firm's personnel having a direct or indirect material interest in the outcome of the transaction.

These procedures do not apply to:

- transactions entered into, without consultation with our employee, through a discretionary account;
- transactions in life assurance policies;
- transactions in mutual funds; and collective investment schemes (except those managed by our firm);
- transactions in OECD sovereign government bonds;
- cash deposit accounts (e.g., bankers acceptances, bank CDs and time deposits, money market funds, commercial paper and/or repurchase agreements); or
- foreign exchange transactions.

Permission to Deal

As noted above, our firm's personnel or their related persons must obtain approval from our compliance department before undertaking a personal account transaction in investments in relation to all types of investments, including, but not limited to:

- equity securities (both publicly quoted and private, and including initial public offerings and capital raisings);
- contracts for difference or spreadbets (including spreadbets on indices);
- warrants;
- bonds (including convertible bonds);
- commodities;
- indices;
- exchange-traded futures;
- limited partnerships;
- futures and options; and
- derivatives or similar financial instruments where the underlying asset is any of those listed above.

As part of the approval process, our compliance department may seek approval for the transaction from the head of the relevant trading desk (or another relevant senior investment professional). We do not require our personnel to obtain this approval themselves. Approvals to deal are valid until close of business on the day following the date on which approval is given. The term "close of business" applies to the market in the country in which the individual is based. Regardless of any permission granted, no dealing may take place if, at the time of dealing, the person with the approval is in possession of material, non-public information about the relevant security.

There is a minimum holding period of one month for all personal account transactions. This holding period applies from the date of execution.

Employees may not sell an investment to, or buy from, any Client unless the Compliance department has pre-approved such transaction.

Below is a summary of the procedure for obtaining approval for personal account transactions:

- Our firm's employee must submit a trade request using our dedicated online and centralized compliance system, StarCompliance.

- Our compliance department will review the trade request in the system and issue a notification to the employee approving or denying transaction. The decision will be logged in the system. The employee must wait for approval before dealing.

Disclosure of Personal Account Transactions and Certification of Holdings

Our firm's personnel must arrange for our compliance department to receive promptly a copy of the contract note/confirm for each personal account transaction within seven days of trading. While arrangements can be made to have the contract notes/confirms provided directly to our compliance department by the broker used for the transaction, responsibility for providing the information remains with the employee. Failure to provide contract notes/confirms may prevent approval of further personal account transactions.

Certification of Holdings

Our firm's personnel are required to make initial disclosure of their holdings in all investments covered by this policy at the time they begin employment at our firm. Our firm's personnel are also required to certify to our compliance department, on an annual basis, details of all holdings in all investments covered by this policy. Certain employees (as determined by the compliance department) are required to report these holdings on a quarterly basis.

Please see the disclosure immediately above for a description of how we generally address conflicts that arise in the sale of securities between clients.

9. Brokerage Practices

In determining which brokers, dealers and counterparties we use, and when we place portfolio transactions and negotiate commission rates, our firm generally seeks to obtain the best execution for our clients' portfolios, and we take into account factors such as the following:

- ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- the size of order and difficulty of execution;
- confidentiality and/or other disclosure issues;
- the financial strength, integrity and stability of the broker;
- the firm's risk in positioning a block of securities;
- creditworthiness of the broker; and
- the competitiveness of commission rates in comparison with other brokers satisfying our firm's other selection criteria.

Research Payment Accounts

Members of the Systematica Group have established and may continue to establish from time to time one or more “Research Payment Accounts” on behalf of certain clients to pay for investment research, which will be funded by such clients in accordance with an agreed budget. Such accounts will be operated in accordance with the policies of the Systematica Group and, where relevant, the rules, guidance, principles and codes comprised in the Handbook of Rules and Guidance issued by the Financial Conduct Authority of the United Kingdom.

To the extent applicable, members of the Systematica Group will also operate within the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Members of the Systematica Group may receive for their own benefit certain goods or services from time to time from service providers to clients which are regarded as acceptable minor non-monetary benefits within the meaning of the relevant rules. However, our firm generally does not enter into soft dollar arrangements.

Referrals in Selecting or Recommending Broker-Dealers.

We do not receive referrals for clients from any broker-dealers. For more information on our affiliates, please see Item 7: Other Financial Industry Activities and Affiliates.

Directed Brokerage.

As our clients are all private investment funds and separately managed accounts managed by us, we select all broker-dealers and do not permit our clients to direct brokerage.

Aggregation of Trades – Policies and Procedures

Where possible, we combine orders on behalf of our clients if we decide to invest in the same security for more than one client. In these cases, we will allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on a pro rata basis among the clients participating in the transaction. While the combining orders in this way may, over time, benefit all clients, in particular cases, mainly due to rounding, the pro-rata allocation could be less advantageous to one client than if that client had been the only participant in the transaction or had completed its transaction before the other clients.

10. Review of Accounts

Fund clients

As described above in Item 5: Method of Analysis, Investment Strategies and Risk of Loss, our clients follow systematic and quantitative strategies. As such, the strategies systematically adjust a client’s positions within each market, and hence achieves a dynamic distribution of risk, according to proprietary signals and market risk level. Our risk group risk determines appropriate risk limits for our clients. The limit sets applied are determined on the basis of its investment approach and the applicable regulatory requirements. Many of the limits are encoded into the execution platform so that, for instance, exchange limits are respected across the entire trading platform pre-trade. Other limits ensure that a client maintains a given liquidity profile by

comparing the position size to daily trading volumes and open interest, or restrict the maximum size of a trade that can be executed.

With respect to our fund of funds clients, we allocate the assets of these fund of funds clients equally across their underlying funds and therefore we monitor these clients on any subscription or redemption day.

Managed Accounts

Our managed accounts are managed using a fully systematic proprietary method that has the main goal of balanced risk apportionment across securities and sectors to allocate to these client accounts. There are no fixed selling levels or fixed profit taking levels. The team reviews the systematic trading model quarterly.

Investors in our clients that are hedge funds or funds of hedge funds receive the following written reports regarding the client or clients in which they have invested:

- Weekly net asset value estimates;
- Monthly final net asset value calculations;
- Monthly “value-at-risk” reports;
- Monthly profit and loss comparisons; and
- Annual and, when appropriate, semi-annual financial reports.

11. Client Referrals and Other Compensation

To the extent that commissions paid to brokers are shared with third parties from whom we may obtain data and research, our firm may be deemed to receive a benefit. For more information on our “soft-dollar” practices, the potential conflicts of interest and how we will resolve them, please see Item 9: Brokerage Practices.

Other than any potential benefits discussed in this brochure, our firm does not, nor do any of the principals or employees of our firm, benefit from non-clients providing investment advice or other advisory services to our clients.

We have entered into sub-distribution agreements for the marketing and distribution of several of our clients by third parties. The third parties are paid certain compensation for their activities. Compensation is in the form of a percentage from management fees, performance-based fees and/or distribution fees. All terms with these third parties are negotiated on an arm’s-length basis.

12. Custody

With respect to our U.S. clients, we are deemed under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, to have custody of these clients’ funds due to (i) our access to fund

clients and authority to instruct the administrator to deduct fees and other expenses from a client's account and (ii) services provided by the Systematica Group as general partners of certain of our fund clients.

We utilize the services of banks or other qualified custodians (as defined under Rule 206(4)-2) to hold all assets of these clients. We also endeavor to ensure that the qualified custodians maintain these funds in accounts that contain only clients' funds and securities, under the fund client's name or our name as agent or trustee for the clients.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement because all hedge fund clients managed by our firm are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we expect to distribute audited financial statements to all investors in our hedge fund clients within 120 days of the end of the fiscal year of the client.

We do not have custody of the assets of certain of our managed account clients. These clients will receive account statements directly from their custodians.

13. Investment Discretion

Our firm accepts discretionary authority to manage our clients' securities accounts. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' private offering documents and/or managed account documentation. These documents cover various matters, including:

- the types and amounts of securities of which a client's portfolio will consist;
- portfolio allocation limitations; and
- the degree of risk assumed by a client's portfolio.

Before we accept the discretionary authority inherent in managing our clients, we carefully review the investment strategies and investment programs set out in the appropriate offering documents. By completing subscription documents to acquire an interest in one of our clients, investors give us complete authority to manage their investments in accordance with the offering documents that they each received.

Before we provide investment advice to managed account clients, we require each client to appoint us as agent and attorney-in-fact of its portfolio. This gives us complete discretionary authority to buy and sell any investment securities and instruments in the amounts and at the prices that we determine, subject to any restrictions that may be imposed in the client's managed account agreement.

14. Voting Client Securities

Proxy Voting Policies

In accordance with our proxy voting policy, we abstain from voting when:

- we reasonably believe that the outcome of the vote has been decided, regardless of how we may vote;
- the subject of the vote is not material to the interest of our client;
- the outcome of the matter is immaterial to the overall value of the client interest or otherwise outweighed by the cost of determining how to vote such matter; or
- whenever it is in the overall best interest of the client to abstain from voting.

Given that we use systematic trading models for our clients and given that we invest on behalf of our clients across a wide range of markets, we generally abstain from proxy voting as a matter of policy.

We may hire independent third parties to provide certain proxy voting and record-keeping services in accordance with this policy. We will monitor the performance of these proxy voting services to ensure their compliance with our firm's policies.

Our policy requires us to maintain a record of all proxy votes cast on behalf of our clients. In addition, we may rely upon third-party service providers to maintain the records of votes cast as long as those service providers have agreed to provide a copy of the records promptly upon our request.

In the event there is a conflict of interests or potential conflict of interests in voting a proxy, our firm's Chief Compliance Officer will determine whether the conflict is material. If a conflict is not considered material, we may vote the relevant proxy normally and as described in this policy. If a conflict is deemed material, we will hire an impartial third party to vote the proxy on our behalf, or may use any other method our firm's Chief Compliance Officer deems appropriate under the circumstances and given the nature of the conflict of interest.

Our firm will provide a copy of the proxy voting policies and information regarding any proxies actually voted by our firm to any client, including any investor in a fund client, upon the request of the client, at no cost.

In limited situations, we may not have the authority to vote on certain clients' securities. In these cases, clients may contact us, at any time, with questions about a particular proxy solicitation.

15. Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our clients. Our firm has never been the subject of a bankruptcy petition.