

Calvion Capital Management, LP

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This “**Brochure**” provides information about the qualifications and business practices of Calvion Capital Management, LP. If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer (“CCO”), Barnaby Ferrero, at 917-714-9544 or by email at bf@calvioncapital.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Calvion Capital Management, LP is an SEC registered investment adviser, such registration, however, does not imply a certain level of skill or training.

Additional information about Calvion Capital Management, LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure is Calvion's annual update. Investors and prospective investors should carefully review the disclosure contained herein. There were no material changes made to this brochure since Calvion's last annual amendment filed in March 2019.

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Item 4: Advisory Business

Calvion Capital Management, LP is a Delaware limited partnership (hereinafter “**Calvion**”, “**we**”, “**us**”, “**our**”, the “**Firm**”, or the “**Investment Manager**”) founded in 2018. Calvion serves as the investment adviser, with discretionary trading authority to the following funds: Calvion Capital Fund LLC (the “**Onshore Fund**”), Calvion Capital Fund Ltd. (the “**Offshore Fund**”), and Calvion Capital Master Fund LP (the “**Master Fund**”) (collectively referred to herein as the “**Funds**” or the “**clients**”). Calvion Management GP LLC (the “**General Partner**”) serves as the General Partner of the Master Fund.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The Funds’ securities are offered and sold on a private placement basis under exemptions promulgated under the “**Securities Act**” of 1933 and other applicable state, federal, or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in the Securities Act and “qualified purchasers” as defined in the Investment Company Act of 1940. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

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

We do not currently participate in any Wrap Fee Programs.

As of January 31, 2020, the Firm has regulatory assets under management of \$80,173,717 all managed on a discretionary basis.

Item 5: Fees and Compensation

The fees applicable to each Fund are set forth in detail in each Fund’s offering documents. A brief summary of such fees is provided below.

Management Fee

Calvion is paid a management fee, payable during the month or at month-end, as compensation for the services to be performed by the Investment Manager (the “**Management Fee**”).

The Management Fee ranges from .75% to 2% annually. Calvion may waive the Management Fee in full or in part.

Performance Allocation

With respect to each Interest, the Manager receives a special allocation (the “**Performance Allocation**”) at the end of each Performance Period equal to the “**Performance Percentage**” which means with respect to each class of interest an amount ranging from 10-20% annually.

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

Incentive Allocation

A separate book capital account (the “**Book Capital Account**”) will be established for each Interest. Profits and losses generally will be allocated to the Book Capital Accounts of the Interests at the end of each Fiscal Year and upon the admission, withdrawal, or expulsion of a Member, or the contribution of additional capital from an existing Member, if such admission, withdrawal, expulsion or additional contribution occurs on a day other than the beginning or the end of a Fiscal Year. Except for the Manager’s Performance Allocation and “new issue” profits and losses subject to the Fund’s carve-out arrangements, profits and losses will be allocated to the Book Capital Accounts of the Interests in proportion to the relative values of such Book Capital Accounts at the beginning of the relevant fiscal period.

The Fund has implemented carve-out arrangements under Financial Industry Regulatory Authority (“**FINRA**”) Rules 5130 and 5131 (the “**Rules**”) pursuant to which (i) Members that are “restricted persons” under the Rules will be allocated, as a group, profits and losses attributable to the Master Fund’s investments in “new issues” in an amount equal to the lesser of (a) their pro rata interest in profits and losses based on their relative Book Capital Account balances and (b) 10%; and (ii) Members that are executive officers or directors of a particular public company or covered private company will be allocated, as a group, profits and losses attributable to a particular “new issue,” if such public company or covered private company has an investment banking relationship with the broker allocating such “new issue” to the Master Fund, in an amount equal to the lesser of (a) their pro rata interest in profits and losses based on their relative Book Capital Account balances and (b) 25%.

Item 7: Types of Clients

Our clients will be the Funds. Any initial and additional investment minimums are disclosed in the offering memorandum for the relevant Fund.

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

Investment Objective and Strategy

The investment objective of the Fund (through its investment in the Master Fund) is to achieve uncorrelated risk-adjusted returns by investing in public market opportunities that arise as a result of or are related to global macroeconomic, geopolitical and government policy changes in developed and emerging countries.

In seeking to achieve this objective, the Fund may trade, buy, sell (including sell short), and otherwise acquire, hold, dispose of (using margin and other forms of leverage) and deal in (directly and indirectly through pooled investments and other investment vehicle participations and otherwise), financial instruments and other rights and interests including, without limitation, listed and unlisted, registered and unregistered securities of various U.S. and international issuers, including, but not limited to, equity and equity-related securities (e.g., common stock, preferred stock, stock warrants and rights, convertible securities, “new issues” and indices related to any of the foregoing), exchange traded funds, futures contracts and options on futures contracts traded on or subject to the rules of international exchanges or other boards of trade, swap contracts and forward contracts, currencies, notes, bonds, commercial paper, debentures, warrants, debt instruments and other fixed income securities

(corporate, derivative and governmental, rated and unrated, interest-only and principal-only), limited partnership interests, membership interests, limited liability company interests and mutual fund shares, as well as listed and over-the-counter options and other derivative instruments (including credit derivatives) on all of the above instruments, and rights to acquire the same of public and private issuers throughout the world, and such other instruments or interests as the Investment Advisor deems appropriate.

In implementing its investment strategy, the Master Fund may engage in short selling and may borrow to leverage its investments, fund withdrawals, and pay expenses. The Master Fund may obtain its leverage in any manner deemed appropriate by the Investment Adviser, including trading on margin, borrowing under credit facilities, and entering into derivative transactions that have the effect of providing the Master Fund leveraged exposure to certain assets. The degree of leverage utilized by the Master Fund is not limited to any predetermined level.

The Master Fund may not be fully invested at all times and may hold cash and make investments in short-term debt instruments, money market funds, government securities, certificates of deposit, bankers' acceptances, and cash equivalents. The Investment Adviser may vary the foregoing investment objectives and guidelines to the extent it determines that doing so would be in the best interest of the Fund.

Risk Factors

General Economic and Market Conditions. The success of the Master Fund's investment activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, and changes in laws. These factors may affect the level and volatility of securities prices and the liquidity of the Master Fund's investments. Unexpected volatility or illiquidity could impair the Master Fund's profitability or result in losses.

Limited Diversification. The Master Fund's portfolio may not be as diversified as other investment vehicles. Because the Investment Adviser from time to time may concentrate the Master Fund's investments in a limited number of industries or issuers and/or strategies, the Master Fund's performance may become more susceptible than a diversified portfolio to fluctuations in value or loss resulting from adverse economic or business conditions that affect those industries, issuers, or strategies. Accordingly, investors should expect that the Fund's performance may be subject to high volatility.

Competition. The investment industry is extremely competitive. In pursuing its investment and trading methods and strategies, the Master Fund will compete with many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers and brokers. In relative terms, the Master Fund may have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, more sophisticated technologies, larger research staffs, and more investment professionals than the Investment Adviser has or expects to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which an investment may be purchased by the Master Fund and the price it expects to receive upon consummation of the transaction.

Limited Investment Opportunities. The Investment Adviser at times may be unable to identify suitable investments for the Master Fund or the Master Fund may be unable to purchase suitable investments in periods of market volatility or disruption or for any number of other reasons. As a result, the Master Fund may not always be fully invested.

Turnover. The Master Fund's capital may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions, mark-ups, and fees. These commissions and fees will reduce the Master Fund's profits.

Financial Market Dislocation and Illiquidity. The upheaval in the U.S. and global financial markets since 2008 continues to create uncertainty and instability for all market participants. The impact of market, legal, regulatory, reputational, and other unforeseen risks affecting market participants cannot be predicted and could adversely affect the business of the Fund and the Master Fund, restrict the ability of the Master Fund to acquire, sell, or liquidate investments at favorable times and/or prices, restrict the Master Fund's investment and trading activities, and impede the Master Fund's ability to achieve its investment objectives.

Increased Governmental and Regulatory Scrutiny; Litigation and Regulatory Risks. Governmental scrutiny of the financial services industry has increased dramatically in the past several years. Routine and targeted examinations of hedge fund managers have increased and regulators have been more likely in recent years to commence investigations and bring enforcement actions against industry participants. Responding to examinations, investigations, and enforcement actions is both time consuming and expensive, and would divert the time and effort of the Investment Adviser's senior management from the business of the Fund. In addition, commencement of a lawsuit or regulatory proceeding against the Fund or the Investment Adviser, regardless of the eventual outcome, could adversely affect the reputation of the Fund and the Investment Adviser and could result in the imposition of penalties or limit the ability of the Investment Adviser to conduct its business and the Fund to offer Interests in jurisdictions with so-called "bad actor" laws. The extent of the Fund's and the Investment Adviser's exposure to legal and regulatory matters is unpredictable.

Brokerage Firms and Custodians May Fail. The brokers, banks and other financial institutions with which the Master Fund does business or at which the Master Fund's assets are held may encounter financial difficulties that impair the operational capabilities or the capital position of the Master Fund. Should one of the Master Fund's brokers or banks become bankrupt and/or fail to segregate the Master Fund's assets on deposit as required, the Master Fund may be subject to a risk of loss. In addition, there can be no guarantee in the event of a broker's insolvency that the pool of customer property held by the broker pursuant to applicable law will be sufficient to satisfy all customer claims, including those of the Master Fund. Further, even if the Master Fund does not lose the assets on deposit with one or more brokers (or other financial institutions with which the Master Fund may deal), the Master Fund could incur market losses as a result of financial difficulties at such institutions (including, but not limited to, in situations where the Master Fund may be unable to access its assets and/or execute transactions through its brokers or other financial institutions in a timely manner). In addition, non-U.S. institutions are subject to different bankruptcy and regulatory regimes than those applicable to U.S. institutions, and in doing business with such non-U.S. institutions the Master Fund may not be afforded certain of the protections provided by U.S. law.

Changes in Applicable Law. The Fund, the Master Fund, and the Investment Adviser each must comply with various legal requirements, including requirements imposed by the

securities and commodities laws, tax laws, and pension laws of the United States and various other jurisdictions. Should any of those laws change to any material extent, the legal requirements to which the Fund, the Master Fund and the Investment Adviser may be subject could differ materially from current requirements. Moreover, the full impact of some laws, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, is not yet clear, as Congress left to the SEC and the CFTC broad discretion in promulgating rules and regulations to implement the particulars of the legislation. The SEC and the CFTC as well as other regulators, self-regulatory organizations, and exchanges around the world also have the authority to take extraordinary actions in the event of market emergencies and such actions could have a material adverse impact on the Fund.

Strategy and Permitted Investment

Technical Trading Systems. The Investment Adviser may rely on technical trading systems. For any technical trading system to be profitable, there must be price moves or “trends” – either upward or downward – in some financial instrument that the system can track and those trends must be significant enough to dictate entry or exit decisions. Trendless markets have occurred in the past and are likely to recur. In a trendless or erratic market, a technical trading system may fail to identify a trend on which action should be taken or may overreact to minor price movements and thus establish a position contrary to overall price trends, which may result in losses. In addition, a technical trading system may be profitable for a period of time, after which the system fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood that the Investment Adviser’s technical systems will be profitable.

Reliance on Quantitative Analysis. The Investment Adviser’s investment strategies may rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that the Investment Adviser will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose the Fund to the risk of significant losses. In addition, the analytical techniques used by the Investment Adviser cannot provide any assurance that the Fund will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by the Investment Adviser change in ways not anticipated by the Investment Adviser. The effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or Financial Instruments may prove ineffective.

To the extent that information regarding the Fund’s positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer the Investment Adviser’s quantitative investment strategies from such public information. The use of the Investment Adviser’s investment strategies by other persons, whether as a result of reverse engineering, “front running” or other actions, may have a material adverse effect on the performance of the Fund.

Algorithmic Trading Risks. The Investment Adviser anticipates it may make use of quantitative and “algorithmic” or “black box” trading strategies or systems. Algorithmic trading is generally accomplished through the use of computer algorithms and systems to automatically make trading decisions, submit orders, and manage those orders after

submission, all without human intervention. The Investment Adviser's algorithmic trading activities, including risk management, depend on the integrity and performance of the hardware, software and communications systems supporting them. Extraordinary transaction volume, hardware or software failure, programming defects or flaws, power or telecommunications failure or a natural disaster could cause the Investment Adviser's computer systems to operate at an unacceptably slow speed or even fail. Any significant degradation or failure of the systems the Investment Adviser uses to gather and analyze information, enter transaction orders, process data, monitor risk levels and for other purposes may result in substantial losses on transactions, liability to other parties, lost profit opportunities, increased operational expenses and/or diversion of technical resources. These factors could have a material adverse effect on the Investment Adviser's revenues and materially reduce, or even eliminate, the Investment Adviser's available capital.

Additionally, the algorithmic trading undertaken by the Investment Adviser may rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex algorithms, and there is no assurance that the Investment Adviser will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose the Investment Adviser to the risk of significant losses. In addition, the analytical techniques used by the Investment Adviser cannot provide any assurance that the Investment Adviser will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by the Investment Adviser change in ways not anticipated by the Investment Adviser. For example, as a result of the extreme market events of May 6, 2010, often referred to as the "**Flash Crash**" during which equity markets dropped precipitously during a short period and subsequently recovered much of the losses prior to the close of trading, many algorithmic trading systems incurred significant losses and/or were temporarily shut down by their operators due to the extreme and unprecedented market conditions. There can be no guaranty that similarly extreme market conditions will not occur again in the future, and if similar conditions were to occur, they could substantially interfere with the ability of the Investment Adviser to implement its strategies and/or could expose the Investment Adviser to the risk of significant trading losses. Furthermore, given the rapid speed with which orders are entered into the market by an algorithmic trading system, any errors or "bugs" in such algorithmic trading system, or any human error, could result in a significant amount of erroneous orders being submitted to the market, which could result in significant trading losses for the Fund. Finally, the effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial instruments may prove ineffective.

To the extent that information regarding the Investment Adviser's positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer the Investment Adviser's quantitative strategies from such public information. The use of the Investment Adviser's investment strategies by other persons, whether as a result of reverse engineering, "front running" or other actions, may have a material adverse effect on the performance of the Investment Adviser.

Furthermore, the Investment Adviser depends on the proper and timely function of complex computer and communications systems maintained and operated by or for the exchanges on which the Investment Adviser executes transactions, the Investment Adviser's clearing brokers and other data providers. Failures or inadequate or slow performance of any of these systems could adversely affect the Investment Adviser's ability to timely complete transactions, including the Investment Adviser's ability to close out positions, and result in lost

profit opportunities and significant losses on transactions. This could have a material adverse effect on the Investment Adviser's revenues, and could materially reduce, or even eliminate, the Investment Adviser's available capital. For example, unavailability of price quotations from third parties may make it difficult or impossible for the Investment Adviser to use some of its proprietary software that it relies upon to pursue its investment activity. Unavailability of records from one of the Investment Adviser's clearing or brokerage firms can make it difficult or impossible for the Investment Adviser to accurately determine which transactions have been executed, or the details, including price and time, of any transaction executed. This unavailability of information also may make it difficult or impossible for the Investment Adviser to reconcile its records of transactions with those of another party or to accomplish settlement of executed transactions.

Increased Use in the Markets of Algorithmic Trading Methods. In recent years, there has been a substantial increase in financial instrument trading systems, methods, and strategies employing algorithmic and other quantitative or black box trading methods. There also has been an increase in the overall volume of trading and liquidity of the financial instrument markets. While the effect of any increase in the proportion of funds traded pursuant to algorithmic or other quantitative trading approaches in recent years cannot be determined, any such increase could alter trading patterns or affect execution of trades to the detriment of the Investment Adviser.

Reliance on Fundamental Analysis. The Investment Adviser may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that the Investment Adviser's fundamental trading systems will enable the Investment Adviser to accurately value the financial instruments in which the Fund invests or that any anticipated price trends will materialize with respect to such investments.

Market Dislocation, Illiquidity and Volatility. Significant dislocations, illiquidity and volatility in the overall fixed income market and in the wider global financial markets have occurred in the past several years (and may occur once again), which had an adverse effect on market liquidity and caused significant market disruption. To the extent that such marketplace events occur again, they may have an adverse impact on the availability of credit to businesses generally and lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of the Fund's investments to greater or lesser extents. Such marketplace events also may restrict the ability of the Fund to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose the Fund's ability to hold such investments until maturity).

Availability and Accuracy of Information. The Investment Adviser selects investments for the Fund on the basis of information and data derived from firsthand research by the Investment Adviser and publicly-available research reports by various analysts. Although the Investment Adviser intends to evaluate all such information and data and to seek independent corroboration when the Investment Adviser considers it appropriate and when it is reasonably available, the Investment Adviser will not in many cases be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in such cases will be dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities

relating to certain of the Fund's financial instruments may result in material losses. In addition, certain strategies of the Investment Adviser may rely on the financial information made available (on a non-confidential basis) by the issuers, servicers, third party modeling firms, third party data providers including macro-economic data and trustees of securities in which the Fund will invest.

Financial Instruments Believed to be Undervalued or Incorrectly Valued. The Fund may invest in financial instruments that the Investment Adviser believes are undervalued or incorrectly valued. The identification of investment opportunities in such financial instruments is a difficult task. While investments in such financial instruments offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from such financial instruments may not adequately compensate the Fund for the business and financial risks assumed. Further, such financial instruments may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Adviser anticipates. In addition, the Fund may be required to hold such financial instruments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Fund's assets may be committed to the financial instruments purchased, thus possibly preventing the Fund from investing in other opportunities. In addition, the Fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If the Fund takes long positions in financial instruments that decline and short positions in financial instruments that increase in value, then the losses of the Fund may exceed those of other portfolios that hold long positions only.

Equity Securities. The Fund may trade in equity securities. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The Fund may acquire long and short positions in listed and unlisted common equities, preferred equities and convertible securities of issuers domiciled in developed or in emerging market countries. The Fund may invest in equity securities regardless of market capitalization, including small-cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. The Fund may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

Long/Short Strategy. The Fund may pursue a long/short strategy with respect to equities, credit, commodities, and other financial instruments. Because a long/short strategy involves identifying securities, commodities or other financial instruments which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the relevant financial instrument, which may not necessarily occur or may occur over extended time frames which limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

Short Sales. The Investment Adviser may effect short sales of securities as part of its hedging strategy in a given investment or in those instances when the Investment Adviser is of the belief that a given security is over-priced. A short sale involves the sale of a financial instrument that the Fund does not own in the expectation of purchasing the same financial instrument (or a financial instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Fund often must borrow the financial instrument, and the Fund is obligated to return the financial instrument to the lender, which is accomplished by a later purchase of the financial instrument by the Fund. When the Fund makes a short sale of a financial instrument on a U.S. exchange, it must leave the proceeds thereof with a Broker and it must also deposit with a Broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the financial instrument and a corresponding loss to the Fund. The extent to which the Investment Adviser engages in short sales depends upon its investment strategy and perception of market direction; the Fund does not necessarily have a policy limiting the amount of capital it may deposit to collateralize its obligations to replace borrowed financial instruments sold short.

Risks from Hedging Activities. The Investment Adviser may, as described above, from time to time utilize stock index futures and/or stock index options for the purpose of rapid risk reduction. There remains a substantial risk, however, that these and other hedging techniques may not always be effective in limiting losses. If the Investment Adviser's trading methodology analyzes market conditions incorrectly, the Investment Adviser's hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. These risk reduction and other hedging techniques may also increase the volatility of the Fund, may involve a small investment of cash relative to the magnitude of the risk assumed, or result in a loss if the other party to the transaction does not perform as promised.

Trading is Speculative and Volatile. Financial instrument prices are highly volatile. Price movements for financial instruments are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, U.S. and foreign political and economic events and policies, changes in national and international interest rates and rates of inflation, currency devaluations and revaluations, and sentiments of the marketplace. No assurance can be given that the Fund will be profitable or that it will not incur substantial losses.

Reliance on the Investment Adviser. The Fund relies on the Investment Adviser for the management of its investment portfolio. There could be adverse consequences to the Fund in the event that the Investment Adviser and its principals cease to be available to devote their services to the Fund. In addition, the Investment Adviser's past experience may not improve the Fund's results.

Trading in Currencies. The Fund is expected to trade currencies and financial instruments in interbank and forward contract markets which the Investment Adviser believes to be well-established and of recognized standing. Nonetheless, the Fund may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the Fund's position. Although certain currency trades may be effected through exchange-traded financial instruments, the foreign currency market remains predominantly an over-the-counter

market, and is therefore subject to the risks typical to over-the-counter trading. See “Certain Risk Factors – Over-the-Counter and Other Derivatives Trading in General” and “– Forward Trading” below. The Investment Adviser may effect such trades with Brokers, banks and other market participants which it believes to be creditworthy.

Over-the-Counter and Other Derivative Instruments in General. The Investment Adviser may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following:

- (i) *Tracking* — When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Investment Adviser from achieving the intended hedging effect or expose the Fund to the risk of loss.
- (ii) *Liquidity* — Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Investment Adviser may not be able to close out a position without incurring a loss for the Fund.
- (iii) *Leverage* — Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Fund and could cause its assets to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature in derivative instruments.
- (iv) *Over-the-Counter Trading* — Certain derivative instruments may not be traded on an exchange. Over-the-counter financial instruments that may be purchased or sold by the Fund may include swap transactions, forward foreign currency transactions and bonds and other fixed income securities. Over-the-counter financial instruments, unlike exchange traded financial instruments, are two-party contracts with price and other terms negotiated by the buyer and the seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. Because performance of over-the-counter financial instruments is not guaranteed by any exchange or clearinghouse, the Fund will be subject to the risk of the inability or refusal to perform with respect to such financial instruments on the part of the counterparties with which they trade. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the Fund to substantial losses.
- (v) *Lack of Regulation* — Financial instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded financial instruments and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The counterparty to an over-the-counter financial instrument entered into by the Fund may not be subject to the same credit evaluation and regulatory oversight as are members of exchange based markets. The same may be true with respect

to financial instruments traded on certain types of alternative exchanges (e.g., exempt commercial markets) that are less regulated than traditional securities, commodities and futures exchanges.

- (vi) *Market Conditions* — Recent events in the financial markets resulting in the failure of large institutions that serve as counterparties to many over-the-counter financial instruments have resulted in greater illiquidity of such instruments and heightened concern for counterparty risk.

Default and Counterparty Risk. Some of the markets in which the Fund may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. In addition, in the case of a default, the Fund could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The Fund may not have an internal credit function which evaluates the creditworthiness of its counterparties. The ability of the Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

Forward Trading. Forward contracts and options thereon, unlike exchange traded futures contracts and options on futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals that deal in the forward markets are not required to continue to make markets in the commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

Commodities and Futures Trading. Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets. A principal risk in trading futures contracts is the traditional volatility (rapid fluctuation) in market prices. Because of the low margin deposits typically required in futures contract trading, a relatively small movement in the market price of a futures contract may result in a disproportionately large profit or loss. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in a particular futures beyond certain set limits. If prices fluctuate during a single day’s trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – the Investment Adviser could be prevented from promptly liquidating

unfavorable positions and thus be subject to substantial losses. There are special risks that are associated with the Fund's futures trading program:

- (i) *Volatility* — Futures prices are highly volatile. Price movements for the futures contracts and options on futures contracts which the Investment Adviser may trade are influenced by, among other things, changes in supply and demand relationships, weather, agricultural, trade, fiscal and monetary programs and policies of governments, U.S. and foreign, political and economic events and policies, changes in national and international interest rates and rates of inflation, currency controls, devaluations and revaluations and sentiments of the marketplace. Governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. No assurance can be given that the Fund will be profitable or that it will not incur substantial losses.
- (ii) *Position Limits* — The CFTC and certain exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short positions that any person may hold or control in particular commodities. All commodity accounts owned, held, controlled or managed by the Investment Adviser or its principals and affiliates, including accounts of other clients for which the Investment Adviser acts as commodity Investment Adviser, will be combined for position limit purposes with the positions held by the Fund. While the Investment Adviser presently believes that established position limits will not adversely affect the Investment Adviser's trading decisions, it is possible that trading decisions of the Investment Adviser may have to be modified and that positions held by the Fund may have to be liquidated to avoid exceeding such limits. Certain non-U.S. exchanges are not subject to position limits.
- (iii) *Price Limits* — U.S. commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." In addition, even if futures prices have not moved beyond the daily limit, the Investment Adviser may not be able to execute futures trades at favorable prices if little trading in such contracts is taking place (i.e., there is a "thin" market).
- (iv) *Margin* — Futures are typically traded on "margin." The "margin" is the amount of escrow or performance bond deposit that the Fund will have to make and maintain with its futures commission merchants (future brokers) to secure its future obligation to close out open positions. The initial margin requirements may be satisfied by the deposit of cash (or, in some U.S. markets, certain U.S. Government obligations). The open positions must be "marked to market" daily, requiring additional margin deposits if the position reflects a loss that reduces the Fund's equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. The level of margin that must be maintained for a given position is sometimes subject to increase, requiring additional cash outlays. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits result in a high degree of leverage. Because margin requirements normally range upward from as little as 2% or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly because the prices of futures

frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

- (v) *Size of the Investment Adviser's Accounts* — Depending upon the size of the Fund, it may be difficult or impossible for the Investment Adviser to take or liquidate a position in a particular commodity, method or strategy due to the size of the accounts which may be managed by the Investment Adviser.
- (vi) *No Intrinsic Value of Positions* — For every futures and forward trading gain, there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. As such, futures and forward trading is a risk transfer economic activity. Unlike most alternative investments, allocating assets to the Investment Adviser for futures and forward trading does not involve acquiring any asset with intrinsic value. Overall stock and bond prices could rise or fall significantly and the economy as a whole could prosper or falter without regard to whether the Investment Adviser trades profitably or unprofitably.
- (vii) *Failure of Non-Correlation Will Eliminate Benefits of Diversification* — Historically, the futures and foreign exchange markets generally have been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is no statistically valid relationship between the past performance of futures and forward contracts on the one hand and stocks or bonds on the other hand. Non-correlation should not be confused with negative correlation, where the positive performance of one asset class results in negative performance of the other (and vice versa). Because of this non-correlation, the Fund could be profitable during unfavorable periods for the stock market, or vice-versa. The futures and forward markets are fundamentally different from the securities markets in that for every gain in futures and forward trading, there is an equal and offsetting loss. If these financial instruments do not perform in a manner non-correlated with the general financial markets or do not perform successfully, any diversification benefits will be lost and the Investment Adviser may not generate gains to offset losses from other financial instruments.
- (viii) *Trading in Options on Commodity Interests* — An option on a commodity or a commodity futures contract is a right, purchased for a certain price, to either buy or sell a particular type of commodity or commodity futures contract during a certain period of time for a pre-established price. The Investment Adviser may engage in such trading. Although successful commodity options trading would require many of the same skills as does successful commodity futures trading, the risks involved are somewhat different. For example, if the Investment Adviser buys an option (either to sell or purchase a commodity or commodity futures contract), it will be required to pay a “premium” representing the market value of the option. Unless it becomes profitable to exercise or offset the option before it expires, the Investment Adviser will lose the entire amount of such premium. Conversely, if the Investment Adviser sells an option (either to sell or purchase a commodity futures contract), it will be credited with the premium but will have to deposit margin (which will in all cases exceed the premium received) due to its contingent liability to take the underlying futures position in the event the option is exercised. Traders who sell options are subject to the entire loss that may occur in the underlying commodity or commodity futures position (less any premium received). Commodity options trading on United States exchanges is subject to regulation by both the CFTC and such exchanges.

- (ix) *Trading Decisions.* Trading decisions made by the Investment Adviser in connection with its commodity futures trading program is by fundamental analysis and by technical analysis generated by its trading program technology. The profitability of both technical and fundamental analysis in futures trading depends upon the accurate forecasting of price moves of futures contracts whether short or long term. No assurance can be given of the accuracy of the forecasts or the existence of a price move. Although a technical trading approach may consist of a series of fixed rules applied manually or by computer, the principals or employees of the Investment Adviser still must make certain subjective judgments and decisions. A fundamental trading approach or a combination technical and fundamental approach normally involves the exercise of a significant degree of discretion and judgment by the Investment Adviser. No assurance can be given that the Investment Adviser and its principals and employees will exercise such discretion and judgment correctly.
- (x) *Other Technical Trading Methods.* Computerized futures trading systems, methods, and strategies based either exclusively on technical analysis or on a combination of fundamental and technical analysis are not new. There has been an increase in both the use of these approaches in recent years and in the overall volume of trading and liquidity of the futures markets. While the effect of any increase in the proportion of funds traded pursuant to technical methods in recent years cannot be determined, any such increase could alter trading patterns or affect execution of trades to the detriment of the Fund.
- (xi) *Failure of Lack of Segregation of Assets by FCMs.* The Commodity Exchange Act requires a clearing FCM to segregate all funds received from customers from such FCM's proprietary assets. If the Fund's FCMs fail to do so, the assets of the Fund might not be fully protected in the event of their bankruptcy. Furthermore, in the event of an FCM's bankruptcy, the Fund could be limited to recovering only a pro rata share of all available funds segregated on behalf of the FCM's combined customer accounts, even though certain property specifically traceable to the Fund (for example, Treasury bills deposited by the Fund with the FCM as margin) was held by the FCM. In certain cases, it is possible that none of the Fund's assets held at the bankrupt FCM may be recoverable, even if such FCM has properly segregated the Fund's assets from the FCM's proprietary assets.

Trading on Non-U.S. Exchanges. The Fund may engage in trading on exchanges outside the United States. Trading on such exchanges is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. For example, some foreign exchanges are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of an exchange or clearing organization. Moreover, such trading may be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect the Fund's trading activities. The risks of investing in non-U.S. securities and other financial instruments may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets and higher brokerage commissions and custody fees. Furthermore, foreign trading is also subject to the risk of changes in the exchange rate between U.S. dollars and the currencies in which financial

instruments traded on such exchanges are settled. Some foreign futures exchanges require margin for open positions to be converted to the “home currency” of the contract. Additionally, some brokerage firms have imposed this requirement for all foreign futures markets traded, whether or not it is required by a particular exchange. Whenever margin is held in a foreign currency, the Fund is exposed to potential gains or losses if exchange rates fluctuate. Although the CFTC is prohibited by statute from promulgating rules that govern in any respect any rule, contract term or action of any foreign commodity exchange, the CFTC has full authority to regulate the sale of foreign futures contracts within the United States and has adopted regulations that may restrict the Fund and the contracts and markets on which the Fund trade, which may have an impact on the Fund’s future performance results.

Non-U.S. Financial Instrument Risks. The Fund may invest in the financial instruments of non-U.S. nations, including, without limitation, the equities of companies of non-U.S. nations. There are certain risks involved in investing in financial instruments of non-U.S. nations that are in addition to the usual risks inherent in U.S. investments. These risks include those resulting from the revaluation of currencies, adverse political and economic developments, and the possible imposition of currency exchange blockages or other non-U.S. governmental laws or restrictions, reduced availability of public information concerning issuers and the lack of uniform accounting, auditing and financial reporting standards or of other regulatory practices and requirements comparable to those applicable to U.S. companies. Moreover, financial instruments of non-U.S. nations and their markets may be less liquid and their prices more volatile than those of comparable U.S. financial instruments and markets. In addition, with respect to certain non-U.S. countries, there is the possibility of expropriation, nationalization, confiscatory taxation and limitations on the use or removal of funds or other assets of the Fund, including the withholding of dividends. Non-U.S. financial instruments may be subject to non-U.S. government taxes that could reduce the yield on such financial instruments. In addition, because the Fund may invest in financial instruments denominated or quoted in currencies other than the U.S. dollar, changes in non-U.S. currency exchange rates may adversely affect the value of such financial instruments, the appreciation or depreciation of investments and the yield of the Fund. Investment in non-U.S. financial instruments also may result in higher expenses due to the cost of converting non-U.S. currency to U.S. dollars, the payment of fixed brokerage commissions on non-U.S. exchanges, which generally are higher than commissions on U.S. exchanges, the expense of maintaining securities with non-U.S. custodians, and the imposition of transfer taxes or transaction charges associated with non-U.S. exchanges. Moreover, individual non-U.S. economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions.

Investments in Emerging Markets. The Fund may invest in financial instruments and other instruments of certain non-U.S. corporations and countries. Investing in the financial instruments of companies (and governments) in certain countries (such as emerging nations or countries with less well-regulated financial instruments markets than the U.S., the UK or other European Union countries) involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including, among other things, political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; the small size of the financial instruments markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict the Fund’s investment opportunities; and, in most cases, less effective

government regulation than is the case with financial instruments markets in the United States. In addition, accounting and financial reporting standards in such countries are not equivalent to standards in more developed countries, and, consequently, less information is available to investors.

Currency and Exchange Rate Risks. The Fund may invest in financial instruments denominated in currencies other than the U.S. Dollar or in financial instruments which are determined with references to currencies other than the U.S. Dollar. The Fund, however, will generally value its assets in U.S. Dollars. To the extent unhedged, the value of the Fund's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates, and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably through intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which the Fund may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the Fund's financial instruments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Fund's non-U.S. Dollar financial instruments. Forward currency contracts and options may be utilized on behalf of the Investment Adviser to hedge against currency fluctuations, but the Investment Adviser is not required to hedge and there can be no assurance that such hedging transactions, if undertaken, will be effective.

Index Valuation. Investors should keep in mind that an index can respond only to reported price movements in its constituent securities. An index will therefore reflect the stock market as a whole, or particular market segments, only to the extent that the securities in the index are being traded, the prices of those trades are being promptly reported, and the market prices of those securities, as measured by the index, reflect price movements in the relevant markets. The index level will be affected by all of the factors that may at the time affect prices in the relevant markets for the constituent securities of the index, including, among other things, applicable laws, regulations and trading rules, the market-making and order processing systems of those markets, the liquidity and efficiency of those markets, and the prices and price behavior of futures contracts on that index or a related index.

Foreign Securities. Foreign securities historically have been highly volatile and may involve greater risks than comparable U.S. investments, because of, among other things, instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation may also affect investment in foreign securities. Higher expenses also may result from investment in foreign securities than would be the case with domestic securities because of the costs that are incurred in connection with conversions between various currencies and because foreign brokerage commissions may be higher than the United States. Foreign securities markets also may be less liquid, more volatile and less subject to governmental supervision than those in the United States. Investments in foreign countries could be affected by other factors not present in the United States, including lack of

uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Sovereign Debt Risk. Investments in sovereign debt securities involve special risks. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to: the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, the Fund may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the Fund's ability to obtain recourse may be limited.

Foreign Developments. The Fund's revenue in some countries subjects the Fund to trends, developments or other events in foreign countries which may affect the Fund adversely. The Fund's revenues will likely be globally diversified. As a result, the Fund's results could be affected not only by general industry trends, but also by trends, developments or other events in individual countries, including:

- (i) limited legal protection and enforcement of intellectual property rights;
- (ii) restrictions on the repatriation of capital;
- (iii) fluctuations in interest and foreign exchange rates;
- (iv) varying tax regimes which could adversely affect the Fund's results or cash flows, including regulations relating to transfer pricing and withholding taxes on remittances and other payments by subsidiaries and joint ventures;
- (v) exposure to different legal standards and enforcement mechanisms and the associated cost of compliance;
- (vi) tariffs, duties, export controls and other trade barriers;
- (vii) longer accounts receivable settlement cycles and difficulties in collecting accounts receivable;
- (viii) recessionary trends, inflation and instability of the financial markets;
- (ix) higher interest rates;
- (x) termination of copyrights;
- (xi) political instability; and
- (xii) other differences and unexpected changes in the regulatory environment.

Global Economic Uncertainty. Current uncertainty in global economic conditions could adversely affect the Fund's prospects. Current uncertainty in global economic conditions poses a risk to the overall economy as consumers and businesses may defer purchases in

response to tighter credit and negative financial news, which could negatively affect product demand and other related matters. The current volatility and disruption to the capital and credit markets have reached unprecedented levels and have adversely impacted global economic conditions, resulting in significant recessionary pressures and lower consumer confidence and lower retail sales in general. Consequently, demand could be different from the Investment Adviser's expectations due to factors including changes in business and economic conditions, including conditions in the credit market that could affect consumer confidence, customer acceptance of the Fund's assets, and changes in the level of inventory at retailers, any of which could have a material adverse effect on the Fund's results.

Security Futures Contracts. Security futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, may be subject to the joint jurisdiction of commodities and securities governmental agencies (to the extent applicable). Security futures contracts are subject to the same risks as other securities, as well as to the greater volatility and risks of futures trading. Since they are relatively new products, security futures contracts have relatively low liquidity and limited trading history.

Credit Default Swaps. The Fund may enter into credit default swaps. In general, a credit default swap is a type of over-the-counter credit derivative between two counterparties whereby one counterparty (the "purchaser") is obligated to pay the other counterparty (the "seller") a periodic stream of payments ("premiums") over the term of the contract, in return for the seller's obligation to pay the purchaser upon the occurrence of a credit event (e.g., bankruptcy, failure to pay, obligation acceleration or restructuring) with respect to an underlying reference obligation or reference obligor. The Fund may stand on either side of a credit default swap (i.e., either as the purchaser or the seller). Credit default swaps are non-standardized, privately negotiated transactions and the payment by the seller to the purchaser is contingent upon the occurrence of a credit event as defined in the swap transaction documents, which definition may be more expansive or narrow than what would normally be viewed as a default by the reference obligor, whether under the reference obligation or otherwise. In addition to the risk of non-performance of the counterparty, there is an inherent risk in being able to predict the likelihood of a credit event under a credit default swap. Also, credit default swaps generally are traded over-the-counter and not on an organized market, which may make them illiquid and difficult to value. If the Fund is the purchaser under the swap agreement and no credit event occurs, the Fund will not recoup the premiums it paid to the seller. Likewise, if the Fund is the seller under the swap agreement, it may be required to pay an amount upon the occurrence of a credit event that far exceeds the periodic premium payments received by the Fund under the swap agreement. The Fund may rely on the use of credit default swap transactions to hedge its exposure to the debt of underlying issuers. The recent dislocation in the financial markets may make it more difficult for the Fund to enter these transactions and, therefore, may increase the costs to the Fund of entering into credit default swaps (or prevent it from doing so entirely).

Fixed-Income Investments. The Fund is expected to invest in fixed-income financial instruments. The value of fixed-income financial instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income financial instruments can be expected to rise. Conversely, when interest rates rise, the value of such financial instruments can be expected to decline. Investments in lower rated or unrated fixed-income financial instruments, while generally providing greater opportunity for gain and income than investments in higher rated financial instruments, usually entail

greater risk (including the possibility of default or bankruptcy of the issuers of such financial instruments).

Interest Rate Risk. Debt securities are subject to price fluctuations during the period they are outstanding depending upon the interest rate fluctuation during such period. This is called the interest rate fluctuation risk of debt securities. In general, as interest rates fall, the security's price will rise, and as interest rates rise, the security's price will fall. When interest rates fluctuate, the duration (which is based on the weighted average life of the cash flow of a security) may be used as an indication of the degree of change in the debt security's price. The bigger its duration value, the larger the change in the debt security's price for a given movement in interest rates.

Credit Risk. Debt securities generally are subject to credit risk. Credit risk relates to the ability of the issuer of a debt security (or a borrower under a note or a loan) to make interest and principal payments on the security (or loan) as they become due. If the issuer fails to pay interest, the Fund's income might be reduced and the value of the debt security may be reduced. If the issuer fails to repay principal, the value of that security and the Net Asset Value of the Interests will be reduced. Debt securities that are below investment grade are particularly subject to risks of default.

Credit Ratings. Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency's opinion regarding credit quality based on the rating agency's evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating may not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

Exchange Traded Funds. The Fund is expected to invest in exchange traded funds ("ETFs") that represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

The Fund is also expected to invest in certain ETFs that have investment exposure to the commodities markets which may subject them to greater volatility than investments in traditional securities, such as stocks and bonds (discussed above). The commodities markets

may fluctuate widely based on a variety of factors. These include changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or investor expectations concerning interest rates, domestic and foreign inflation rates and/or investor expectations concerning inflation rates and investment and trading activities of mutual funds, hedge funds and commodities funds. Prices of various commodities may also be affected by factors such as drought, floods, weather, livestock disease, embargoes, tariffs and other regulatory developments. Many of these factors are very unpredictable. The prices of commodities can also fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers. As a result, political, economic and supply related events in such countries could have a disproportionate impact on the prices of such commodities. Because the performance of certain such ETFs may be linked to the performance of highly volatile commodities, investors should be willing to assume the risks of potentially significant fluctuations in the value of shares of such ETFs.

The Fund may also invest in ETFs that have investment exposure directly in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, foreign (non-U.S.) currencies. Such ETFs are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the U.S. or abroad. As a result, an ETF's investments in foreign currency-denominated securities may reduce the return of the ETF.

Options Trading. The Fund will trade options. An option is a right, purchased for a certain price, to either buy or sell the underlying instrument or product during or at the end of a certain period of time for a fixed price. The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. For example, if the Fund buys an option, it will be required to pay a "premium" representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, the Fund may lose the entire amount of the premium. Conversely, if the Fund sells an option, it will be credited with the premium, but will have to deposit margin due to its contingent liability to deliver or accept the underlying instrument or product in the event that the option is exercised. Sellers of certain options are subject to unlimited risk of loss, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may become restricted in the event that trading in the underlying asset becomes restricted.

Liquidity Risk Associated with Options Trading. As a result of various limits established by exchanges and the inherent limits of the facilities of exchanges and/or The Options Clearing Corporation (the "OCC"), there may not be a liquid secondary market for an option contract the Fund holds when the Fund wishes to close out its position prior to its expiration or exercise. These limits include:

- (i) restrictions imposed by exchanges on opening transactions or closing transactions or both;
- (ii) restrictions imposed by exchanges limiting the maximum number of positions on the same side of the market and limits on the maximum net long or net short position;
- (iii) restrictions imposed by an exchange on the amount of fluctuation in the price of the underlying security during a single trading day;
- (iv) trading halts, suspensions or other restrictions imposed with respect to particular option contracts;
- (v) interruption of normal operations on an exchange due to unusual or unforeseen circumstances;
- (vi) the inadequacy of the facilities of an exchange or the OCC to at all times handle current volume and process options transactions; and
- (vii) the decision of an exchange to discontinue the trading of certain option contracts for economic or other reasons.

If there is no liquid secondary market for an option contract or other position held by the Fund, the Investment Adviser may not be able to close out such position prior to the contract's expiration or exercise and may have to purchase or sell the underlying security, make or receive a cash settlement or meet ongoing margin requirements. A suspension would render it temporarily or permanently impossible to liquidate positions and could thereby expose the Fund to significant losses. A reduction in the level of liquidity in the options market in general would reduce the Fund's transaction volume and, therefore, adversely affect its profit opportunities and reducing its revenues.

Item 9: Disciplinary Information

This item is not applicable.

Item 10: Other Financial Industry Activities and Affiliations

Calvion is registered with the CFTC as a commodity pool operator under the Commodity Exchange Act. Calvion is operating the Fund as an exempt pool under CFTC Rule 4.13(a)(3) and therefore is not required to adhere to certain disclosure, reporting, and recordkeeping requirements under the Commodity Exchange Act.

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

Code of Ethics

Calvion has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and sets forth procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees

also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must not conduct any personal securities transactions unless consistent with the Code of Ethics' Employee Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees, their spouses or domestic partner (except a spouse or partner with a valid separation/divorce decree) and minor children, and other dependents, are required to periodically report their personal securities transactions and holdings to the CCO. Upon commencement of employment with the Firm, Employees must provide the CCO with the names of any brokerage firms or banks where the Employee has an account in which any securities, futures or commodities are held. These records are used to monitor compliance with Calvin's "**Employee Investment Policy**." The Employee Investment Policy allows employees to trade in single-named securities, but may not execute more than 5 trades per day. Employees may not trade in single-name securities for the duration of the time they are held in the portfolio.

A copy of Calvin's Code of Ethics is available upon request.

Item 12: Brokerage Practices

Calvin is authorized to determine the broker or dealer to be used for each securities transaction for the Fund. In selecting brokers or dealers to execute transactions, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. The Investment Manager will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. It is not the Investment Manager's practice to negotiate "execution only" commission rates, thus the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. However, all transactions will be made on a "best execution" basis.

Best Execution

In selecting Brokers to execute transactions, Calvin need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favourable under the circumstance. Calvin will take into account the Broker's reliability, reputation, financial responsibility, stability, ability to execute trades, nature and frequency of sales coverage, commission rate, if any, and responsiveness.

Soft Dollars

The Firm does not intend to have in place any soft dollar arrangements.

Item 13: Review of Accounts

Review of Accounts

The Funds' portfolio is reviewed on an on-going basis.

Client Reports

As soon as practicable following the end of each Fiscal Year (but in no event later than 90 days following the end of each Fiscal Year), the Fund will send to all Members annual audited financial statements prepared in accordance with GAAP.

Item 14: Client Referrals and Other Compensation

This item is inapplicable.

Item 15: Custody

We will comply with the requirements of the Rule 206(4)-2 of the Advisers Act ("**Custody Rule**") with regards to custody of assets of the Funds.

Annually, upon completion of each Fund's annual audit, we will distribute to our investors the audited financials along with annual K-1s. The CCO shall ensure that audited financials for each of the Funds are delivered to all investors within 120 days of the calendar year end, in compliance with the Custody Rule.

Item 16: Investment Discretion

We have full discretionary authority over the Funds. Any limitations on authority are included in the PPMs and other governing documents of the Funds, as applicable.

Item 17: Voting Client Securities

To the extent that we are delegated proxy voting authority on behalf of the Funds, we will comply with our proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interest of the Funds. The investors in the Funds may not direct voting of proxies.

If a material conflict of interest between us and a Client should arise, we will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take another appropriate action.

Upon request, we will provide investors with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. Calvion is not aware of any financial

condition reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.