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# Eagle Trading Systems Inc.

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**This Brochure provides information about the qualifications and business practices of Eagle Trading System Inc. (“Eagle”). If you have any questions about the contents of this Brochure, please contact us at (609) 688-2060. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Eagle is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

**Additional information about Eagle also is available on Eagle’s website at: [www.eaglets.com](http://www.eaglets.com) and the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## ITEM 2 – MATERIAL CHANGES

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This Item 2 discusses material changes to this Brochure that occurred since the last annual update of this Brochure filed on March 8, 2019. All undefined terms have the meanings ascribed to those terms in the Brochure.

Item 4 – This Brochure includes information about Amaris Quantitative Advisors, LLC (“Amaris”), an investment adviser affiliate of Eagle formed in October 2019. Amaris is a Relying Adviser of Eagle and is deemed to be registered with the SEC through Eagle’s Form ADV filing. To disclose information about Eagle and Amaris collectively, this Brochure uses the newly defined term the “Firm.”

Item 10 – Information about a conflict of interest Amaris has in using the software, models and algorithms that it licenses to implement its investment strategy.

Items 6 and Item 11 – Additional conflicts that arise due to the side-by-side management of the Amaris investment strategy and the Eagle investment strategy for Equity Securities and how the Firm addresses those conflicts.

Item 14 – Eagle no longer has any arrangements with third-party marketers and the response to this Item has been revised accordingly.

Item 15 – Eagle no longer has custody of any Client assets and the response to this Item has been revised accordingly.

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## ITEM 4 – ADVISORY BUSINESS

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Eagle is a Delaware corporation formed in May 1993. Eagle became registered as an investment adviser with the Securities and Exchange Commission (“SEC”) on June 26, 2009. Eagle has been registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator and commodity trading advisor and has been a member of the National Futures Association since June 22, 1993. Eagle also was approved as a forex firm on September 29, 2010. All of the shares of Eagle are owned by its Chief Executive Officer, Chief Compliance Officer, Chairman and President, Menachem Sternberg, and Liora Sternberg.

Eagle provides advice regarding certain financial instruments, which include:

- listed equity securities publicly traded on U.S. or global securities exchanges and derivatives thereon, including, for example, common and preferred stocks, depositary receipts, securities options, exchange traded funds (“ETFs”), and other equity derivatives (collectively, “Equity Securities”)
- positions in the global futures and forward markets in foreign currencies, government fixed income instruments, energy, equity indices, and traditional commodities (e.g., agriculturals, softs, and metals), and also include swap contracts and currencies, 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 (collectively, “Futures and Derivatives”); and
- discretionary investment management services regarding cash, deposit accounts, short-term fixed income instruments, money market funds and/or cash equivalents (which include U.S. treasuries and other U.S. government securities, bank deposits, certificates of deposits, bankers acceptances and similar bank instruments) (collectively, “Cash Securities” and collectively with Equity Securities, “Securities”).

Eagle’s primary investment strategy involves trading Futures and Derivatives for managed accounts, private investments funds and proprietary accounts pursuant to Eagle’s proprietary trading systems. Certain of these accounts do not receive any advice regarding Securities from Eagle (“Non-Securities Accounts”). These Non-Securities Accounts are not “investment advisory clients” for purposes of the Investment Advisers Act of 1940, as amended. Therefore, these Non-Securities Accounts are generally not discussed in this Form ADV, Part 2A, except in the context of conflicts of interest that arise between Client accounts (as defined below) and Eagle’s management of the Non-Securities Accounts.

Eagle currently acts as a sub-adviser providing discretionary investment advice regarding Equity Securities to a private investment fund (“Fund”). Eagle also trades Securities and Futures and Derivatives for its own proprietary accounts. In the past, Eagle also provided discretionary investment advice to managed accounts, Eagle sponsored Funds and other externally sponsored Funds. Some of such accounts received both Securities and Futures and Derivatives advice from Eagle while other of these accounts solely received Securities advice from Eagle. Eagle and/or

its affiliates may provide such advice again to such accounts in the future and, therefore, this Form ADV Part 2A continues to include conflicts involved in managing multiple client accounts and multiple strategies.

Eagle utilizes proprietary trading systems and may in the future license third-party systems to provide discretionary investment management services regarding Equity Securities and Futures and Derivatives.

Information about the Funds, including information about investment strategies, fees, risks and other material information, is contained in each Fund's respective offering documents (collectively, "Memorandum").

Clients that are Funds are governed by the investment restrictions contained in its respective Memorandum. Non-Fund Clients may impose investment restrictions on Eagle.

Amaris is an investment adviser affiliated with Eagle and is registered with the SEC as a relying adviser ("Relying Adviser") of Eagle under a single Form ADV filing. Eagle and Amaris are collectively referred to throughout this Brochure as the "Firm." The Fund and any managed accounts and additional Funds that receive and/or will receive Securities advice from the Firm are referred to throughout this Brochure collectively as the "Clients."

Amaris is a Delaware limited liability company established in October 2019. Amaris' principals are Eagle and Elaris Technologies Ltd. ("Elaris"). Elaris is majority owned by Boris Dvinsky. Eagle Labs (as defined below) is a minority shareholder of Elaris. For additional information about Amaris, see Schedule R of Eagle's Form ADV Part 1A.

Amaris' statistical arbitrage investment strategy involves trading Equity Securities, primarily listed equity securities publicly traded on U.S. securities exchanges and American Depositary Receipts ("ADRs") of companies publicly traded on non-U.S. securities exchanges pursuant to Amaris' proprietary trading systems. Amaris' investment strategy does not involve trading any Futures and Derivatives.

The Firm had approximately \$136,427,895 of regulatory assets under management on a discretionary basis as of January 31, 2020 excluding assets of any Client accounts that were managed by the Firm as of January 31, 2020 but are no longer managed by the Firm as of the date of the filing of this Form ADV Part 2A. The Firm does not manage any Securities accounts on a non-discretionary basis.

Eagle has several majority-owned subsidiaries. First, Eagle Trading Systems (R&D) Ltd. ("Eagle R&D") is a company organized and operated under the laws of the State of Israel. Eagle R&D specializes in research and systems development. Eagle R&D provides software design and support to Eagle including enhancing Eagle's research and systems development capabilities with respect to Equity Securities and Futures and Derivatives trading. Eagle R&D services to Eagle regarding Equity Securities are provided pursuant to a participating affiliate agreement ("Participating Affiliate Agreement") between the two entities. See Items 10 and 11 below for additional information on the Participating Affiliate Agreement with Eagle R&D.

Second, Eagle Labs LLC is a limited liability company organized under the laws of the State of Delaware. Eagle Labs LLC wholly owns Eagle Labs (Israel) Ltd. (“Eagle Labs”), a limited company organized under the laws of Israel. One of Eagle Labs’ focuses is proprietary alternative futures trading. Eagle does not believe that the commodities trading of Eagle Labs poses any conflict of interest to the commodities trading Eagle engages in for its Clients and Non-Securities Accounts because of the liquid nature of Eagle’s commodities trading and the minimal overlap of the types of commodities traded by Eagle Labs and Eagle. Among other things, Eagle Labs also conducts due diligence on third-party software that employ systematic trading systems for Equity Securities and Futures and Derivatives trading that may in the future be used for the benefit of Eagle Clients.

Eagle Labs, either directly or indirectly through its wholly-owned subsidiaries, enters into licensing agreements for use of third-party software systems that it believes can be used to implement investment strategies. Under the licensing agreements, Eagle Labs shares certain of the third-party software with its affiliates, including Eagle. Eagle Labs’ due diligence on third-party software that trade Equity Securities to be possibly used for Eagle Clients is conducted pursuant to a Participating Affiliate Agreement with Eagle. For risks involved in using third-party software see Item 8 below and for additional information on the Participating Affiliate Arrangement with Eagle Labs see Items 10 and 11 below.

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## **ITEM 5 – FEES AND COMPENSATION**

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### **Eagle**

While Eagle does not have a standardized fee schedule with respect to its Clients, Eagle charges management fees based on the net asset value under management and performance-based compensation based on net realized and unrealized trading gains. While Eagle does not have a standardized fee schedule management fees generally are 1.0-1.5% per annum of the net asset value under management per annum, generally charged monthly in arrears, and performance-based compensation is generally 10-20% per annum of net realized and unrealized trading gains subject to a high water mark and generally charged quarterly in arrears. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”), as applicable. Under certain circumstances, fees are negotiable. The factors that determine whether or not fees will be negotiable include, among other factors, the relationship between Eagle and the Client, amount of assets under management, and type of advisory services (including whether Eagle is providing non-securities advisory services as well). Fees charged with respect to Eagle’s Non-Securities Accounts may be similar or different to those charged to its Clients (and those charged to investors in the Funds). Differences in fee arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities (see also Items 6 and 11).

Fees are billed separately and are not deducted from Client assets. The specific manner in which fees are charged by Eagle is set forth in a Client's written agreement with Eagle or its governing Memorandum. Generally, the management fee is computed before taking account of any redemptions at the end of the month and is pro-rated for any additional capital contributions by an investor which occur other than at the beginning of a month.

Client advisory agreements are generally terminable upon 30 days' prior written notice to Eagle, without penalty. Upon termination of any account, for any partial period, fees charged to Clients in arrears will be prorated. Withdrawals by investors in a Fund are governed by such Fund's respective Memorandum.

Clients also incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions where applicable. Such charges, fees and commissions are exclusive of and in addition to Eagle's fee, and Eagle does not receive any portion of these commissions, fees, and costs.

Funds bear the expenses incurred in connection with their organization and the continuing offering of their interests. These expenses include, without limitation, legal fees, accounting fees, printing costs, government filing fees, and out-of-pocket expenses incurred by Eagle in connection with offering the Funds' interests. Other fees and expenses relating to the operation of the Funds will also be borne by the Funds. These expenses will include: (i) transaction costs and investment-related expenses incurred in connection with all investment and trading activities, including brokerage, exchange-related, and clearing expenses; (ii) directors' fees in the amount as stated in a Fund's Memorandum (excluding directors affiliated with Eagle who have elected to waive their fees), in addition to routine legal, accounting, auditing, tax preparation, custodial and related out-of-pocket expenses for all directors and regulators charges; (iii) expenses associated with the formation of any master Fund to a feeder Fund and the continued offering of interests in a Fund, other than finders' fees, if any; (iv) all other operational expenses, including, but not limited to, photocopying, facsimile, postage, duplication and telephone expenses; (v) extraordinary expenses (e.g., litigation costs and indemnification obligations), if any; (vi) each Fund's administrator's fees; and (vii) any fees of other service providers disclosed in each Fund's Memorandum.

### **Amaris**

While it is not anticipated that Amaris will have a standardized fee schedule with respect to its Clients, Amaris expects to charge management fees based on either the net asset value under management or the notional value of an account, and performance-based compensation based on net realized and unrealized trading gains. It is expected that management fees generally will be up to 2% per annum, generally charged monthly in arrears, and performance-based compensation will generally be up to 20% per annum of net realized and unrealized trading gains, subject to a high water mark and generally charged quarterly or annually in arrears, though these amounts are expected to differ between Clients. Upon termination of any account, for any partial period, fees charged to Clients in arrears will be prorated. Performance-based compensation will be in conformity with Rule 205-3 under the Advisers Act. The factors that will determine the amount

of fees charged include, among other factors, the relationship between Amaris and the Client, amount of assets under management, and type of advisory services. The specific fees and expenses applicable to a Client will be set forth in detail in each Client's investment advisory agreement.

### **General**

Generally, Client expenses are billed directly to the applicable Client, however, if more than one Client and/or Non-Securities Account incurs a shared expense, the Firm allocates such shared expense among the applicable Clients and Non-Securities Accounts (i) in proportion to the net asset value of each applicable Client and Non-Securities Account; (ii) in proportion to the size of the investment made by each Client and Non-Securities Account to which the expense relates; or (iii) in such other manner as the Firm considers fair and reasonable.

Item 12 further describes the factors that the Firm considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

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As set forth in Item 5 above, Eagle's performance-based compensation is generally 10-20% per annum of net realized and unrealized trading gains subject to a high water mark and generally charged quarterly in arrears. However, certain of Eagle's Clients pay higher or lower fees. As noted in Item 5, Amaris' performance-based compensation is expected to be up to 20% per annum based on net realized and unrealized trading gains, subject to a high water mark and charged quarterly or annually in arrears. Performance-based compensation will be in conformity with Rule 205-3 under the Advisers Act. Please see Item 5 for more information.

Performance-based compensation is based upon unrealized, as well as realized, gains, and such unrealized gains may never be recognized by the Client. Thus, performance-based compensation creates an incentive for the Firm to recommend investments which are riskier or more speculative than those which would be recommended under a different fee arrangement.

If in the future the Firm has performance-based compensation arrangements with multiple Clients, such arrangements will also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. In addition, the Firm will have an incentive to favor accounts for which performance-based compensation is likely to be paid sooner than for accounts for which such compensation is likely to be paid later.

In addition, Eagle manages certain proprietary accounts and the Firm and/or its related persons may in the future invest varying amounts in certain Funds and/or open managed accounts



advised by the Firm (collectively “Related Accounts” and together with performance-based compensation accounts, “Incentive Accounts”). Like performance-based compensation accounts, the Firm has an incentive to favor Related Accounts over other managed accounts and Funds managed by the Firm and Related Accounts that have a higher amount of related person assets over other Related Accounts that have a lower amount of related person assets.

Because all Cash Securities and Futures and Derivatives purchased by Eagle are liquid and readily available, Eagle does not expect that the above described conflicts of interest will negatively affect any Client accounts with respect to such instruments. In addition, because the Equity Securities purchased by Eagle are generally liquid and readily available, the Firm expects that the above described conflicts of interest will rarely if ever negatively affect any Client accounts managed by Eagle. Furthermore, because Amaris generally transacts in small amounts of Equity Securities, the Firm expects that the above described conflicts will rarely if ever negatively affect any Client accounts managed by Amaris. The Firm also expects that Amaris and Eagle will rarely if ever transact in the same Equity Securities at the same time, and, if they ever transact in the same Equity Security at the same time, the Firm expects that such Equity Securities will generally be liquid and readily available. Furthermore, the Firm has established allocation procedures so that all Clients are treated fairly and equally on an overall basis. Please see Item 11 below for a discussion of the Firm’s allocation procedures and additional discussion of the conflicts of interest that can arise with respect to allocation of investment opportunities.

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## **ITEM 7 – TYPES OF CLIENTS**

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The Firm provides investment advice to a Fund. In the past, the Firm has provided advice to additional Funds, institutional clients and other corporate entities and may do so again in the future.

The Firm does not have a standard minimum account size.

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

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### **Eagle**

Eagle offers various Equity Security investment strategies that utilize a systematic, model driven trading approach. These trading strategies are developed internally, and in the future may also be based on trading systems licensed from third parties and/or employ a combination of self-developed and licensed trading systems. The systematic, model driven investment approach is designed to capture and participate in investment opportunities created by structural changes in the market and or temporary misvaluation of individual securities, market sectors or individual markets. Each system is based on defining the market structures and situations it attempts to

capture by the formulation of trading rules that will best achieve its goals. The applicable markets and sectors are then analyzed with the use of substantial data to confirm that the rules can be consistently applied in the actual trading. Once the programs are used in actual trading, they are observed and monitored daily, and the trading rules are re-evaluated, to seek to identify any need for refinements or modifications. The trading rules incorporate pattern recognition techniques and self-learning mechanisms to screen for opportunities. Systemization of strict trading rules is used to incorporate money management principles and volatility adjustment features. Decisions to initiate or liquidate positions are dependent upon computer-generated signals, which are based on mathematical analysis of market prices and the incorporation of predetermined risk parameters. Eagle verifies certain signals of trading systems in real time before they are utilized to review consistency with the strategy, risk parameters and permitted tradable instruments. Post-trade analysis of the strategy and thorough performance attributions are also performed by Eagle.

In addition, as discussed in Item 4 above, in the past, Eagle's investment strategies for Clients included trading Futures and Derivatives for managed accounts and Funds pursuant to Eagle's proprietary systematic trading systems and models. Furthermore, investment strategies for Clients included trading Cash Securities which is not based on systematic trading systems. Eagle continues to trade Futures and Derivatives and Cash Securities for proprietary accounts and may in the future once again trade Cash Securities and Futures and Derivatives for Client accounts. Therefore, the paragraphs below that provide a brief explanation of the material risks associated with Eagle's significant investment strategies also include a discussion of the risks associated with Eagle's Futures and Derivatives and Cash Securities strategies.

Investing in Securities and in Futures and Derivatives involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with Eagle's significant investment strategies and methods of analysis follows.

Futures and Derivatives are speculative, highly leveraged and involve a high degree of risk. The low margin deposits normally required in the trading of Futures and Derivatives permit an extremely high degree of leverage. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis, as certain Non-Securities Accounts and Clients will, even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Due to such leverage, even a small movement in price could cause large losses for such Non-Securities Accounts and/or Clients. Market volatility and leverage mean that Non-Securities Accounts and Clients could incur substantial losses, potentially impairing their equity base and ability to achieve their long-term profit objectives even if favorable market conditions subsequently develop.

Trading Futures and Derivatives requires that Eagle put down only "margin" payments with the futures commission merchants with whom it trades. Margin requirements are often much less than the notional value of the financial instruments being traded. Thus, Eagle's primary investment strategy allows Eagle and its Clients to hold cash which will be held in cash and/or invested in Cash Securities. Eagle provides discretionary investment management services to Clients with the goals of minimizing risk and generating marginal return from the cash on hand by investing in Cash Securities.

Eagle's Cash Securities trading system trades in a limited amount of securities and therefore does not reflect a fully diversified portfolio. Many Cash Securities in which Eagle invests are fixed income securities, which are subject to interest rate and market risks. The prices of fixed income securities tend to fall as interest rates rise. In addition, fixed income securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates than do fixed income securities with shorter maturities. Fixed income securities also involve credit risk, as repayment of the fixed income securities is dependent upon the creditworthiness of the issuer. To minimize these risks, Eagle invests in high-quality, short-term securities (primarily short-term obligation of the United States federal government). However, high-quality, short-term securities do not generate as much of a return as other financial instruments.

Eagle's Cash Securities investments in money market instruments generally are considered to be low risk because by definition they are highly liquid short-term securities. Nonetheless, money market funds are subject to risk, including default risk, depreciation risk and liquidity risk. For example, commercial paper is not backed by collateral. Issuers of commercial paper are required to have high credit ratings and defaults have been rare but they have nonetheless occurred. Money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation and may not be guaranteed by the Exchange Stabilization Fund. As a result, they are subject to a risk of loss.

The value of Equity Securities fluctuates in response to specific situations for each company, industry market conditions and the general economic environment. Certain Clients will likely acquire long and short positions in listed and unlisted common equities, preferred equities and convertible securities of issuers domiciled around the globe, including in both developed and emerging countries. Since non-U.S. securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars will be affected favorably or unfavorably by changes in exchange rates and exchange control regulations. Non-U.S. securities markets, in some jurisdictions, likely are not as developed, liquid, or efficient as those in the United States, and securities of non-U.S. issuers may be less liquid and their prices more volatile than securities of comparable U.S. issuers. Non-U.S. markets and non-U.S. issuers of securities generally are subject to less stringent or different regulations than are U.S. markets and issuers. There generally is less publicly available information regarding non-U.S. issuers of securities than typically is available about U.S. issuers. Custodial and brokerage expenses for transactions in non-U.S. securities may be higher than for transactions in U.S. securities. In addition, with respect to some countries, there is the possibility of expropriation, confiscatory taxation, and/or political, social and financial instability.

Although as of the date of this Brochure Eagle does not engage in options trading for Client accounts, it is anticipated that it may engage in options transactions for Client accounts in the future, either in conjunction with or in lieu of investing in underlying securities. There are risks inherent in the sale and purchase of stock options and stock index options, which are different than the risks in trading the underlying instruments or products. For example, if a Client buys an option (either to sell or buy an underlying instrument or product), 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, such Client likely will lose the entire amount of the premium. Conversely, if a Client sells an option (either to sell or buy an underlying instrument or product), it will be credited with the premium but will have to deposit margin with such Client's brokers due to its contingent liability to deliver or accept the underlying instrument or product in the event the option is exercised. Sellers of 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 be restricted in the event that trading in the underlying instrument or product becomes restricted.

Eagle relies in large measure on systematic trading systems and models that are based on a mathematical analysis of certain technical or fundamental data regarding past market price performance. Technical trading systems rely on information intrinsic to the market itself, such as prices, price patterns, volume, and volatility, to determine trades. These kinds of trading strategies ordinarily do not consider fundamental factors, except to the extent that they are reflected in technical input data analyzed by the system. Thus, these trading programs are often unable to respond to fundamental causative events until after their impact has ceased to influence the market, and, under such circumstances, futures positions dictated by such methods will likely be incorrect in light of the fundamental factors then affecting the market. These trading systems can incur major losses when factors exogenous to the markets themselves — political events, natural catastrophes, or acts of war or terrorism — dominate the markets. A further limitation inherent in technical strategies is the need for price changes which are sufficient to dictate an entry or exit decision. If there is no substantial price movement, or if a price movement is erratic or ill defined, a technical system will likely not be able to identify opportunities on which it can act.

Certain of Eagle's systematic trading systems and models may in the future incorporate licensed third-party software and algorithms licensed by Eagle Labs and/or one of its wholly-owned subsidiaries. The third-party licensors may provide support for such software and algorithms. The licensors of the software or algorithms may not materially modify the software or the algorithms without the prior approval and knowledge of the Eagle Labs entity that licenses the software and algorithms. Notwithstanding the foregoing license agreement protection, if the licensors make material modifications to their software or algorithms without the prior approval and knowledge of such licensee, and Eagle Labs and its affiliates including Eagle do not detect the changes prior to the execution of portfolio transactions for Clients, such Clients could be materially and adversely affected. In addition, changes to and/or failures or errors in the third-party software or algorithms might not be detected by the licensor, by Eagle Labs and its subsidiaries or by Eagle prior to the execution of portfolio transactions for Clients, and such Clients could be materially and adversely affected. Any failures or errors may not be remedied by the third-party licensors and Eagle and Eagle Labs and its subsidiaries likely will not have any ability to remedy such failures or errors. In the event the software or algorithms fail, experience errors or support is discontinued by the third-party licensors, Eagle Labs and Eagle will likely not be able to find replacement software and algorithms to continue the investment strategies that rely on such software and algorithms. Similarly, if the license agreements with the licensors are terminated or cannot be renewed on the same terms, investment strategies that rely on such license agreements will likely be adversely affected.

Eagle's systematic strategies rely heavily on information technology and data management systems, which systems can fail or be subject to natural or man-made interruption or destruction caused by such events as earthquakes, floods, fires, extreme weather, power loss, telecommunications failures and similar events, or break-ins, sabotage, intentional acts of destruction or vandalism or similar misconduct. In order to mitigate those risks, Eagle has in place a backup and disaster recovery procedure that outlines steps that Eagle will take to prevent or mitigate damage if such an event occurs. However, such procedures could fail or be insufficient, and any failure, interruption or destruction of the information technology systems or data could materially and adversely impact Non-Securities Accounts and/or Clients. In addition, each strategy involves the storage and transmission of proprietary and sensitive information, and breaches of security could expose Non-Securities Accounts and/or Clients to risk of loss of information, litigation and liability. Although there are information security and incident response procedures in place, breaches are still possible, and the existing procedures may not be sufficient to avoid, mitigate, or remedy a breach. The security measures may be breached as a result of third party acts, computer error or malicious code, employee error, malfeasance or otherwise, and since the methods and technologies used to obtain unauthorized access to systems change frequently and often are not recognized until used against a potential target, Eagle may not be able to anticipate the methods and technologies used or to implement adequate protections.

There can be no assurances that a Client will achieve its investment objective, that the strategy pursued and methods utilized by Eagle will be successful under all or any market conditions or that any program will provide an acceptable return to Clients or will not incur substantial losses.

The foregoing is a basic description of the material risks associated with Eagle's investment strategy and methods of analysis and does not purport to be a complete explanation of the risks involved in trading Securities, in trading Futures and Derivatives or with respect to any trading system managed by Eagle. Additional risk factors are set forth in each Fund's Memorandum or in Eagle's NFA Disclosure Document, which are available from Eagle upon request or by contacting Eagle directly.

### **Amaris**

Amaris' statistical arbitrage investment strategy involves trading Equity Securities, primarily listed equity securities publicly traded on U.S. securities exchanges and ADRs of companies publicly traded on non-U.S. securities exchanges pursuant to Amaris' proprietary trading systems. Amaris' investment strategy does not involve trading any Futures and Derivatives. Amaris expects to utilize leverage as part of its investment strategy.

Amaris' strategy is focused on long/short investing through the use of process-driven, systematic investment management employing quantitative analysis through licensed mathematical and algorithmic strategies. Algorithmic trading (i.e., automated or "black box trading") is the process of using software and computers programmed to follow a defined set of instructions for placing a trade. Amaris licenses software, models and algorithms from Elaris (the "Licensor"). The software, models and algorithms generate orders for Equity Securities.

Amaris' strategy is developed and implemented using high-powered computers. The models and techniques used are highly complex and rely on quantitative analysis of large amounts of real-time and historical financial and other data with a view towards identifying pricing discrepancies, inefficiencies and anomalies.

Investing in Securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with Amaris' significant investment strategies and methods of analysis follows.

The value of Equity Securities fluctuates in response to specific situations for each company, industry market conditions and the general economic environment. While it is anticipated that the Equity Securities traded will primarily include U.S. listed equities and ADRs, certain Clients may acquire long and short positions in listed common equities, preferred equities and convertible securities of issuers domiciled around the globe, including in both developed and emerging countries. Since non-U.S. securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars will be affected favorably or unfavorably by changes in exchange rates and exchange control regulations. Non-U.S. securities markets, in some jurisdictions, likely are not as developed, liquid, or efficient as those in the United States, and securities of non-U.S. issuers may be less liquid and their prices more volatile than securities of comparable U.S. issuers. Non-U.S. markets and non-U.S. issuers of securities generally are subject to less stringent or different regulations than are U.S. markets and issuers. There generally is less publicly available information regarding non-U.S. issuers of securities than typically is available about U.S. issuers. Custodial and brokerage expenses for transactions in non-U.S. securities may be higher than for transactions in U.S. securities. In addition, with respect to some countries, there is the possibility of expropriation, confiscatory taxation, and political, social and financial instability.

It is expected that Client investments will be highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Due to such leverage, even a small movement in price could cause large losses for such Clients. Market volatility and leverage mean that Clients could incur substantial losses, potentially impairing their equity base and ability to achieve their long-term profit objectives even if favorable market conditions subsequently develop.

Amaris relies in large measure on systematic trading systems, algorithms and models that are based on a mathematical analysis of certain technical or fundamental data regarding past market price performance. Technical trading systems rely on information intrinsic to the market itself, such as prices, price patterns, volume, and volatility, to determine trades. These kinds of trading strategies ordinarily do not consider fundamental factors, except to the extent that they are reflected in technical input data analyzed by the system. Thus, these trading programs are often unable to respond to fundamental causative events until after their impact has ceased to influence the market. These trading systems can incur major losses when factors exogenous to the markets themselves — political events, natural catastrophes, or acts of war or terrorism — dominate the markets. A further limitation inherent in technical strategies is the need for price changes which are sufficient to dictate an entry or exit decision. If there is no substantial price movement, or if

a price movement is erratic or ill defined, a technical system will likely not be able to identify opportunities on which it can act. There are material risks and challenges related to algorithms, including system failure risks, network connectivity errors, time-lags between trade orders and execution, and imperfect algorithms, which may entail additional risk if an algorithm has not been sufficiently or stringently back-tested. Amaris' trading strategy presents the risk of large, immediate losses. There can be no guarantee that the software and automated trading systems will achieve their intended objectives.

Many of the trading strategies employed by Amaris rely on patterns inferred from historical prices and other data. Even if all the assumptions underlying the models were met, the models can only make predictions. There can be no assurance that future performance will match such predictions. Further, most statistical procedures cannot fully match the complexity of financial markets and, as such, results of their application are uncertain.

There can be no assurances that the strategies pursued will be profitable. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Clients to maintain a position. In the event that the perceived mispricings underlying the Clients' trading positions fail to converge toward, or diverge further from, relationships expected by Amaris, the Clients may incur losses. Because it is anticipated that Clients will utilize leverage, Amaris could be forced to liquidate positions prematurely in order to meet margin or collateral calls.

As market dynamics shift over time, previously successful strategies and execution techniques may become outdated. Even without becoming completely outdated, Amaris' strategy may decay in an unpredictable fashion for any number of reasons including an increase in the amount of assets managed, the use of similar strategies and execution techniques by other market participants and market dynamic shifts over time. Moreover, there are likely to be an increasing number of market participants relying on strategies and execution techniques similar to those used by Amaris, which may result in a substantial number of market participants taking the same action with respect to an investment.

Amaris' strategy involves frequent trading of Equity Securities. Frequent trading will result in significantly higher brokerage commissions and charges to Clients that will offset Client profits. A position may be liquidated regardless of its holding period, whether at a gain or loss. It is expected that the rate of turnover will typically be significant.

Amaris' software, models and algorithms are third-party software, models and algorithms licensed exclusively from the Licensor. The Licensor will provide support for such software, models and algorithms. The Licensor may not materially modify the software, models or algorithms without the prior approval and knowledge of Amaris. Notwithstanding the foregoing protection, if the Licensor makes material modifications to its software, models or algorithms without the prior approval and knowledge of Amaris, and Amaris does not detect the changes prior to the execution of portfolio transactions for Clients, such Clients could be materially and adversely affected. In addition, changes to and failures or errors in the third-party software, models or algorithms might not be detected by the Licensor or Amaris prior to the execution of portfolio transactions for Clients, and such Clients could be materially and adversely affected.

Any failures or errors may not be remedied by the Licensor, and Amaris likely will not have any ability to remedy such failures or errors. In the event the software, models or algorithms fail, experience errors or support is discontinued by the Licensor, Amaris will likely not be able to find replacement software, models and algorithms to continue its investment strategy. Similarly, if the license agreement with the Licensor is terminated or cannot be renewed on the same terms, Amaris' investment strategy will likely be adversely affected.

The strategy employed by Amaris is highly reliant on gathering, cleaning, culling and analyzing large amounts of data. It is not possible or practicable, however, to factor all relevant, available data into investment decisions. In addition, due to the automated nature of such data gathering and the fact that much of this data comes from third-party sources, not all desired and relevant data will be available to, or processed by, Amaris and the Licensor. Additionally, Amaris and the Licensor, as applicable, may determine that certain available data, while potentially useful for investment decisions, is not cost effective to gather and, in such cases, will not utilize such data. There is no guarantee that any specific data or type of data will be utilized in making investment decisions, nor is there any guarantee that the data actually utilized will be the most accurate data available or free of errors.

The Amaris systematic strategies rely heavily on information technology and data management systems, which systems can fail or be subject to natural or man-made interruption or destruction caused by such events as earthquakes, floods, fires, extreme weather, power loss, telecommunications failures and similar events, or break-ins, sabotage, intentional acts of destruction or vandalism or similar misconduct. In order to mitigate those risks Amaris has in place a backup and disaster recovery procedure that outlines steps Amaris will take to prevent or mitigate damage if such an event occurs. However, such procedures could fail or be insufficient, and any failure, interruption or destruction of the information technology systems or data could materially and adversely impact Clients. In addition, Amaris will store and transmit Client proprietary and sensitive information, and breaches of security could expose Clients to risk of loss of information, litigation and liability. Although there are information security and incident response procedures in place, breaches are still possible, and the existing procedures may not be sufficient to avoid, mitigate, or remedy a breach. The security measures may be breached as a result of third party acts, computer error or malicious code, employee error, malfeasance or otherwise, and since the methods and technologies used to obtain unauthorized access to systems change frequently and often are not recognized until used against a potential target, Amaris may not be able to anticipate the methods and technologies used or to implement adequate protections.

There can be no assurances that a Client will achieve its investment objective, that the strategy pursued and methods utilized by Amaris will be successful under all or any market conditions or that Clients will not incur substantial losses.

The foregoing is a basic description of the material risks associated with Amaris' investment strategy and methods of analysis and does not purport to be a complete explanation of the risks involved in trading Securities pursuant to the trading systems managed by Amaris.



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## **ITEM 9 – DISCIPLINARY INFORMATION**

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The Firm does not have any disciplinary or legal events to report, other than as disclosed in Part 1 of this Form ADV. As disclosed in Part 1 of this Form ADV, Eagle voluntarily submitted itself to the jurisdiction of the New York Mercantile Exchange (“NYMEX”). Without admitting or denying the violation, Eagle agreed to a \$25,000 fine in a settlement with the NYMEX which found that Eagle inadvertently maintained an open natural gas futures position of 1,333 short contracts, which was 333 contracts over the 1,000 contract spot month position limit in effect for the trade date of August 25, 2011, which was Eagle’s first (and, as of the date hereof, only) violation of a position limit.

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

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Eagle is also a commodity pool operator, commodity trading advisor and forex firm registered with the Commodity Futures Trading Commission and is a member of the National Futures Association. Eagle also serves as a General Partner or Managing Member of certain of the Funds. See also Item 4. Certain control persons of Eagle also served in the past and may in the future serve as uncompensated directors on the boards of directors of certain Funds. Although such directors have a conflict of interest in making decisions on behalf of the Fund that also affect Eagle in its capacity as investment advisor to such Fund, such conflicts are mitigated by the fact that the majority of the directors of those boards are independent.

In reliance on a series of SEC no-action letters, Eagle has entered into Participating Affiliate Agreements with Eagle R&D and Eagle Labs. The Participating Affiliate Agreements enable Eagle to utilize the resources and capabilities, including certain personnel, of Eagle R&D and Eagle Labs to assist in developing the Eagle trading systems and to provide operational support with respect to the Eagle trading systems and other technology systems. Eagle R&D provides certain back office and research support services to Eagle with respect to the Equity Securities trading strategies of Eagle. Among other things, Eagle Labs conducts due diligence on third-party software that employs systematic trading systems for Equity Securities and Futures and Derivatives trading that may in the future be used for the benefit of Eagle Clients.

Eagle R&D and Eagle Labs are not registered, and are not required to be registered, with the SEC as investment advisers. However, the Participating Affiliate Agreements have the practical effect of requiring Eagle R&D and Eagle Labs to comply with the Advisers Act when developing and monitoring trading systems and conducting due diligence on third-party trading systems that may be used to benefit Eagle U.S. clients. It also causes the personnel of Eagle R&D and Eagle Labs involved in such due diligence, development and monitoring to be deemed associated persons of Eagle and subject to U.S. compliance obligations similar to those that apply to Eagle personnel, including the obligations found in the Firm’s code of ethics adopted pursuant to Rule 204A-1 under the Advisers Act. See Item 11.

Eagle Labs and/or one of its wholly-owned subsidiaries licenses certain third-party software that employs systematic trading systems. Under certain of the licensing agreements, Eagle Labs

and/or its subsidiary shares such third-party software with its affiliates including Eagle. Certain of Eagle's strategies and models may in the future incorporate third-party software.

Eagle has also purchased systematic trading software ("Related Software") from a company in which Eagle Labs owns a minority, non-controlling interest ("Related Software Company"). As compensation for such software, Eagle pays the Related Software Company a portion of the management and performance fees it earns from Clients accounts that are managed according to the strategy that uses Related Software ("Related Software Strategy"). Eagle has an incentive to use the Related Software over third-party software because Eagle Labs benefits from the fees Related Software Company receives from Eagle. Nonetheless, despite this conflict of interest, Eagle believes, based on its due diligence, that the Related Software provides a unique trading strategy that is very well suited for the Related Software Strategy.

The acquisition of the Related Software is subject to a reversionary right by the Related Software Company wherein beginning October 2018, upon 90 days prior notice to Eagle, the Related Software Company could elect to re-acquire the Related Software, which would then become subject to a perpetual license from the Related Software Company to Eagle. In the event of a reversion, the Related Software Company would be responsible for supporting and maintaining the Related Software and would not be permitted to materially modify the software or the algorithms, without the prior approval and knowledge of Eagle. Notwithstanding the foregoing protection, certain other risks would arise in the event of a reversion. If the Related Software Company exercises its reversion right, Eagle will provide sufficient advance notice thereof and a description of the related risks to affected Clients and investors in Funds to permit objecting Clients to terminate their advisory contracts and Fund investors to submit timely redemption requests.

As noted in Item 8, Amaris' software, models and algorithms are third-party software, models and algorithms licensed exclusively from the Licensor. The Licensor will provide support for such software, models and algorithms. The Licensor may not materially modify the software, models or algorithms without the prior approval and knowledge of Amaris. On or after the fifth anniversary of the license agreement, the Licensor may inform Amaris that Amaris will no longer have exclusivity in implementing the strategies developed by the Licensor, but Amaris will continue to benefit from the irrevocable license.

The Licensor is a principal of Amaris and is jointly-owned by Boris Dvinsky, the chief investment officer of Amaris, and Eagle Labs. As such, Amaris has an incentive to use the Licensor's software, models and algorithms over other third-party software, models and algorithms because Mr. Dvinsky and Eagle Labs benefit from the fees the Licensor receives from Amaris. Nonetheless, despite this conflict of interest, Amaris believes, based on its due diligence, that the Licensor's software, models and algorithms provide a unique trading strategy that is very well suited for the Amaris trading strategy.

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## **ITEM 11 – CODE OF ETHICS**

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The Firm has adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which the Firm operates and the procedures for implementing those principles. The Code includes provisions which govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, outside business activities and confidentiality.

The Code contains policies and procedures that, among other things:

- prohibit every officer, director, and employee (each, an “Employee”) from taking personal advantage of opportunities belonging to Clients,
- prohibit trading on the basis of material nonpublic information,
- Employees deemed to be access persons (“Access Persons”) (as defined below) must submit initial and annual reports of certain securities holdings and quarterly transaction reports of certain securities transactions with respect to accounts in which the Access Person directly or indirectly through any contract, arrangement, understanding, relationship or otherwise, has or shares a direct or indirect opportunity to profit or share in any profit from a security transaction or holding in the account (“Access Person Account”). Access Persons include any Employee who (i) has access to non-public information regarding Clients’ purchase or sale of securities or (ii) is involved in making securities decisions or recommendations to Clients or has access to such decisions and recommendations that are not public. Access Person Accounts include accounts of the Access Person. Access Person Accounts are also presumed to include: (i) accounts of immediate family members who share the Access Person’s household (e.g., an Access Person’s spouse, minor child, or relative who shares the same household as the Access Person); (ii) accounts of others who share the Access Person’s household; (iii) accounts of anyone to whose support the Access Person materially contributes; and (iv) other accounts over which the Access Person exercises a controlling influence or investment discretion, excluding investments in Eagle sponsored Funds,
- place preclearance requirements on certain personal transactions in Access Person Accounts as described below,
- prohibit Employees from violating federal securities laws,
- place limitations on Employee receipt and giving of gifts and entertainment,
- place restrictions on Employees regarding disclosing confidential information of the Firm,
- place limitations on outside business activities of Employees, and
- require Employees to report promptly any violations of the Code to the Chief Compliance Officer.

The Code is available for inspection in the Firm’s office by Clients, potential Clients, Fund investors and potential investors from the Firm upon request.

Other than as discussed below, prior approval of the Chief Compliance Officer or the Chief Executive Officer is required for Access Person Accounts to buy, sell or otherwise trade any Equity Securities (including ETFs), other than Exempt Securities (as defined by the Code and which generally include securities such as government-issued securities, money market fund and

certain other open-ended mutual funds). Employees must seek approval for each day a transaction is intended to be consummated in an Equity Security in an Access Person Account. If approval is granted, it is only valid from that point until the end of that trading day in the primary market of such security. If approval is not granted, then trading is restricted.

Cryptocurrencies (and derivatives thereof) are not Exempt Securities and positions and transactions thereof in Access Person Accounts must be reported. However, pre-clearance is not required.

All Access Person Account transactions in private funds and private instruments also require the prior approval of the Chief Compliance Officer or the Chief Executive Officer which must be obtained directly from one of them. If consent is granted, it is only valid from that point until the end of that trading day unless such consent explicitly provides otherwise.

All Access Person Account transactions in any Futures and Derivatives require the prior approval of the Chief Compliance Officer or the Chief Executive Officer. Such consent is generally not expected to be granted unless the Chief Compliance Officer or the Chief Executive Officer determine that there are special circumstances and that such transactions will not take opportunities from Clients. If consent is granted, it is only valid from that point until the end of that trading day unless such consent explicitly provides otherwise.

Notwithstanding any of the foregoing, there are no investment restrictions and no pre-clearance requirements on transactions in accounts over which the Access Person does not exercise investment discretion (i.e., investment discretion has been delegated to a third-party) and does not have direct or indirect control or influence (“Third-Party Controlled Accounts”) and/or investments made by an automatic investment plan (“Automatic Investment Plan”) other than transactions in initial public offerings and private placements which are required to be pre-cleared. In addition, securities held in Third-Party Controlled Accounts are not required to be reported on initial and annual holdings reports. Furthermore, Access Persons are not required to file quarterly transaction reports for transactions effected for Third-Party Controlled Accounts and/or effected pursuant to an Automatic Investment Plan.

The Eagle R&D and Eagle Labs personnel that are deemed associated persons of Eagle (See Item 10 above) will be subject to the same personal trading restrictions and reporting requirements as the Firm’s Employees. On at least a quarterly basis, Eagle R&D and Eagle Labs will report to Eagle its applicable employees’ compliance with personal trading requirements pursuant to the Participating Affiliate Agreements.

Generally, the Firm trades Equity Securities for accounts managed according to the same strategy at the same time including Incentive Accounts and Client accounts. For all Equity Securities accounts managed according to the same investment strategy, the Firm will generally (subject to the exceptions described below) invest or divest uniform percentages of each account’s total assets in or from identical Equity Securities (“target percentages”). Target percentages are generally decided prior to placing an order. The Firm’s trading systems consider some or all of the following factors in making decisions as to the amount of an Equity Security to purchase or sell for accounts held in a particular investment strategy: the strategy’s investment objective,

policies, restrictions, risk tolerance, portfolio risk, nature and size of accounts held in the strategy, suitability, liquidity and size limitations, availability of cash or buying power, and whether the strategy's accounts are eligible to participate in a trade pursuant to compliance regulations. Sometimes specific accounts in the strategy will not be allocated the security or a lower amount of the security than the target percentage for the strategy because of the accounts' particular investment objective, policies, restrictions, risk tolerance, time horizon, portfolio risk, suitability, liquidity and size limitations, availability of cash or buying power, the use of various brokers that have different restrictions on short positions in Equity Securities, and whether they are eligible to participate in a trade pursuant to compliance regulations. The Firm sometimes adjusts a trade allocation prior to settlement based on various factors including investment restrictions, legal requirements or special circumstances. Any adjustments to allocations prior to settlement must be approved by the Chief Compliance Officer.

If partial sales or purchases are made of Equity Securities, the allocation of the Equity Securities to the accounts shall be on the same ratio as the amounts intended to be bought or sold based on the target percentages. Exceptions to this policy do occur. For example, if one or more accounts would be unable to meet an investment objective, or if a pro rata allocation results in a de minimis allocation to certain accounts, the Firm will likely deviate from the preallocation formula.

In some cases, the Firm's allocation procedures cause a Client to receive a different price or amount of Equity Securities than it would have otherwise received. For example, if the Firm did not manage multiple Client accounts, each Client individually would be able to receive or sell a greater percentage of limited opportunity Equity Securities. Consequently, when multiple Clients participate in limited opportunity trades, each participating account reduces the opportunity available to other participating accounts. This conflict of interest is heightened when the Firm aggregates Incentive Account orders together with other Client orders. Under such circumstances, if the Incentive Accounts were not to participate in such limited opportunities, the other Client accounts would be able to receive or sell a greater percentage of the security. Consequently, when Incentive Accounts participate in limited equity securities opportunities, they reduce the opportunity available to other Client accounts. However, as noted in Item 6 above, because of the generally liquid nature and availability of the Equity Securities traded by Eagle there is little material risk of a partial fill of an Eagle Equity Securities transaction or of trading for Incentive Accounts disadvantaging other Client accounts. Furthermore, because Amaris generally transacts in small amounts of Equity Securities, the Firm expects the above described conflicts will rarely if ever negatively affect any Client accounts managed by Amaris. In addition, the Chief Compliance Officer will also periodically review the trading within the same Equity Securities strategy to confirm that on an overall basis accounts within the strategy are not being disadvantaged.

In addition, to the foregoing conflicts, the investment decisions for the Eagle Equity Securities and the Amaris Equity Securities strategies are made independently of each other and the trading for these two strategies are not aggregated together with each other and are sent for execution independently of each other without coordination. Consequently, at times the trading for one strategy could reduce the opportunity for the other strategy. In addition, at times the transactions for these two strategies could trade in the opposite direction of each other due to differences in investment objectives, size and makeup of the various accounts and other factors. Nonetheless,

the Firm expects that Amaris and Eagle will rarely if ever transact in the same Equity Securities at the same time, and, if they ever transact in the same Equity Security at the same time, the Firm expects that such Equity Securities will generally be liquid and readily available. In addition, the Chief Compliance Officer will periodically review the trading between the two Equity Securities strategies to confirm that on an overall basis one strategy is not disadvantaging the other strategy.

Each account participating in a block trade bears its pro rata share of the commission costs for the block trade based on the amount of Equity Securities purchased or sold for such account. All portions of a block trade executed through the same broker-dealer will be allocated at the average price obtained by the broker-dealer on that day.

In the future, Eagle proprietary accounts and Client accounts may trade in the same Cash Securities both at the same time and at different times. Cash Securities are traded for proprietary and Client accounts based on the needs of each account. Because of the liquid nature and availability of such Cash Securities, there is no material risk of a partial fill of a transaction in Cash Securities or of the trading of Cash Securities for a proprietary account disadvantaging a Client account.

If Eagle begins to invest in Futures and Derivatives for Client accounts again, then such transactions for Client accounts, Non-Securities Accounts and proprietary accounts will generally be conducted on an aggregated basis when consistent with such accounts' investment objectives. Allocation of trades between the various accounts will be made in accordance with computerized block allocation schedules generated by Eagle's systems. Because of the liquid nature of the Futures and Derivatives that Eagle trades, Eagle does not expect that any trades of Futures and Derivatives will involve limited opportunities or partial fills. In addition, to help mitigate any potential conflict of interest, in such circumstances, all accounts participating in bunched commodities trades will share commission costs equally.

For Futures and Derivatives, split fills within a block trade will be allocated between accounts based on the low to high rule (i.e., all accounts will be numbered from a low to high number and the lower number the account the lower the price it will receive on both the buy and the sell orders). While Eagle's goal is to be fundamentally fair on an overall basis with respect to all Clients and Non-Securities Accounts, there can be no assurance that on a trade-by-trade basis that any particular Client or Non-Securities Account will not be treated more favorably than another.

In the future, Eagle may recommend to Clients investments in Funds managed by Eagle. Eagle has an incentive to recommend that Clients invest in such Funds over opening managed accounts managed according to the same or a different strategy because of the higher fees Eagle generally receives from Funds. However, Eagle's policy is to allow a Client to open a managed account if the Client provides certain minimum investment amounts that justify the higher costs associated with administering managed accounts. See also Item 4.

The Firm does not engage in principal transactions with Client accounts and if it does so, it will secure applicable Client consent. Principal transactions are generally defined as transactions

where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. A principal transaction will also be deemed to have occurred if a security is crossed between a Fund holding 25% or more of the Firm's affiliated money and another Client account.

Eagle has in the past granted and may in the future grant to certain Fund investors special rights, including, without limitation, enhanced information rights and other terms without the consent of, or notification to, other Fund investors. In addition, Eagle may in the future, without notice to or consent of Fund investors, grant certain Fund investors similar special rights. It is possible that, under certain circumstances, providing access to enhanced information to such Fund investors will disadvantage other Fund investors not receiving such information. Except to the extent disclosed in a Fund's Memorandum, Eagle will not offer any Fund investor special liquidity rights or rights to be charged reduced or no management fee or performance-based compensation. Managed account Clients will negotiate their own account agreements with the Firm, and, as such, different managed account Clients sometimes have differing fees and liquidity rights.

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## **ITEM 12 – BROKERAGE PRACTICES**

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The Firm has the authority to determine, without obtaining Client consent, (1) securities to be bought and sold, (2) amount of securities to be bought and sold, (3) the broker or dealer to be used, and (4) commission rates paid. Limitations on the Firm's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, (iii) with respect to a Fund, the Fund's Memorandum, and (iv) with respect to a managed account, the relevant advisory agreement.

The Firm recommends and effects transactions through various brokerage firms, which include futures commission merchants (collectively, "Brokers") which are considered reputable and financially secure to execute its trades, and which it believes can offer best execution, on an overall or transaction basis. In selecting Brokers to execute transactions a number of factors are also considered including, among others, financial strength, quality and depth of services, price, reliability, execution, commission rate and responsiveness to the Firm. The commissions and/or fees charged by Brokers are exclusive of, and in addition to, the Firm's fees.

Generally, all Brokers used by the Firm for particular trades will be on its approved broker list ("Approved Broker List"). Brokers for Equity Securities trades are placed on the Approved Broker List by the Firm's Operations and Governance Committee which serves as the Firm's best execution committee for Equity Securities trades. Brokers for Cash Securities trades are placed on the Approved Broker List by senior management. Brokers for Futures and Derivatives trades are placed on the Approved Broker List by the Firm's Operations and Governance Committee which consists of certain members of senior management.

In selecting Brokers from the Approved Broker List to execute particular transactions, the Firm

need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost to be charged by the Brokers it selects. Due to the nature of its advisory activities, trading system and investment strategies, the Firm does not utilize research products or services from Brokers and does not intend to enter into any soft dollar arrangements with, or receive any soft dollar benefits from, Brokers. The Firm does not consider Client referrals when selecting or recommending Brokers and does not engage in directed brokerage arrangements.

The Firm's trading system generates daily reports on Equity Securities trades that are reviewed by certain of the Firm's personnel to determine that every trading signal was properly executed and the prices obtained on transactions appear appropriate. The system also generates monthly and quarterly transaction and/or holdings reports on Equity Securities trades that are reviewed by the accounting department and the Chief Compliance Officer, respectively. The Operations and Governance Committee, which serves as the Firm's best execution committee for Equities Securities trades, meets at least semi-annually and discusses, as necessary, efficiency of execution and commissions, prices received on Equity Securities and other expenses of the Firm's brokers. Any changes to the Firm's brokers used for Equity Securities trading must be made by the best execution committee.

On at least an annual basis, the Chief Compliance Officer, along with such other members of the Firm as are deemed appropriate, will review the quality of Cash Securities executions and the value of other services received from Cash Securities Brokers to the extent Client accounts trade Cash Securities. The Chief Compliance Officer will document such review as part of his annual compliance review. On at least a quarterly basis, the Chief Compliance Officer will review the quality of Futures and Derivatives executions to the extent Client accounts trade such instruments.

For a discussion about Employee's and the Firm's proprietary trading, Client opportunities, and aggregated trades, please see Item 11.

In cases of trade errors, the Firm will be responsible for any losses resulting from trade errors in connection with a Client's investment activities, provided that such losses are the result of the Firm's gross negligence. In the absence of gross negligence by the Firm, losses from securities trade errors will be borne by the affected Clients, but such Clients will also receive the full benefit of any gains resulting from such trade errors.

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### **ITEM 13 – REVIEW OF ACCOUNTS**

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If in the future the Firm will trade again for Client accounts in instruments other than Equity Securities, trading and portfolio positions in such Client accounts will regularly be reviewed by Eagle's Chief Executive Officer, Menachem Sternberg (or his designee) to determine that trading signals were properly executed, the prices obtained were appropriate and that trades were executed in accordance with the Firm's allocation policies. Trading and portfolio positions in Client accounts that trade in Equity Securities are regularly reviewed by Eagle's Director of Investment Strategies, Farzine Hachemian, and Eagle's director, Gil Sternberg, or their designees to determine that trading signals were properly executed, the prices obtained were appropriate and



that trades were executed in accordance with the Firm's allocation policies. At least periodically, the Firm's Chief Compliance Officer, Menachem Sternberg, will review accounts, including portfolio positions, for any anomalies in such accounts and the Firm's Chief Financial Officer and Chief Operating Officer, William Jacoby, will review allocations to accounts for conformity with the Firm's policies. When the Firm both manages and sponsors a Fund, such Fund's investors are provided with written periodic unaudited reports, on a monthly basis including information regarding such Fund's performance and current balance of the investor's investment in such Fund and also receive annual audited fiscal year-end financial information. When the Firm has managed account Clients, they are provided monthly performance reports related to the Firm's program in which they are invested.

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#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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The Firm does not receive an economic benefit for providing advice to its Clients from anyone other than its Clients. The Firm currently does not have any arrangements to pay any third parties for referring investors or Clients to the Firm. If in the future the Firm will have any such arrangements, the Firm will comply, as necessary, with Rule 206(4)-3 under the Investment Advisers Act of 1940.

Subject to applicable regulations, it is expected that certain employees of Eagle affiliates that own significant interests in the Related Software Company will market the Related Software Strategy to potential Clients and investors. As noted in Item 10 above, Eagle pays the Related Software Company a portion of the management and performance fees it earns from Client accounts that are managed according to the strategy that uses the Related Software. Consequently, such employees have an incentive to market the Related Software Strategy because the Related Software Company's revenues are based on a percentage of the management fees and performance-based compensation earned by Eagle on the Related Software Strategy. Client and investor accounts managed according to the Related Software Strategy do not pay any additional fees due to the fees received by the Related Software Company from Eagle for managing their accounts.

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#### **ITEM 15 – CUSTODY**

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The Firm does not currently have custody over Client assets.

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#### **ITEM 16 – INVESTMENT DISCRETION**

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The Firm has the authority to determine, without obtaining Client consent, (1) securities to be

bought and sold and (2) the amount of securities to be bought and sold. Limitations on the Firm's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to a Fund, the Fund's Memorandum. The Firm abides by the investment guidelines and restrictions set forth in each Client's investment advisory agreement or Memorandum, as applicable.

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#### **ITEM 17 – VOTING CLIENT SECURITIES**

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The Firm exercises proxy voting authority on behalf of Clients. Generally, the Firm does not vote proxies (which sometimes counts as a "yes" vote in certain circumstances) because it believes that most proxies will either not have a material financial impact on the company (e.g., proxies regarding voting rights, board elections, or generally other uncontested matters) or because of the limited time that Clients hold the company's securities such a proxy vote would not materially affect the Clients' economic interest in such security. However, the Firm will vote a proxy in response to a specific Client instruction (although the Firm bears no responsibility to inform a Client of its receipt of any proxy) or if the Firm believes that such a vote will materially affect a Client's economic interest in such security. In this case, the Firm will vote its proxies in the best interests of its Clients.

The Chief Compliance Officer reviews potential conflicts of interests related to proxy votes. Where the Chief Compliance Officer determines there is a potential for a material conflict of interest regarding a proxy, the Chief Compliance Officer will consult with the Operations and Governance Committee and a determination will be made as to how to resolve such conflicts in the respective Clients' best interests.

Clients are able to obtain a copy of the Firm's complete proxy voting policies and procedures and information about how the Firm voted any proxies on behalf of their respective accounts by using the contact information on the cover page.

The Firm will not cause Clients to be the lead plaintiff in class action lawsuits or actively participate in the litigation of any such lawsuit related to Client accounts. Furthermore, the Firm expects that with respect to most class action settlements it will not file proofs of claim on behalf of Clients because of the immaterial amounts that will be recovered by filing such proofs of claim.

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#### **ITEM 18 – FINANCIAL INFORMATION**

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The Firm's financial condition supports its ability to meet contractual commitments to Clients, and the Firm has not been the subject of a bankruptcy proceeding.