

## **Filing Adviser**

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## **Date of this Brochure: March 6, 2020**

This Brochure provides information about the qualifications and business practices of FIELD STREET CAPITAL MANAGEMENT, LLC, FIELD STREET CAPITAL MANAGEMENT (MONACO) SAM and FIELD STREET GP, LLC (collectively, the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 212 768-0000 or [info@fscm.com](mailto:info@fscm.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration of an Investment Adviser does not imply a certain level of skill or training. This Brochure does not constitute an offer to sell or the solicitation of any offer to purchase any securities of any entities described herein. Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since our last annual updating amendment, filed March 29, 2019, the Adviser has made the following material changes to the Brochure:

1. Item 4.E – The Adviser’s regulatory assets under management has been updated.
2. Item 8. A, B, and C – The description of the Adviser’s risk management framework has been updated and various risk factors have been added or updated.
3. Item 11.A – The description of the Adviser’s Code of Ethics has been updated.

In addition, other non-material editing changes, clarifications and updates have been made.

In the future, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary without charge.

Currently, our Brochure may be requested by contacting the Adviser’s Chief Compliance Officer (“CCO”) at 212 768-0000 or by email at [info@fscm.com](mailto:info@fscm.com).

Additional information about Field Street Capital Management, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Item 4 – Advisory Business

- A. General Description of Advisory Firm** – Field Street Capital Management, LLC (“FSCM”) is a Delaware limited liability company with its principal place of business in New York. FSCM was founded in 2007. Majority ownership of FSCM is maintained by two non-grantor trusts established for the benefit of Mr. Rod Gancas’s immediate family members. Mr. Gancas serves as the sole manager of FSCM and, as such, has the sole right, power and authority to manage and control the business and affairs of FSCM.

FSCM has filed a single Form ADV with the SEC reflecting FSCM as the “filing adviser” and Field Street Capital Management (Monaco) SAM (“FSCM Monaco”) as a “relying adviser” in reliance on the position of the SEC expressed in the no-action letter issued to the American Bar Association, Business Law Section, dated January 18, 2012 (the “ABA Letter”). FSCM Monaco is a corporation constituted under Monegasque law. Field Street GP LLC (“FSGP”), a Delaware limited liability company, is a special purpose vehicle (“SPV”) as described in the ABA Letter. FSCM, FSCM Monaco and FSGP are herein collectively referred to as the “Adviser”.

- B. Description of Advisory Services** – The Adviser provides advisory services on a discretionary basis to its Clients, which currently include pooled investment vehicles intended for sophisticated and institutional investors. As of the date hereof, the Adviser provides investment advice to a single master-feeder fund structure as follows: Field Street Master Fund, Ltd. (the “Master Fund”), an exempted company incorporated under the laws of the Cayman Islands, Field Street Offshore Fund, Ltd. (the “Offshore Fund”), an exempted company organized under the laws of the Cayman Islands, and Field Street Partners, LP (the “Domestic Fund”), a Delaware limited partnership. The Offshore Fund and the Domestic Fund are from time-to-time herein referred to collectively as the “Feeder Funds”, and the Feeder Funds and the Master Fund are from time-to-time herein referred to collectively as the “Funds”.

The Adviser may in the future advise additional private investment funds. Additionally, when deemed appropriate, the Adviser may in the future establish separate accounts for particular investors (“Separate Accounts”). These Separate Accounts will be subject to investment objectives, guidelines, restrictions, fee arrangements and other terms that are individually negotiated with each such investor. These Separate Account relationships generally will involve account minimums.

The Adviser also may in the future create seed or incubator accounts or additional investment funds in order to develop a performance track record in new investment products and/or strategies before offering them to outside investors.

From time to time herein, the Funds and the Separate Accounts (if any) may be referred to as “Clients” of the Adviser.

- C. Availability of Tailored Services for Individual Clients** – The Adviser does not tailor its advisory services to the individual needs of investors in the Funds (the “Investors”) and does not accept Investor-imposed investment restrictions with respect to the Funds.
- D. Wrap Fee Programs** – The Adviser does not participate in wrap fee programs.
- E. Client Assets Under Management** – The Adviser’s regulatory assets under management as of December 31, 2019 were approximately \$68,908,934,003. All the assets managed by the Adviser are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

- A. Advisory Fees and Compensation** – The Adviser or its affiliates generally receive management fees and performance-based (incentive) fees or allocations from Clients. The offering memoranda (each an “Offering Memorandum” and together the “Offering Memoranda”) for the Funds describe the basic fee structure relevant to Investors in each Fund. Note that some Fund Investors may pay more or less than other Fund Investors for the same management services generally depending on the series or sub-class of the Fund in which they invest, as each series of limited partnership interests or sub-class of shares has a specified minimum investment amount and associated fee and liquidity terms. In addition, the Adviser waives or modifies fees for Fund Investors that are members, employees or affiliates of the Adviser and relatives of such persons. Separate Account investors, if any, will pay fees and compensation pursuant to an individually negotiated agreement with the Adviser.

As further described in the Offering Memoranda, Investors in the Feeder Funds may be subject to certain early redemption fees or early withdrawal fees, as applicable, payable to the Master Fund, if such an Investor redeems its investment prior to the first anniversary of its investment.

- B. Payment of Fees** – Management fees charged are deducted from the relevant Fund’s assets. Management fees are calculated and paid monthly in advance. Performance-based fees or allocations are calculated and payable annually and upon redemption or withdrawal. An Investor’s monthly account statement shows an Investor’s holdings in the relevant Fund net of all fees and expenses.
- C. Other Fees and Expenses** – Other fees and expenses payable by the Funds include: Fund legal, compliance (including without limitation expenses associated with Fund-level AEOI

and CRS compliance and reporting on Forms PF, CPO-PQR and AIFMD Annex IV and any similar forms or regulatory filings that may be required in the U.S. and non-U.S. jurisdictions), audit, accounting and third party administrator fees and expenses, organizational expenses, each Feeder Fund's *pro rata* share of the Master Fund's investment expenses such as commissions, research, market data and pricing fees and expenses (including expenses associated with licensing analytics and software, as well as with research-related travel), Bloomberg and Reuters services, risk analytics and software, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, Fund-related insurance costs, each Feeder Fund's *pro rata* share of the expenses of the Master Fund (including, without limitation, the management fee and the incentive allocation), Directors' fees and expenses, shareholder proxy voting services and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

In addition, fees and expenses incurred solely in connection with share classes that are denominated in a currency other than U.S. Dollars ("Share Class Currency Hedges") will be allocated (*pro rata*) solely among the relevant sub-classes of non-U.S. Dollar denominated shares. All expenses incurred by a Fund with respect to any dividends, including, without limitation, additional accounting expenses or other expenses incurred in calculating dividend amounts, will be borne solely by holders of the distributing shares.

As noted above, the Master Fund incurs brokerage and other transaction costs. The Offering Memoranda for each Fund discuss these brokerage and transaction costs, including factors related to how brokers are selected, under the section entitled "Brokerage and Custody". Item 12 below also describes the factors that the Adviser may consider in selecting broker-dealers for Client transactions.

The Funds will bear the cost of any trading losses, liabilities, damages, expenses or any other costs resulting directly from a trade error (collectively, the "Error Costs"), except for the following two limited exceptions: (i) Error Costs that directly result from the Adviser's gross negligence, willful misconduct, or violation of applicable laws (as shall be determined in the sole discretion of the Adviser's Portfolio Compliance Review Committee (the "PCRC")), or (ii) Error Costs that may not be waived or limited by the Adviser under applicable law.

Investors are subject to the foregoing fees and expenses regardless of whether any profit is made on investments.

- D. Prepayment of Fees** – For the Funds, as noted in Item 5(B) above, the management fee is paid monthly in advance. Once charged to an Investor’s account, there is no refund to the Investor of any of the fees and expenses that have been charged.
- E. Additional Compensation and Conflicts of Interest** – No supervised person of the Adviser receives any transaction-based compensation for the sale of securities or other investment products.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

The Funds are subject to the performance incentive allocation (“incentive allocation”) described in Item 5. Some of the investment personnel working at the Adviser receive compensation that includes a performance-based component.

The incentive allocation, once paid by a Client, is not subject to claw-back in the event of subsequent losses incurred by the Client. Thus, an Investor may be subject to an incentive allocation for one or more years even where it did not receive a net profit over the entire term of its investment in the Funds.

Neither the Adviser nor its supervised persons currently advise Client accounts that are charged another type of fee.

#### **Item 7 – Types of Clients**

The Adviser currently provides investment advisory services only to private funds (i.e., hedge funds), whose beneficial owners may be, for example and without limitation, pension plans, trusts, institutional investors, investment companies or other private funds. The Funds currently offer various sub-classes of shares and series of limited partnership interests, each of which has a specified minimum initial investment amount and associated fee and liquidity terms. Minimum investment amounts are subject to waiver, reduction, or increase by the General Partner or the Board of Directors, as the case may be (but in no event will the minimum be less than \$100,000 in the Offshore Fund). Potential Investors must meet the requirements set forth in the relevant Fund’s subscription documents to be eligible to invest in the Funds.

As noted above, in the future, the Adviser may provide investment advisory services to Separate Accounts, which will be subject to individually negotiated minimum investment requirement.

There are no minimum investments to maintain in the Funds.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

**A. Methods of Analysis and Investment Strategies** - Please consult the Offering Memorandum for each Fund for a complete description of the methods of analysis and investment strategies utilized by the Adviser on behalf of the Funds. Set forth below is a summary of such methods and strategies. Separate Accounts may have the same or different methods and strategies pursuant to the terms of their individual investment management agreements.

The investment objective of the Funds is to produce attractive risk-adjusted returns over time. The Adviser seeks to maintain a diversified portfolio and minimize correlation between the Funds' returns and equities, bonds, and other risk assets.

The Adviser seeks to achieve the Funds' investment objective primarily by engaging in fixed-income relative value, macro relative value, volatility, mortgage and other trading strategies spread across various markets and asset classes. The Funds primarily invest in a broad range of securities and derivatives, including bonds, swaps, futures, options, currencies, and other products. *There are no material limitations on the instruments, markets, or countries in which the Funds may invest or on the investment strategies or leverage that the Adviser may employ.*

The instruments that the Funds trade include, but are not limited to: developed-market sovereign debt; repurchase agreements; interest rate swaps, swaptions and other interest rate derivatives; exchange-traded futures and futures options; and residential and commercial mortgage-backed securities, including, without limitation, agency and non-agency mortgage-backed securities, and derivatives and indices relating to mortgage-backed securities. The Funds may also trade in securities, options, indices, and other derivatives relating to (i) corporate credit, including, without limitation, credit default swap indices; (ii) other fixed-income sectors such as asset-backed, inflation-linked, agency, supranational, municipal, and emerging market sovereign debt; and (iii) other asset classes such as currencies, commodities, equities and exchange-traded funds (ETFs).

In addition, the Master Fund generally maintains a substantial portion of its assets in cash, cash equivalents and government and other liquid securities with the objective of assuring the Funds' ability to satisfy obligations incurred in connection with its investment activities.

The Master Fund generally employs leverage, the value of which varies from time to time. The amount of leverage the Master Fund may employ is not limited and such leverage generally will be substantial. The Master Fund generally expects to obtain leverage in different ways, including, without limitation, through short-term or longer-term repurchase agreements with respect to fixed-income securities entered into bilaterally with either one or more prime brokers, other repo counterparties or the Fixed Income Clearing Corporation



("FICC") on FICC's sponsored (cleared) repo platform. The Fund also enters into derivatives transactions that embed leverage in the derivatives contracts.

The investment process is generally a bottom-up trade selection process driven by the Adviser's investment team working closely with Mr. Gancas and other senior members of the investment team. Quantitative tools are typically used to assist a subjective decision-making process, as strategies are generally evaluated using empirical data, proprietary interest rate and volatility term structure models, macroeconomic factors, flow and positioning data across asset classes, and the extensive trading experience of the investment team. Strategies are managed at the trade level and analyzed with respect to their marginal contribution to the risk and return of the portfolio in an effort to build a balanced and diversified portfolio, when possible.

Although diversification is an important part of the Adviser's overall investment process, the Adviser is not restricted as to the percentage of the Master Fund's assets that may be invested in any particular issuer, industry, instrument, market or strategy. The Master Fund does not and will not maintain any fixed requirements for diversifying its portfolio. In attempting to maximize the Master Fund's returns, the Adviser may concentrate the holdings of the Master Fund in those instruments, markets or strategies which in the sole judgment of the Adviser provide the best profit opportunities consistent with the Master Fund's investment objective. Consequently, a loss in any such concentrated position could ultimately result in significant losses to the Master Fund and a proportionately higher reduction in the net asset value of the Master Fund than if its capital had been spread over a wide number of positions.

The Adviser believes that a disciplined and thoughtful approach to risk management is an important part of generating attractive risk-adjusted returns over the long-term. The Adviser's primary goal with respect to risk management is to protect the Funds from the permanent loss of capital. Over time, the Adviser has developed a risk management framework seeking to achieve that goal by: (i) incorporating risk management considerations into the investment management process, including with respect to portfolio construction and trade sizing decisions; (ii) maintaining risk and investment management systems designed to measure, monitor and communicate portfolio market risk; (iii) establishing flexible portfolio risk management guidelines, which may include factor exposure guidelines and performance drawdown guidelines; and (iv) establishing cash usage guidelines and incorporating processes aimed at identifying and managing risks relating to leverage, financing, and liquidity. Such risk management and cash usage guidelines may evolve over time in the Adviser's sole discretion based on the Adviser's view of prevailing market dynamics and a Fund's total risk exposure and past or potential performance, and any other

relevant factors. Risk in excess of an established guideline may or may not result in the Adviser reducing risk levels.

The risk management framework described above does not and is not capable of providing protection against all losses a Fund may incur from time to time, and is designed and operated to enable the Adviser to take steps to identify, monitor and assess risk and to determine appropriate measures in seeking to mitigate certain risks to which the Fund may be exposed. Investing in a Fund entails inherent risk and the Investors may lose all or some of the amounts invested in a Fund.

*Investing in the Funds is highly speculative and is not intended as a complete investment program. It is designed only for sophisticated persons who can bear the economic risk of the loss of all or a portion of their investment and who have a limited need for liquidity in their investment. There can be no assurance that the Funds will achieve their investment objective.*

**B, C. Material Risks of the Adviser's Investment Strategies, Methods of Analysis and Types of Securities** - The Adviser has broad discretion in making investments for the Funds. Investments contained in the Funds' portfolios may be affected by business, financial market or legal uncertainties. Material risks include, but are not limited to, the following (please consult the Offering Memorandum for each Fund for a complete description of the risks):

- **The Master Fund utilizes leverage, the amounts of which generally will be substantial.** This results in the Master Fund controlling substantially more assets than the Master Fund has equity. The use of **leverage** exposes Fund assets to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or interim margin requirements that may force premature liquidations of investment positions that may have otherwise been profitable, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of assets, the Funds might not be able to liquidate assets quickly enough to repay borrowings, further magnifying Fund losses.
- The Master Fund's use of substantial leverage will depend on the **availability of credit** to finance the portfolio. There can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances, which may make it difficult for the Master Fund to implement its strategies. In addition, as a general matter, the banks and dealers that provide financing to the Master Fund can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental,

regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Master Fund to liquidate all or part of the portfolio at disadvantageous prices.

- **Interest rate risk** is a risk associated with investing in fixed income securities. Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk generally is greater for long-term securities than for short-term securities. The Adviser may attempt to minimize the exposure to interest rate changes through the use of interest rate swaps, interest rate futures, interest rate options and/or other hedging strategies. However, there can be no guarantee that the Adviser will be successful in fully mitigating the impact of interest rate changes.
- Investments that are not denominated in U.S. dollars are subject to **currency risk**, i.e., that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.
- Investments in **unrated or low-grade debt securities** are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Master Fund invests in debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Master Fund may invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.
- With **relative value trading strategies**, the Master Fund takes long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the Master Fund's trading positions were to fail to converge toward, or were to diverge further from, the Adviser's

expectations, the Funds may incur a loss. In addition, relative value trading is extremely competitive. The Adviser competes with a large number of firms, many of which have substantially greater financial resources as well as larger research and trading staffs than are available to the Adviser.

- With **arbitrage strategies**, the Adviser attempts to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified as a result of the leverage employed.
- The Master Fund's investment strategies involve the Master Fund entering into transactions to realize gains resulting from **spread movements** between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions may occur. In addition, such positions entail substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Particularly in periods of low market volatility, such investment strategies may have materially diminished prospects for profitability.
- Certain of the positions that may be taken by the Master Fund are designed to profit from **forecasting absolute price movements** in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.
- Many of the strategies which the Adviser may employ combine elements of more than one of the foregoing general strategy types or may represent a **completely different strategy type**. Often, in the course of implementing a particular strategy, an opportunistic investment representing a different investing approach will be made. For example, in seeking to identify a relatively mispriced pair of assets, the Adviser may conclude that an asset is sufficiently overpriced or underpriced to merit taking an outright directional position.
- The Adviser's approach may combine a **range of different investing techniques**, both implementing different strategies in different markets and combining different strategies, in the same or related markets.
- Trading of **options** involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the

underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Trading option volatility is one of the most complex of all investment strategies and requires significant quantitative and mathematical resources and capabilities. Substantial losses could be incurred by the Funds from the Adviser's trading of option volatility.

- Trading of **commodities and futures contracts** are highly specialized activities that may entail greater than ordinary investment risks. Commodity futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events, and changes in interest rates and exchange rates. In addition, because of the low margin of deposit normally required in commodity futures trading, a high degree of leverage is typical of a commodity futures trading account. Consequently, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid.
- In the US, the CFTC and certain other exchanges have established **speculative position limits** on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures contracts. Such limits may require the Master Fund to liquidate certain positions more rapidly than might otherwise be desirable and could adversely affect the performance of the Master Fund and, consequently, the Funds.
- The Master Fund enters into **swaps, total return swaps and other derivative instruments** with or through third parties. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Master Fund's portfolio. If a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses to the Funds.
- The Master Fund invests in **non-U.S. securities and sovereign debt securities issues by governments and their agencies, which may include governments of emerging market nations**. In addition, investing in the securities of governments that are not denominated in the U.S. dollar and the utilization of options on such securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies.

Investing in instruments of government issuers may involve significant economic and political risks. Investments that are not denominated in US dollars are subject to the risk that the value of a particular currency will change in relation to one or more other currencies.

- The Master Fund invests in **mortgage-backed securities and may invest in asset-backed securities**. The investment characteristics of certain mortgage-backed securities differ from those of traditional fixed income securities. The major differences include the payment of interest and principal on the securities on a more frequent schedule and the possibility that principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets. These differences can result in significantly greater price and yield volatility than is the case with traditional fixed income securities. Asset-backed securities also are subject to interest rate risk and, to a lesser degree, prepayment risk. Mortgage-backed securities issued by the Federal National Mortgage Association (“FNMA”) or Federal Home Loan Mortgage Corporation (“FHLMC”) generally are guaranteed as to timely payment of principal and interest by FNMA or FHLMC, but are not backed by the full faith and credit of the U.S. government.
- The Master Fund invests in **residential mortgage-backed securities (“RMBS”)**, which may include RMBS issued by commercial banks, savings and loan institutions, mortgage bankers, private mortgage insurance companies, Fannie Mae or Freddie Mac without a payment guarantee (e.g., credit risk transfer, or CRTs), and other non-governmental issues. Credit-related risk on RMBS arises from losses due to delinquencies and defaults by the borrowers in payments on the underlying mortgage loans, and breaches by originators and servicers of their obligations under the underlying documentation pursuant to which the RMBS are issued. The residential mortgage market in the United States may experience difficulties that adversely affect the performance and market value of certain mortgages and mortgage-related securities. At any one time, a portfolio of RMBS may be backed by residential mortgage loans that are highly concentrated in only a few states or regions. As a result, the performance of such residential mortgage loans may be more susceptible to a downturn in the economy, including in particular industries that are highly represented in such states or regions, natural calamities and other adverse conditions affecting such areas.
- There can be **no assurance** that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments.
- Prices of investments may be **volatile**, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may

significantly affect the results of the Adviser's activities and the value of its investments on behalf of the Funds.

- **Competitive investment activity** by other firms tends to reduce the Adviser's opportunity for profit by reducing the magnitude as well as the duration of the market inefficiencies that the Adviser seeks to exploit.
- Debt instruments, options, swaps, swaptions, derivative or synthetic instruments, forward contracts, or other over-the-counter transactions are subject to **credit risk** with regard to counterparties and may also bear the risk of **settlement default**.
- **Derivative financial instruments** impose certain risks and involve the use of leverage. These risks include:
  - (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations);
  - (2) market risk (adverse movements in the price of a financial asset);
  - (3) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights);
  - (4) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud);
  - (5) documentation risk (exposure to losses resulting from inadequate documentation);
  - (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative);
  - (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system);
  - (8) concentration risk (exposure to losses from the concentration of closely related risks); and
  - (9) counterparty and settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).
- **Short sales** can, in certain circumstances, substantially increase the impact of adverse price movements. A short sale involves the risk of a theoretically unlimited increase in the

market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

- The Master Fund's assets may include securities that are **illiquid or thinly-traded**, making the purchase or sale of such securities at desired prices or in desired quantities difficult or impossible. Furthermore, the sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value any such investments accurately.
- The Adviser will not, in general, attempt to hedge all market or other risks inherent in the Master Fund's positions, and will hedge certain risks only partially, if at all. Specifically, the Adviser may choose not to hedge certain risks or determine that hedging is economically unattractive — either in respect of particular positions or in respect of the Master Fund's overall portfolio. The portfolio composition may result in various **directional market risks remaining unhedged**, although the Adviser may rely on diversification to control such risks to the extent that the Adviser believes it is desirable to do so. However, the Adviser is not subject to any formal diversification requirements and from time to time the Master Fund's portfolio may be concentrated in a limited number of positions.
- To the extent the Adviser does cause the Master Fund to enter in **hedging transactions**, it will do so with the intention of reducing or controlling only certain (i.e., not all) risk(s). However, even if the Adviser is successful in doing so, the hedging may reduce the Funds' returns. Furthermore, it is possible that hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses. Additionally, hedges might not be static but rather might need to be continually adjusted based on the Adviser's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of the Adviser's hedging strategies will depend on the Adviser's ability to implement such strategies efficiently and cost-effectively, as well as on the accuracy of the Adviser's ongoing judgments concerning the hedging positions to be acquired by the Master Fund. The ongoing success of any hedging strategy is dependent on the ability to adjust hedges as markets or correlations change, and there can be no assurance that the Adviser will be able to make such adjustments successfully.

Any hedging of currency exposure will primarily involve hedging back to the US dollar, but in certain circumstances may involve other hedging activities. If such hedges generate



losses in any month or quarter, the Adviser may liquidate a portion of the portfolio to cover such losses.

The Adviser will not be required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective and not result in losses.

- The Master Fund's strategies will always be subject to some element of **market risk**, including, but not limited to, directional price movements, deviations from historical pricing relationships, changes in regulation, changes in market volatility, changes in credit spreads, interest rates, equity prices, commodity prices, and foreign exchange rates. Price movements are influenced by many unpredictable factors, such as market sentiment, momentum, inflation rates, interest rate movements and general economic and political conditions both inside and outside the markets where the Master Fund invests. The Master Fund's style of alternative investing (including the use of relative value investing) may be no less speculative than traditional investing strategies. To the contrary, **alternative investment strategies have from time to time incurred sudden and dramatic losses.**
- The Master Fund may invest in **equities, equity indices and equity derivatives**. The value of these instruments generally will vary with the performance of the issuer or index and movements in the equity markets. Regarding equity derivatives, the Master Fund is exposed to risks that counterparties will not fulfill their contractual obligations to the Master Fund.
- Certain of the Adviser's strategies may use **quantitative valuation models** that it has developed, as well as valuation models developed by third parties. As market dynamics evolve, a previously highly successful model is subject to becoming outdated or inaccurate. If the assumptions underlying the Adviser's models are inaccurate or become inaccurate, or are unrealistic or become unrealistic, and are not promptly adjusted, the Master Fund may incur losses or may underperform. If the Adviser's models do not reflect certain factors, and such omission is not addressed through testing, evaluation and modification of such models, the Master Fund may be subject to losses. Investors may not be informed of and investors will not have right to approve the addition, modification or removal of models or investment strategies. There can be no assurance that the Adviser will be successful in continuing to develop and maintain effective quantitative models.
- There are risks involved in dealing with the **custodians or prime brokers** who settle trades. Under certain circumstances, the securities and other assets deposited with the

custodian or broker may not be clearly identified as being assets of the relevant Fund and hence that Fund could be exposed to a credit risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

- The investment strategy of the Funds generally will require the Adviser to actively trade the Master Fund's portfolio, and as a result, **turnover** and **brokerage commission expenses** of the Master Fund may significantly exceed those of other investment entities of comparable size as well as increase the risk of **trading errors**, which could have an adverse effect on the Master Fund's performance.
- Mr. Rod Gancas is the Chief Investment Officer of the Adviser. In the event that Mr. Gancas should become unable to perform his duties at the Adviser, the Funds may be adversely affected.
- The Adviser faces **cyber-security threats** in that various cyber and other security threats, including malicious software, may successfully gain unauthorized access to the Adviser's information technology system that could lead to disruptions to critical systems, unauthorized release of confidential or otherwise protected information, and/or corruption of the Adviser's data, networks or systems.
- Although the Adviser has disaster recovery plans, there can be no assurance that interruptions caused by **extraordinary events** outside of the control of the Adviser, including, without limitation, acts of God (e.g., fire, flood, earthquake, storm, hurricane or other natural disaster), acts of war (e.g., war, invasion, acts of foreign enemies, hostilities, insurrection, or terrorist activities, whether war is declared or not), financial system disruptions (e.g., bankruptcy filing or operational failure by a major financial institution, including a bank, broker-dealer, clearing agent, administrator, investment manager or securities or derivatives exchange), widespread internet access disruptions, widespread power outages or widespread illness would not have an adverse effect on the Master Fund or its investment program. Such disruptions could result in adverse effects on the Master Fund's operations, the value of its investments and the ability of the Master Fund to trade.
- The Adviser has implemented a **general risk management framework** that establishes various flexible risk and performance guidelines intended to facilitate the Adviser's efforts to limit strategy or portfolio losses. The Adviser may or may not, in its sole discretion, stop (i.e., close) out certain positions when certain risk factors related to those positions exceed a relevant risk management guideline or when the Adviser otherwise deems it appropriate to stop-out. Stopping out may result in the Master Fund's remaining portfolio

being concentrated in fewer or a limited number of positions. In addition, there is a “gap risk” that liquidity suddenly becomes unavailable and/or markets simply move too quickly through the desired stop level resulting in greater than expected losses. Gap risk cannot be completely avoided as anomalous and unpredictable events, including, without limitation, unprecedented and unanticipated price movements, will occur from time to time even in liquid markets, potentially leading to significant losses. The success of the Adviser’s various risk management techniques (including, without limitation, stop-outs) will depend on the judgment of the Adviser and its ability to implement those techniques efficiently; however, there can be no guarantee that the Adviser will be successful in implementing those techniques.

#### **Item 9 – Disciplinary Information**

Investment advisers registered with the SEC are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser’s management. The Adviser has no disclosures to make in this regard about any of its management persons, employees or the firm itself.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

- A. Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. The Adviser is a registered commodity pool operator and commodity trading advisor with the U.S. Commodity Futures Trading Commission (“CFTC”). FSGP is a registered commodity pool operator with the CFTC. FSCM Monaco is a registered commodity trading advisor with the CFTC and a management company duly authorized by the Commission de Contrôle des Activités Financières (the “CCAF”). Note that both the Adviser and the Funds have claimed “registration lite” exemptions under CFTC Rule 4.7 which provides relief from certain disclosure and periodic reporting requirements.

The Adviser, FSGP and FSCM Monaco are Members of the National Futures Association (“NFA”). As such, various persons associated with the Adviser are registered with the NFA as associated persons and/or principals of the Adviser.

- C. Except for FSGP (which is the general partner entity that acts as a sponsor of the Domestic Fund), FSCM Monaco, and Field Street GP (Cayman), LLC, which holds incentive allocation shares issued by the Master Fund, the Adviser and its management persons have no relationships or arrangements with advisory affiliates or persons under common control

with the Adviser that are material to its advisory business, its Clients or its Investors. The Adviser does not believe that this structure creates a conflict of interest to Clients or Investors.

- D. The Adviser does not recommend or select other investment advisers for its Clients.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. Code of Ethics** - The Adviser has adopted a Code of Ethics (contained in its Compliance Manual) for all employees of the Adviser describing its high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics and Compliance Manual include provisions relating to, among other things: confidentiality of Client information; prohibitions on insider trading and market manipulation; restrictions on the acceptance and giving of significant gifts; reporting of certain gifts and entertainment and outside activities; political contributions and “pay-to-play”; and personal securities trading procedures. All employees of the Adviser must acknowledge the terms of the Code of Ethics and the Compliance Manual when initially hired and at least annually thereafter.

Employees of the Adviser are required to conduct all personal securities transactions in full compliance with the Code of Ethics’ personal account trading policies and procedures and should not take any action in connection with personal securities transactions that could cause even the appearance of unfairness or impropriety relative to the Adviser’s Clients. These policies and procedures include prohibitions on trading in the securities of issuers listed on the Adviser’s restricted list as well as requirements to pre-clear certain transactions in “Covered Securities” (as defined in the Adviser’s Code of Ethics), which includes various types of publicly-traded securities, as well as futures and derivatives, and all private investments. Due to the nature and composition of the Adviser’s trading program, the Adviser does not currently require employees to pre-clear transactions in publicly traded equity securities. The Adviser may update its definition of “Covered Securities” and/or pre-clearance requirements from time to time.

The Adviser’s Investors, or prospective Investors may request a copy of the Adviser's Code of Ethics by contacting the CCO at (212) 768-0000 or by email at [info@fscm.com](mailto:info@fscm.com).

- B. Transactions in Securities where Adviser has Material Financial Interest** – Neither the Adviser nor any of its related persons recommend to the Funds, or buy or sell for the Funds, securities in which the Adviser has a material financial interest.

Please note however that principals of the Adviser as well as other eligible employees of the Adviser may maintain substantial investments in the Funds, so in this regard, the Adviser may in fact be recommending securities in which it does have a material financial

interest. Neither the Adviser nor any of its related persons buy or sell securities to or from the Funds as principal (a “principal transaction”). The Adviser would only complete such a transaction in accordance with the requirements of Section 206(3) of the Advisers Act. All potential principal transactions would be brought to the attention of the CCO and Mr. Gancas prior to execution so that the proper course of action can be determined.

Except for the Master Fund, which acts as the investing entity for the Feeder Funds, neither the Adviser nor any of its related persons act as a general partner or investment manager in an investment fund in which the Funds are solicited to invest. Neither the Adviser nor any of its related persons act as an investment adviser to an investment company that it recommends to the Funds.

**C., D. Investing in Securities Recommended to Clients; Contemporaneous Trading.** The Adviser currently has no proprietary trading accounts and therefore would not invest in the same (or related) securities as the Master Fund. The Adviser may however, from time to time, create seed or incubator accounts or investment funds separate from the Funds in order to develop a performance track record in new investment products and/or strategies before offering them to outside investors.

The Code of Ethics and the Compliance Manual provides that each employee has the responsibility to be sure that they are not benefitting in any personal investments at the expense of Clients, that the employee is not in any way taking advantage of or “trading on” knowledge of the impact of Client transactions upon the market price of the employee’s own securities, and that the employee is not damaging the employee’s own or the Adviser’s reputation by trading on the Adviser’s recommendations to its Clients. Therefore, the Code of Ethics contains specific policies and procedures regarding restrictions on personal trading for subject employees.

While it is possible that an employee of the Adviser may hold the same security that a Client holds, or transact in the same security that a Client is transacting in, the Adviser believes that the potential conflict of interest that is present in such situations is minimal due to the nature of the Funds’ primary holdings. Nevertheless, the Adviser has implemented pre-clearance requirements as described above and set forth in the specific policies and procedures contained in the Code of Ethics. The Adviser monitors employees’ personal security accounts transaction and holdings reports on a regular basis in order to identify and address any potential or actual conflicts of interest that might arise, including without limitation, front-running, market manipulation or insider trading.

## Item 12 – Brokerage Practices

**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions** - Generally, in determining which broker or dealer to use, the Adviser looks at the character of the market for the security, including, but not limited to, the security's price, volatility, and liquidity, as well as the size and type of transaction.

Specifically, in making any such determination, the Adviser may consider one or more factors, including, without limitation:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution;
- the financial strength, integrity and stability of the broker;
- special execution capabilities;
- clearance;
- settlement;
- reputation;
- on-line pricing;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- quality of on-line access to computerized data regarding Clients' accounts;
- performance measurement data;
- the quality, comprehensiveness and frequency of available research and related services considered to be of value;
- provision of the opportunity to participate in capital introduction events sponsored by the broker-dealer, provided the Adviser is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors;
- referral of Investors to the Adviser, if otherwise consistent with seeking best execution.

In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The PCRC meets quarterly to evaluate, among other things, the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

- 1. Research and Other Soft Dollar Benefits** - Although it currently does not do so, the Adviser is permitted pursuant to the Funds' Offering Memoranda to utilize "soft dollar" credits generated by brokerage of the Fund to pay for research and or other products or services other than execution from a broker-dealer or a third party under the "safe harbor" provided by Section 28(e) of the U.S. Securities and Exchange Act of 1934, as amended. Section 28(e) provides a safe harbor for advisers that receive "soft dollar" benefits that are limited to certain research and brokerage products and services.
  - a. In the event the Adviser were to utilize "soft dollars" as described above, it would receive a benefit because it would not have to produce or pay for the research or brokerage products or services.
  - b. In the event the Adviser were to utilize "soft dollars" as described above, it may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or brokerage products or services, rather than on the Clients' interest in receiving most favorable execution.
  - c. In the event the Adviser were to utilize "soft dollars" as described above, this practice may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for "soft dollar" benefits (known as "paying-up").
  - d. In the event the Adviser were to utilize "soft dollars" as described above, the "soft dollars" generated by one Client's account may be used by the Adviser to service that account as well as others and that "soft dollar" benefits possibly may be applied disproportionately to the soft dollar credits that an account generates.
  - e. During the past fiscal year, neither the Adviser nor any of its related persons acquired any products and services with Client brokerage commissions (or markups or markdowns). However, note that research reports (on markets

generally), introduction of Investors to the Funds or a Separate Account, either through a capital introduction event or otherwise, attendance at certain seminars and conferences, and discussions with research analysts may be acquired from various broker-dealers that the Adviser utilizes as either an executing broker or prime broker for the Funds. These products and services are not provided with “soft dollar” credits generated by specific trades, but rather would be provided by the broker-dealer because of the Adviser’s ongoing relationship with the broker-dealer.

- f. During the past fiscal year, as noted above, neither the Adviser nor any of its related persons directed any Client transactions to a particular broker-dealer in return for “soft dollar” benefits. In the event “soft dollars” were to be utilized, the Adviser’s PCRC would operate as an oversight committee over such usage.

***Note that the Adviser presently does not utilize “soft dollars” credits generated by brokerage of the Funds to pay for research or brokerage services.***

- 2. Brokerage for Client Referrals** - When selecting broker-dealers to execute transactions, the Adviser does not generally consider whether it or a related person currently receives (or may receive in the future) capital introduction services from a broker-dealer.
- 3. Directed Brokerage** - The Adviser does not recommend, request or require that a Client direct it to execute transactions through a specified broker-dealer (“directed brokerage”).

## **B. Order Aggregation and Allocation**

The Firm currently only trades in the Master Fund portfolio and therefore does not aggregate Client orders and does not allocate trades amongst Clients. To the extent the Firm advises additional investment vehicles in the future, the Adviser will develop policies and procedures to allocate trades to such additional vehicle(s) in a manner that it believes will be fair and equitable over time to all affected investment vehicles.

## **Item 13 – Review of Accounts**

- A. Frequency and Nature of Review** – The Adviser performs various daily, weekly, quarterly and periodic reviews of the Master Fund’s portfolio. Such reviews are conducted in the ordinary course by members of the Adviser’s investment management, risk management, financial control, operations and compliance teams. The portfolio manager(s) and traders



of the Adviser, along with the Chief Investment Officer, regularly evaluate and manage the portfolio of the Master Fund on a real-time basis. The Master Fund is actively managed through daily position sizing evaluations, liquidity reviews, hedging adjustments and overall maintenance of the stated portfolio parameters as set forth in the Offering Memoranda. A quarterly PCRC meeting is held to provide oversight over trading for the Funds. In addition, the Firm's Risk Oversight Committee convenes to review the portfolios at least monthly, but may meet more frequently.

- B. Factors Prompting a Non-Periodic Review of Accounts** – The Master Fund portfolio is actively managed and reviewed regularly throughout the trading day, therefore there is generally not a need to perform a non-periodic review. Representatives of the Adviser may review a Client account upon the occurrence of a significant or unusual event that affects a particular issuer or market generally, the Client's portfolio more generally or following some other special circumstance.

**C. Content and Frequency of Regular Account Reports –**

*Reports Provided to Investors in the Funds* – (i) audited financial statements within approximately ninety (90) days after the end of each fiscal year, (ii) information necessary for the preparation of a tax return, (iii) a monthly account balance statement from the Funds' administrator, (iv) monthly unaudited reports of the performance of the Funds, (v) monthly unaudited risk reports, (vi) weekly unaudited estimates of the net returns of the Funds, and (vii) to the extent not included in the reports described in (i) – (vi) above, certain other reports regarding leverage and liquidity of the Fund are made available periodically and in no event less than annually. Customized portfolio risk reports through third party vendors may be obtained by Investors at their discretion and at their expense.

Although the Adviser will use its best efforts to provide timely tax information to Investors, it is possible that it may be late in providing tax information, and Investors should be prepared to file for extensions with the relevant Federal and State taxing authorities.

Certain Investors have entered into, and certain Investors in the future will enter into, "side letter" agreements with the Funds and the Adviser which contain terms granting them different liquidity rights, fee arrangements and/or access to additional reporting from the Adviser. These terms are not generally available to other Investors and as a result, Investors who have entered into such side letters may be able to redeem from the Fund or otherwise act on information earlier than other investors.

*Reports Provided to Separate Account Investors* – Separate Account investors, if any, will receive the information as agreed upon in their advisory agreement with the Adviser.

All reports described above are written (although some may be delivered electronically).

#### **Item 14 – Client Referrals and Other Compensation**

- A. Economic Benefits Received from Non-Clients for Providing Services to Clients** – The Adviser has no arrangements whereby a party who is not a Client compensates or otherwise provides an economic benefit to the Adviser for providing services to Clients.
- B. Compensation to Non-Supervised Persons for Client Referrals** – The Adviser has engaged, and may continue to engage, a third party to solicit Investors on behalf of the Funds. The third party may charge a placement fee directly to Investors solicited by such third party. However, such fees will not be collected by or from the Funds. Such third party is paid a portion of the management fee attributable to shares or interests held by Investors solicited by them, thereby reducing the management fees received by the Adviser. It is the Adviser's practice not to pay any person or entity in respect of Client solicitation unless the fees are paid pursuant to a written agreement in accordance with rule 206(4)-3 of the Advisers Act.

#### **Item 15 – Custody**

The Adviser has "custody" of Client assets in the Funds for purposes of Rule 206(4)-2 of the Investment Advisers Act of 1940. However, the Funds undergo an annual audit by a PCAOB auditor, therefore this item is inapplicable. The Custodians for the Funds are "qualified custodians" and are identified in ADV Part 1.

#### **Item 16 – Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to Clients. Please see Item 4 for a description of any limitations Clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account.

The Adviser has had discretionary authority from the outset of its advisory relationship with the Master Fund to select the identity and amount of securities to be bought or sold for its portfolio. In all cases, however, such discretion is exercised by the Adviser in a manner consistent with the stated investment objectives and guidelines for the Funds, as these are set forth in the Offering Memoranda. Investors have no ability to request or direct a change in the stated investment objectives and guidelines for the Fund that they are investing in.

For Investors in the Domestic Fund, upon execution of the subscription documents, each Investor agrees to be bound by its partnership agreement (which appoints the Adviser as investment adviser to the Fund pursuant to and subject to the terms of an investment advisory agreement).

For Investors in the Offshore Fund, upon execution of the subscription documents that are accepted by the Adviser, each Investor has purchased shares of the Fund. The Offshore Fund is organized in the Cayman Islands pursuant to Articles of Incorporation, which have been approved by its Board of Directors. The Board of Directors of the Offshore Fund and Master Fund, respectively, has approved the appointment of the Adviser to the Offshore Fund and the Master Fund to manage the assets of the Fund, and the Board of Directors may, with a unanimous vote, remove the Adviser if it sees fit to do so. In addition, pursuant to the Offshore Fund's subscription document, Investors appoint Ogier Global (Cayman) Limited, with full power of substitution, as its proxy for the purpose of voting their shares. Such proxy is revocable by the Investor upon written notice.

#### **Item 17 – Voting Client Securities**

The Adviser has the authority to vote proxies for securities held in Fund portfolios. The Adviser's proxy voting policy was adopted in accordance with SEC Rule 206(4)-6 and calls for it to exercise its duty of care and loyalty to its Investors with respect to monitoring corporate events and exercising proxy authority. At the present time, the Firm invests primarily in fixed income and currency-based securities and derivative products, with limited investing in equities, and therefore may only be solicited for proxy voting on a limited basis.

The Adviser's policy is to vote – not abstain from voting – on all issues presented on portfolio securities held for its Clients. The Adviser will consider all issues presented for a vote of security holders from an investment point of view and vote in the best

investment interests of the Client(s) holding the securities that are being voted, with the goal of maximizing the long-term value of the Client account.

All employees of the Adviser have a duty to report any potential conflict of interest of which they become aware regarding voting on behalf of Client accounts. The Adviser will consider all potential conflicts of interest brought to its attention, or that otherwise come to its attention, and will determine whether there exists a material conflict of interest with respect to the vote in question. A conflict of interest will be considered material to the extent it is determined that such conflict has the potential to influence the Adviser's decision-making regarding the vote. Where it is determined that a material conflict of interest does not exist, the Adviser may cast such vote, subject to the duty to act solely in the best interest of the Client accounts holding the securities that are being voted. Where it is determined that a material conflict of interest does exist, and if the issue is specifically addressed in the Adviser's proxy voting policies and procedures, the Adviser will vote in accordance with the stated policies. In a situation where the issue is not specifically addressed in the policies and an apparent or actual conflict exists, the Adviser shall either: (a) delegate the voting decision to an independent third party; (b) inform the Client of the conflict of interest and obtain advance requisite consent; or (c) not vote.

The Adviser generally will not vote proxies in situations where its position, across all Clients is an immaterial position (less than or equal to 1% of outstanding voting equity), or when the Adviser receives a proxy for a security which it no longer holds in the portfolio of any Client account.

Absent good reason to the contrary, the Adviser will generally give substantial weight to management recommendations regarding voting, and will vote for routine matters in favor of management proposals. Non-routine matters will be voted on a case-by-case basis, given the often complex nature of these issues.

Investors in the Funds may not direct the Adviser's vote in any proxy solicitation.

Clients may obtain a copy of the Adviser's complete proxy voting policies and procedures upon request. Clients may also obtain information from the Adviser about how it voted any proxies on behalf of their account. Please contact the Adviser at 212 768-0000 or via e-mail at [info@fscm.com](mailto:info@fscm.com).

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser

has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.