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This Brochure provides information about the qualifications and business practices of Sabby Management, LLC (“Sabby”). If you have any questions about the contents of this Brochure, please contact us at (646) 307-4527 and/or rgrundstein@sabbymanagement.com. 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.

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

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

ITEM 2 – MATERIAL CHANGES

This section discusses only material changes that have taken place since the last annual update of this Brochure on March 19, 2019.

Certain of our Private Funds (defined in Item 4) continue to be dissolved in an orderly manner, and investors in those Private Funds have received a mandatory withdrawal or redemption on a quarterly basis as assets of those Private Funds have been liquidated.

The amount of assets that Sabby manages on a discretionary basis decreased from approximately \$177,000,000, to approximately \$140,000,000.

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ITEM 4 – ADVISORY BUSINESS

Sabby was formed in Delaware on June 6, 2011, and is registered as an investment adviser with the SEC. Sabby is owned by Hal Mintz.

Sabby provides discretionary investment management services regarding predominantly U.S. securities to U.S. and non-U.S. institutional clients (“Clients”) consisting solely of private investment funds (“Private Funds”). Sabby Capital, LLC (“Sabby Capital”), a related person of Sabby, serves as the managing member of the domestic Private Funds that Sabby advises. Information about each Private Fund, including information about investment strategies, fees, risks and other material information, is contained in its offering memorandum (each, a “Memorandum”).

As of December 31, 2019, Sabby managed approximately \$140,000,000 of assets on a discretionary basis.

Sabby provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Private Fund are set forth in its Memorandum.

ITEM 5 – FEES AND COMPENSATION

Sabby does not have a standardized fee schedule for its discretionary investment management services. Sabby generally receives a management fee of 2% per annum of assets under management, which is charged quarterly in advance. Sabby Capital also may receive performance-based compensation of up to 20% of the increase (or 27.5% of the increase over a “hurdle” rate) in net asset value of an investment in a Private Fund above a “high water mark” (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon an intra-year redemption by an investor in a Private Fund (where permitted). This performance-based compensation is calculated taking into account both realized and unrealized gains for certain of the Private Funds and for solely realized gains for the balance of the Private Funds. Sabby Capital holds a membership interest in, and class of shares of, certain of the Private Funds managed by Sabby and receives the performance-based compensation described above through an allocation of net profits from such Private Funds in respect of such interest and shares. Fees and other material terms regarding an investment in a particular Private Fund are set forth in such Private Fund’s Memorandum.

Fees may be reduced or waived in certain circumstances or with respect to certain investors (*e.g.*, principals and employees of Sabby). Fees charged with respect to an investment in a Private Fund advised by Sabby are set forth in such Private Fund’s Memorandum.

While investors in certain Private Funds may terminate Sabby’s advisory services at the end of any calendar quarter without penalty generally upon forty-five days’ prior written notice, withdrawals and redemptions by investors in such Private Funds have been suspended as it has

been determined to dissolve those Private Fund in an orderly manner, and investors have received a mandatory withdrawal or redemption on a quarterly basis as assets of those Private Funds have been liquidated. Investors in other Private Funds commit their capital for a specific period of time, generally a period of approximately five years, and are not permitted to withdraw or redeem their investments. Investors in such Private Funds instead generally receive distributions at the end of the second, third and fourth years of their investment, with the balance distributed upon the end of the the fifth year. Upon termination of any investment in a Private Fund, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Sabby's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred regarding the trading and maintenance of the Private Funds. Private Funds may 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. Such charges, fees and commissions are exclusive of and in addition to Sabby's fees, and Sabby does not receive any portion of these commissions, fees, and costs.

Item 12 describes the factors that Sabby considers in selecting broker-dealers for Private Fund transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

As set forth in Item 5 above, Sabby Capital may receive performance-based compensation of up to 20% of the increase (or 27.5% of the increase over a “hurdle” rate) in net asset value of an investment in a Private Fund above a “high water mark” (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon the intra-year redemption (where permissible) by an investor in a Private Fund. This performance-based compensation is calculated taking into account both realized and unrealized gains with respect to certain Private Funds and solely with respect to realized gains with respect to other Private Funds. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”), as applicable. Please see Item 5 for more information.

Performance-based fee arrangements received by Sabby Capital may create an incentive for Sabby to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Sabby has procedures designed and implemented so that all Clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

ITEM 7 – TYPES OF CLIENTS

Sabby provides investment advice to U.S. and non-U.S. institutional clients consisting solely of Private Funds. While Sabby does not have a standard minimum account size, each of the Private Funds has a \$500,000 minimum investment, which minimum has been waived from time to time.

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

Sabby generally pursues an opportunistic volatility strategy based upon fundamental events. However, Sabby may also engage in other similar or related strategies that it believes are suitable for the Private Funds.

Sabby's volatility strategy seeks to identify and exploit relative mispricings in volatility levels across the U.S. markets that are based on fundamental events, mainly in the healthcare sector. Positions within the volatility portfolio will typically be "event-driven" positions about which Sabby believes a fundamental event affecting the issuer is likely to present a favorable opportunity to enter into volatility trades. Such fundamental events are expected to include, without limitation, clinical data readouts, decisions of the U.S. Food and Drug Administration, advisory committee meetings and new product launches. Generally, over 50% of the Private Funds' positions will be in the healthcare sector.

Sabby employs principally the following option strategies in implementing the foregoing ideas: spread trading (calendar, vertical and ratio), skew trading, relative value arbitrage, correlation trading, and directional leverage (purchases/sales of calls, puts, straddles, and strangles), although Sabby has the discretion to, and may, employ other similar strategies that seek to exploit anticipated events, relative mispricings and general volatility levels. In employing these strategies, Sabby expects to implement a basket of high expected return trades based upon the collective opinion of its personnel regarding the outcome of fundamental events. Such high expected return outcomes can occur when Sabby has a different probability outcome matrix than the options markets imply.

Sabby employs both fundamental and quantitative analysis to structure "event-driven" trades with it believes will be highly desirable risk/reward characteristics. Generally, the first step of the process is for Sabby's portfolio manager and other Sabby personnel to identify issuer-specific fundamental events and other catalysts and construct a scenario analysis to determine how the anticipated event or catalyst may affect an issuer and its competitors. The portfolio manager will then generally compare the implied volatility of the relevant issuer(s) to realized and historical volatilities, as well as the shape of the volatility surface. If that analysis suggests that a trade in the relevant issuer(s) may be favorable, the portfolio manager and other Sabby personnel will determine the optimal term structure for the trade based on the expected timing of the event or catalyst and will size the trade based on a risk/reward analysis and the technical and liquidity considerations in the market for the issuers' financial instruments. Generally, Sabby will enter positions in which it has conviction from both a quantitative and fundamental perspective.

Sabby also utilizes an investment strategy of arbitraging the optionality inherent in warrants generally by making direct investments, primarily in emerging biotechnology and pharmaceutical companies, via registered direct and private investment in public equity (“PIPE”) offerings whereby related warrants are included as “kickers” along with these equity investments. Sabby’s goal is to accumulate a portfolio of warrants that, when combined with short sales of equity and investments in listed derivatives on deal issuers, create a collective portfolio with a goal of making money whether the underlying issuers succeed or fail. Ultimately, Sabby intends to negotiate a favorable disposition of the warrants through early exercise, exercise upon expiration, repurchase by the issuer or by third party sale, depending on a variety of market, contractual and regulatory considerations.

With respect to such investments that have listed options, Sabby also employs the following option strategies in maximizing the monetization of the warrants: spread trading (calendar, vertical and ratio), skew trading, relative value arbitrage, correlation trading, and directional leverage (purchases/sales of calls, puts, straddles, and strangles), although Sabby has the discretion to, and may, employ other similar strategies that seek to maximize monetization of warrants. The Private Funds may also engage in other similar or related strategies that Sabby believes are suitable for the Private Funds.

In employing the warrant strategy, Sabby implement a basket of high expected return investments based upon the collective opinion of the portfolio manager and other Sabby personnel regarding the potential of issuers engaging in registered direct or PIPE offerings containing warrant kickers.

There can be no assurances that a Client will achieve its investment objective or that the strategies pursued and methods utilized by Sabby will be successful under all or any market conditions.

Certain Risk Factors

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the principal material risks associated with Sabby’s principal investment strategies and methods of analysis follows. Additional risk factors are set forth in the Memorandum of each Private Fund.

- **Trading in Options.** Sabby may purchase and sell (“write”) options on securities, stock indices, futures, currencies and commodities on national and international exchanges and over-the-counter markets. Options trading is speculative and involves a high degree of risk.

The seller (“writer”) of a put option which is covered (i.e., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the value (upon establishing the short option position) of the underlying instrument plus the premium received, and gives up the opportunity for gain on decreases in the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk

of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

The writer of a call option which is covered (i.e., the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value (upon establishing the short option position) of the underlying instrument less the premium received, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument.

Options may be cash settled, settled by physical delivery or by entering into a closing transaction. In entering into a closing purchase transaction, the Private Funds may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. In addition, the correlation between option prices and the prices of underlying securities may be imperfect and the market for any particular option may be illiquid at a particular time.

Stock options that may be purchased include options not traded on a securities exchange. Options not traded on an exchange are not issued by The Options Clearing Corporation; therefore, the risk of non-performance by the obligor on such an option may be greater and the ease with which Sabby can dispose of such an option may be less than in the case of an exchange traded option issued by The Options Clearing Corporation.

- Warrants. The Private Funds will generally receive warrants as “kickers” along with their registered direct and PIPE investments. Warrants are wholly-speculative securities since they have no voting rights, pay no dividends and have no liquidation rights. Additionally, there is not expected to be a liquid market for many of the warrants the Private Funds expect to receive, and the Private Funds may frequently be required to hold warrants until they expire (absent early exercise or a negotiated sale). A warrant entitles the holder to purchase a given security within a specified period for a specified price and does not represent an ownership interest. The value of warrants can be very volatile, and they can expire worthless resulting in a loss of the entire investment over a very short time period. In addition, the price of warrants do not necessarily move parallel to the prices of the underlying securities.
- Derivative Transactions Generally. Sabby may engage in derivative transactions such as swaps and forwards both for hedging purposes and as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operations, reputational and other risks beyond

those associated with the direct purchase or sale of the underlying securities to which their values are related.

- Trading in Indices. Sabby may trade indices and their related financial instruments. The effect of governmental intervention may be particularly significant at certain times in indices and their related financial instruments and futures and options markets and such intervention (as well as other factors) may cause all these markets to move rapidly in the same direction because of, among other things, interest-rate fluctuations.
- Equity Securities. Sabby may invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Private Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from Sabby's expectations or if equity markets generally move in a single direction and Sabby has not hedged against such a general move. The Private Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.
- Short Sales. The Private Funds may effect short sales of financial instruments as part of their hedging strategy for a given investment or in those instances when Sabby believes that a given financial instrument is over-valued. Short sales are transactions in which Sabby sells a financial instrument which it does not own (by first borrowing such financial instrument) in anticipation of a decline in market value. Although the gain from a short sale is limited by the price at which it is sold short, losses from short sales may be unlimited if the price of the instrument sold short appreciates. Additionally, even if Sabby secures a "good borrow" of the financial instruments sold short at the time of execution, the lending institution may recall the lent financial instrument at any time, thereby forcing the Private Funds to purchase the financial instrument at the then prevailing market price which may be higher than the price at which such financial instrument was originally sold.

Recent market turmoil, combined with the perception that short selling is one of the potential causes of market fragility, has led to regulations restricting the use of short sales. Recently the U.S. proposed, and in certain cases passed, regulations that either restrict all short sales based on "price tests" or restrict short sales of a particular financial instrument when such financial instrument is facing severe price declines. Other jurisdictions have implemented or proposed other restrictions on short sales. As a result, Sabby may be prohibited from using desired short sales in certain circumstances. Sabby's use of certain investment strategies cannot be properly effected without the use of short sales. In the event of such a prohibition, the performance of Sabby is expected to suffer. In addition, these regulations may lead to crowded shorts and increased borrowing costs. The specific regulations in effect at any given time vary with regulators' perceptions of market risk and it is not possible to gauge what, if any, regulations will be in effect in the future.

- PIPE Investments. PIPE investments offer the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with

substantial variations in operating results from period to period and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more expensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Securities of such companies will likely be thinly traded and undercapitalized and will therefore be more sensitive to adverse business or financial developments. In the event that a company is unable to generate sufficient cash flow or raise additional equity capital to meet its projected cash needs, the value of the Private Funds' equity investment in such company could be significantly reduced or even lost entirely. Business risks may be more significant in smaller or development-stage companies, which may face intense competition, changing business and economic conditions or other developments that may adversely affect their performance. The securities of a significant number of the companies that are publicly traded may be thinly traded. In certain situations, as a result of a security being thinly traded, the Private Funds could experience a significant loss in value should the Private Funds be forced to liquidate their positions as a result of rapidly changing market conditions or other factors. The ability of the Private Funds to liquidate their positions and generate profits from its investment activities may also be adversely affected by a failure of the companies to comply with registration, conversion, exchange or other obligations under the agreements pursuant to which such securities have been sold to the Private Funds.

- Private Placements and Unregistered Securities. Sabby may purchase equity, convertible securities, and fixed income obligations the disposition of which may be restricted under the U.S. Securities Act of 1933 and other applicable law. Whether or not so restricted, the market to resell such securities may be illiquid. Therefore, such investments may be required to be held for a lengthy period of time or, if the Private Funds were forced to liquidate its position in such securities, such liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such investment.
- Small Capitalization Companies. Sabby may invest in small capitalization and/or less well-established companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. In addition, due to thin trading in some of those stocks, an investment in those stocks may be considered less liquid than an investment in many large-capitalization stocks. When making large sales, Sabby may have to sell securities at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.
- Exchange Traded Funds ("ETFs"). ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, such as a broad stock market index, an industry sector, an international stock market, or various fixed

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

- Investing in the Healthcare Sector. Generally, over 50% of the Private Funds' positions will be in the healthcare sector. Investing in financial instruments of healthcare companies involves substantial risks, including (but not limited to) the following: certain companies in the portfolios may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may slow or impede companies' growth; the possibility of lawsuits related to patents or products; obsolescence of products; change in government policies; changing investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. stock markets affecting the prices of healthcare company securities may cause the performance of the Private Funds to experience substantial volatility; and many companies in the healthcare sector are subject to extensive government regulation. In addition, obtaining approval for new products from governmental agencies can be lengthy, expensive and uncertain.
- Fixed Income Securities. Sabby may take long and short positions in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, convertible securities, notes and debentures issued by corporations; debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities; and commercial paper. Such financial instruments may have speculative characteristics. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Private Funds invest will change in response to fluctuations in interest rates. Generally, when interest rates decline, the value of a long fixed income position can be expected to rise while that of a short fixed income position can be expected to decline. Conversely, when interest rates rise, the value of a long fixed income position can be expected to decline while that of a short fixed income position can be expected to rise. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

The maturity and duration of a fixed income instrument also affects the extent to which the price of the security will change in response to these and other factors. Longer term securities tend to experience larger changes than shorter term securities because they are more sensitive to changes in interest rates or in the credit ratings of the issuers. The average duration of a fixed income portfolio measures its exposure to the risk of changing interest rates. A portfolio with a lower average duration generally will experience less price volatility in responses to changes in interest rates as compared with a portfolio with a higher duration.

- Illiquid Investments. Sabby will invest in PIPE offerings that will not be registered (or immediately salable) at the time of purchase. There is not expected to be a liquid market for many of the warrants the Private Funds expect to receive, and the Private Funds may frequently be required to hold warrants until they expire (absent early exercise or a negotiated sale). In addition, a portion of the financial instruments in which Sabby invests may be or become relatively illiquid, because they are thinly traded, they are subject to transfer restrictions, or the circumstances of the Private Funds' ownership of them give rise to practical or regulatory limits on Sabby's ability to liquidate quickly. Sabby may not be able promptly to liquidate those investments if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected.
- Leverage; Interest Rates; Margin. Sabby may borrow to leverage its investments and may enter into derivative transactions that have the effect of providing the Private Funds with leveraged exposure to underlying assets. To the extent the Private Funds make investments with borrowed funds, their net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the financial instruments purchased with borrowed funds, the use of leverage would result in a lower rate of return than if the Private Funds were not leveraged.

In the event of a sudden, precipitous drop in value of the Private Funds' assets occasioned by a sudden market decline, Sabby might not be able to liquidate assets quickly enough to meet the Private Funds' margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows Sabby to control positions worth significantly more than their investment in those positions, the amount that the Private Funds stand to lose in the event of adverse price movements is high in relation to the amount of its investment. In addition, since interest will be an expense of the Private Funds, they are at risk that interest rates will increase, thereby increasing their expenses.

Derivative Transactions. Sabby also may obtain leverage through over-the-counter derivative transactions with various financial institutions. These derivative transactions expose the Private Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Private Funds to suffer a loss. In addition, in the case of a default, the Private Funds could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Private Funds have concentrated their

transactions with a single or small group of counterparties. Sabby is not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty.

Loss of Premium. There is a risk that the Private Funds could lose the entire premium paid to a counterparty under an option, swap or other derivative transaction.

Lack of Ownership of Underlying Investment. To the extent the Private Funds obtain leverage through derivative transactions, it may not legally or beneficially own the investments upon which the return derived under the derivative is based.

Valuation Risks. Uncertainties as to the valuation of investments could have an impact on the derivative transactions entered into by Sabby and hence, the determination of the net asset value of the Private Funds. With respect to such derivative transactions, the counterparties or their affiliates will assign valuations to the investments in good faith, but such valuations could prove to be incorrect.

Continued Availability of Financing. There can be no assurance that the Private Funds will be able to maintain a source of financing. Financial institution counterparties may terminate lending transactions under certain circumstances and the counterparties are under no obligation to execute new or additional transactions with the Private Funds. In the event a counterparty is unable or unwilling to provide financing going forward, the Private Funds may be adversely affected.

- Loans of Portfolio Securities. The Private Funds may from time to time lend securities from their portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash or securities in an amount equal to at least 100% of the current market value of the loaned securities, including any accrued interest or dividend receivable. The Private Funds will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time. The Private Funds may pay finders', administrative and custodial fees to persons unaffiliated with the Private Funds in connection with the arranging of such loans.
- Portfolio Turnover. Sabby has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of Sabby, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate. Sabby expects to engage in a substantial number of portfolio transactions. It is anticipated that the Private Funds' investment portfolios may be frequently traded, and, accordingly, the Private Funds may bear substantial brokerage commissions, expenses and other transaction costs.
- Hedging Transactions. Sabby may utilize a variety of financial instruments, such as derivatives including options and forward contracts, both for investment and risk management purposes. However, Sabby is not obligated to, and may elect not to, hedge against risks. While the Private Funds may enter into hedging transactions to seek to reduce

risk, such transactions may result in a poorer performance for the Private Funds than if they had not engaged in any such hedging transactions. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as the credit risk of certain issuers (relating both to particular financial instruments and counterparties), as well as risks to which Sabby chooses to expose the Private Funds as part of their investment strategies.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any investment strategy.

ITEM 9 – DISCIPLINARY INFORMATION

On two occasions between December 2014 and February 2015, Sabby bought (on behalf of Private Fund clients) offering shares from an underwriter or broker or dealer participating in a follow-on public offering after having sold short the same security during the restricted period set forth in Rule 105 of Regulation M under the Securities Exchange Act of 1934. The subject transactions resulted in profits of \$184,747.10 for Sabby's Private Fund clients. Sabby did not use the shares purchased to cover the shares sold short during the relevant restricted periods, but the SEC nevertheless alleged and found that the foregoing activity violated Rule 105. The SEC ordered Sabby (i) to cease and desist from any future violations of Rule 105, (ii) disgorge the profits (including interest) earned by Sabby's Private Fund clients as a result of the transactions, and (iii) to pay a civil monetary penalty \$91,669.95. When issuing its order, the SEC acknowledged the remedial acts promptly undertaken by Sabby and the cooperation afforded by Sabby to the SEC in resolving this matter.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sabby is a related person of Sabby Capital, the managing member to certain of Sabby's Private Funds. See Item 4.

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

Sabby has adopted a Code of Ethics and related policies and procedures (collectively, the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which Sabby operates and the procedures for implementing those principles. The Code includes, among other things, provisions that govern fiduciary duty, personal securities trading, insider trading, restricted list, gift policy and confidentiality.

The principals and employees of Sabby and their related accounts (collectively, "Employees") are permitted to maintain personal securities accounts provided that such accounts are disclosed to Sabby and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may not buy, sell or hold, for their own personal accounts securities and financial instruments (including options and other derivatives)

other than investments in mutual funds, money market funds, closed-end funds, ETFs, broad-based securities indices, certificates of deposits, government obligations, and foreign exchange and currencies. This policy ensures that Employees do not trade securities that Sabby also may buy, sell or hold for Clients.

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

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

Sabby's Code is available to any Client or prospective client upon request by contacting Robert Grundstein, Sabby's Chief Compliance Officer, at (646) 307-4527.

Sabby may recommend to Clients an investment in a Private Fund that it advises or for which a related person serves as the general partner or investment adviser. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors in a Private Fund prior to their making an investment in a Private Fund. See also Items 4 and 10.

From time to time, Sabby may aggregate sale and purchase orders of securities held by any Private Fund with similar orders being made simultaneously for other Private Funds if, in the reasonable judgment of Sabby, such aggregation is reasonably likely to result in an overall economic benefit to the Private Funds based on an evaluation that the Private Funds will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Private Funds will be effected simultaneously with the purchase or sale of like securities for such other Private Funds. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at the sole discretion of Sabby, the Private Funds may be charged or credited, as the case may be, the average transaction price. While Sabby's goal is to be fundamentally fair on an overall basis with respect to all Private Funds, there can be no assurance that on an overall or trade-by-trade basis that any particular Private Fund will not be treated more favorably than another.

Cross transactions are generally defined as transactions between client accounts, including those of Private Fund clients ("client cross transactions"). Sabby may effect client cross transactions as long as (i) Sabby does not receive compensation other than its customary and normal advisory fees and commissions, and (ii) provided that procedures are employed to ensure the transactions are done on a fair and equitable basis and that no client is disfavored by the cross-trading. All proposed client cross transactions must be submitted to the Chief Compliance Officer for approval before being effected.

Principal transactions are generally defined as transactions where an adviser or its affiliate, acting as principal for its own account, buys from or sells any security to any advisory client. Sabby itself does not engage in direct principal transactions with Client accounts. Sabby may however engage in client cross transactions as described above. And in this regard, Sabby and/or its affiliates may from time to time have substantial ownership stakes (generally 25% or more) in one or both of the Private Fund clients for which it engages in the cross transactions described above. Under SEC guidance, if an adviser or its affiliates own 25% or more of a Private Fund client, the Private Fund client is deemed to be the adviser itself. Accordingly, under these circumstances, Sabby would be deemed to be engaging in principal transactions with its Private Fund clients.

Engaging in such principal transactions with Private Fund clients creates certain conflicts of interest for Sabby. In any such transaction, Sabby would have an incentive to favor the Private Fund client in which it has a substantial ownership stake (or the Private Fund client in which it has the greater ownership stake), such as through price manipulation or the dumping of unwanted securities into the account of the disfavored Private Fund client. Sabby has procedures designed and implemented so that all Clients are treated fairly and equally, and to prevent this potential conflict from influencing such principal transaction decisions. All such proposed principal transactions must be submitted to the Chief Compliance Officer for approval before being effected. In addition, before engaging in each such principal transaction, Sabby will disclose the particulars of the transaction to, and obtain the informed consent of, the affected Clients.

Sabby will provide a copy of the Code to any client, or prospective client, upon request.

ITEM 12 – BROKERAGE PRACTICES

In the course of Sabby's investment activities the Private Funds may incur substantial brokerage commissions and other transaction expenses. Sabby has complete discretion in deciding what brokers and dealers the Private Funds will use and in negotiating rates of brokerage compensation. In addition to using brokers as "agents" and paying commissions, the Private Funds may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

In choosing brokers and dealers, Sabby is not required to consider any particular criteria. For the most part, Sabby will seek the best combination of brokerage expenses and execution quality but, as discussed below, it is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. In evaluating "execution quality," historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions may be a principal factor, but other factors may also be relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; reliability and financial stability; the size of the transaction; availability of securities to

borrow for short sales; and the market for the security. From time to time, brokers utilized by the Private Funds may assist Sabby in raising capital from investors, or affiliates of the brokers (or the brokers themselves) may invest in the Private Funds. Subject to its obligation to seek best execution, Sabby may consider referrals of investors to the Private Funds, or investments in the Private Funds by the brokers or their affiliates, in determining its selection of brokers. However, Sabby will not commit to an investor, a broker or any affiliate thereof to allocate a particular amount of brokerage in any such situation. Notwithstanding the foregoing, even without any such commitment, utilizing brokers that refer investors to the Private Funds or invest, or whose affiliates invest, in the Private Funds may create a conflict of interest between, on the one hand, Sabby's desire to maintain or increase investment in the Private Funds by brokers, their affiliates and clients thereof, and, on the other hand, Sabby's duty to seek best execution for the Private Funds.

In addition to a broker-dealer's ability to provide "best execution," Sabby's selection criteria may include the value of various services or products the broker-dealer provides to the Private Funds, and Sabby will in its discretion select brokers based upon execution efficiencies and cost considerations. Brokers may also be selected on the basis of research and other services, including "soft dollar" arrangements, provided to Sabby or its affiliates. Accordingly, in certain circumstances, higher commissions may be paid to these brokers than to brokers that do not provide such services. To the extent Sabby enters into any "soft dollar" arrangements on behalf of the Private Funds, such arrangements for goods and services will be made in compliance with the safe harbor provisions contained in Section 28(e) of the Securities Exchange Act of 1934, and such goods and services may include, but are not limited, to quantitative and qualitative research information and recommendations for investment, analysis and reports covering a broad range of economic factors, markets and trends, as well as quotation services such as Reuters and Bloomberg and other news and quotation services that assist Sabby in investing.

The Private Funds may be deemed to be paying for research and the other services and products described above with "soft" or commission dollars. Although Sabby believes that Clients will benefit from many of the services and products obtained with "soft" dollars generated by Client trades, Clients do not benefit from all of these "soft" dollar services and products. Sabby, its affiliates and other accounts and entities may also derive substantial direct or indirect benefits from these services and products, particularly to the extent that Sabby is using "soft" or commission dollars to pay for expenses Sabby would otherwise be required to pay itself.

Sabby intends generally to consider the amount and nature of research, execution and other services and products provided by brokers as well as the extent to which such services and products are relied on, and will attempt to allocate a portion of the brokerage business of the Private Funds and any other future Client accounts on the basis of such considerations. The investment information received from brokers, however, may be used by Sabby, its affiliates and principals in servicing some or all of such other Client accounts, but not all such information may be used by Sabby in connection with all Client accounts. Sabby believes that such an allocation of brokerage business will help Clients to obtain research and execution capabilities and provides other benefits to Clients.

The relationship with brokerage firms that provide soft dollar services to Sabby influences Sabby's judgment in allocating brokerage business. Sabby has an incentive to select a broker-dealer based on its interest in receiving research or other products or services, rather than on a Client's interest in receiving the most favorable execution and thereby creates a conflict of interest in using the services of those broker-dealers to execute a Client's brokerage transactions. It is anticipated that the brokerage commissions Clients pay to firms that provide soft dollar services to Sabby should not differ materially from and are not materially higher than the commissions that they pay to other firms for comparable services. Sabby believes that these relationships will be beneficial to both Sabby and Clients, but Client trades executed through these firms or any other brokerage firm may or may not be at the best price otherwise available. Prospective investors who consider such "soft" dollar practices material to their investment decision should inquire with Sabby to obtain the most recent information on "soft" dollar practices.

Sabby's selection of brokers is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) its obligation, to the extent applicable and subject to the conditions hereinabove specified, to select brokers who offer overall best execution on Clients' trades, and (iii) with respect to a Private Fund, the Private Fund's Memorandum.

From time to time, the Private Funds may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by Sabby may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markdown. Sabby believes that the use of a broker in such instances is consistent with its duty of obtaining best execution for the Private Funds. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

The Private Funds have not placed any limits on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when Sabby, in its discretion, determines that investment conditions warrant such action. A high rate of portfolio turnover involves a correspondingly greater expense than a lower rate.

Sabby may aggregate sale and purchase orders of securities held by any Private Fund with similar orders being made simultaneously for other Private Funds if, in the reasonable judgment of Sabby, such aggregation is reasonably likely to result in an overall economic benefit to the Private Funds based on an evaluation that the Private Funds will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Private Funds will be effected simultaneously with the purchase or sale of like securities for such other Private Funds. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at the sole discretion of Sabby, the Private Funds may be charged or credited, as the case may be, the average transaction price. While Sabby's goal is to be fundamentally fair on an overall basis with respect to all Private

Funds, there can be no assurance that on an overall or trade-by-trade basis that any particular Private Fund will not be treated more favorably than another.

ITEM 13 – REVIEW OF ACCOUNTS

Client accounts are reviewed on a daily basis by the portfolio manager to ensure that investment objectives are adhered to. Additionally, an external service provider generates risk reports once each month that assist in ascertaining whether the position sizes and levels of exposures of the Client accounts' portfolios are consistent with the investment objectives of such accounts. In addition, various rules are input into Sabby's order management system to assist in monitoring and ensuring compliance with the investment guidelines of the various Client accounts.

Investors in the Private Funds generally are provided with a monthly or quarterly (as applicable) report which contains information regarding such Private Fund's performance and the current balance of the investor's investment in such Private Fund. Audited fiscal year-end financial information is provided on an annual basis.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Sabby does not compensate third parties for referring prospective advisory clients (or investors in a Private Fund) to it. In the event that Sabby were to engage in such referral arrangements, such arrangements will conform to Rule 206(4)-3 under the Advisers Act, as applicable. See also Item 10.

Sabby does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients.

ITEM 15 – CUSTODY

Sabby does not have actual custody of any Client assets. The Private Funds have appointed Merrill Lynch Professional Clearing Corp. as prime broker and custodian of the Private Funds' cash and investments ("MLPCC"). Under the applicable agreements, the services provided by MLPCC and/or its affiliates may include the clearing and settling of transactions, financing, securities lending and maintaining custody of a portion of the Private Funds' assets. The Private Funds have also appointed National Financial Services LLC as prime broker and custodian of the Private Funds' cash and investments ("Fidelity"). Under the applicable agreements, the services provided by MLPCC and/or its affiliates may include the clearing and settling of transactions, financing, securities lending and maintaining custody of a portion of the Private Funds' assets.

ITEM 16 – INVESTMENT DISCRETION

Consistent with a Client's investment objectives and in accordance with the applicable investment management agreement, Sabby has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold, pursuant to

discretion granted to it by its Clients. Limitations on Sabby'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 Private Funds, and (iii) each Private Fund's Memorandum.

ITEM 17 – VOTING CLIENT SECURITIES

Sabby has discretion to vote proxies for Clients' securities in accordance with its proxy voting policies and procedures. In general, Sabby's core trading strategy is to trade volatility by acquiring positions composed of options on single name equities, indices, and ETFs, together with their underliers (where some components of that position may be economically long, and some economically short). It is not part of Sabby's core trading strategy to seek to influence the management or operations of any issuer or in any way to be an "activist investor."

Sabby has determined that it does not advance the core trading strategy to express a position regarding the management of issuers by voting proxies. Accordingly, it is Sabby's policy not to vote any proxies that it receives. From time to time, under very limited circumstances, Sabby might decide that it advances its trading strategy to vote a proxy. The determination to vote a proxy will be made only by senior management, and the basis for the determination will be documented for Sabby's files. In such limited cases, Sabby will vote all Client proxies in the Client's best interest, considering such facts as it deems material and in its judgment, voting in a manner that is most likely to maximize the value of its Clients' investments. In general, Sabby seeks to resolve any potential conflicts of interests associated with any proxy that it may vote by promptly disclosing the conflict and obtaining written consent before exercising any proxy voting authority, or in the alternative, by applying the general policy of seeking to serve the best interests of the Private Funds.

Sabby's Chief Compliance Officer oversees and manages Sabby's proxy voting policies and procedures. Sabby's proxy voting policy and procedures are available upon request. A Client may obtain Sabby's proxy voting policy and procedures by contacting Robert Grundstein, Sabby's Chief Compliance Officer, at (646) 307-4527.

ITEM 18 – FINANCIAL INFORMATION

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