

**Form ADV Part 2A**

**Firm Brochure**

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This brochure provides information about the qualifications and business practices of Squarepoint OPS LLC. If you have any questions about the contents of this brochure, please contact us at (646)979-1308. 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.

Squarepoint OPS LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Squarepoint OPS LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

This annual update to our Brochure amends the Brochure dated May 2019.

Please be aware that in addition to the below amendments several sections have been redrafted and are considered nonmaterial changes, but investors are encouraged to review this updated Brochure in its entirety.

Since the last annual update to Form ADV in March 2019, Olivier Delahaye has been appointed Chief Technology Officer for the Squarepoint Group and has assumed overall responsibility for technology operations and technology development.

This Brochure has been further updated to reflect changes made to the following sections:

- Item 4 – Advisory Business:
  - Office locations have been updated to include Hong Kong.
  - Singapore Opco is now registered with the Kanto Local Finance Bureau in Japan as a “high speed trade operator”.
  - Additional advisory services provided by Singapore OpCo.
  - The regulatory assets under management (RAUM) has been updated.
- Item 5 – Fees and Compensation:
  - Expanded language concerning fee arrangements and related conflicts.
- Item 6 – Performance-Based Fees and Side-by-Side Management:
  - Updated to better reflect arrangements in place and certain conflicts of interest.
- Item 7 – Types of Clients:
  - Inclusion of corporate clients as well as Fund clients.
- Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss:
  - Updated risks to better reflect recent events.
  - Expanded statements on certain risks associated with alternative data.
- Item 15 – Custody:
  - Clarification that Squarepoint is considered to have Custody of Fund’s assets.

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## ITEM 4 - ADVISORY BUSINESS

Squarepoint OPS LLC (“OPS”) is a Delaware limited liability company, with its principal place of business in New York, New York, and was formed in April 2014. OPS together with its affiliated entities, including Squarepoint Capital LLP (“UK OpCo”) and Squarepoint Operations Private Limited (“Singapore OpCo”) and certain non-advisory affiliates form the “Squarepoint Group”. UK OpCo and Singapore OpCo are relying advisers to OPS and therefore are parties to this brochure.

On December 16, 2014, OPS, along with certain affiliated entities, was acquired from Barclays Bank PLC (“Barclays”) by entities owned by key management personnel who previously had operated a systematic global trading business within Barclays.

The Squarepoint Group’s majority owners are Olivier Durantel, Antoine Fillet, Maxime Fortin and Grégoire Schneider. The Squarepoint Group has its main offices in New York, London and Singapore. There are also offices in Paris, France; Zug, Switzerland; Geneva, Switzerland; Montreal, Canada; and Hong Kong.

The Squarepoint Group operates an independent asset management business and provides discretionary investment advisory services to certain privately offered pooled and non-pooled investment vehicles (the “Funds”). Singapore OpCo also provides research and advisory services to a Corporate client.

The Funds with respect to which the Squarepoint Group provides investment advisory services are each managed according to the investment objectives and policies set forth in their offering materials using systematic models to trade liquid assets globally. Aside from non-pooled investment vehicles, OPS does not tailor the Funds’ investment programs for any particular Fund investor. The investment management agreements of the Funds, the private placement/offering memoranda and other governing documents of the Funds are collectively referred to in this document as “Governing Documents”.

The Funds are formed as master-feeder, or similar, structures and investment activities are primarily conducted at the master fund or equivalent level, please see Item 6 Performance Fees and Side by Side Management for details of cash management practices when this is not the case.

OPS is appointed as the investment manager of the Funds and has overall responsibility for the discretionary investment management of the Funds’ portfolio. OPS has appointed UK OpCo and Singapore OpCo (collectively with OPS, “the OpCos”) as sub-managers to conduct discretionary management functions on behalf of the Funds during respectively the UK and Singapore business hours.

UK OpCo is authorized and regulated by the Financial Conduct Authority of the UK. Singapore OpCo is authorised and regulated by the Monetary Authority of Singapore (“MAS”) and is also registered with the Kanto Local Finance Bureau in Japan as “high speed trade operator” under the new regulatory framework introduced by amendments to the Financials Instruments and Exchange Act which became effective in April 2018.

Each of OPS, UK OpCo and Singapore OpCo performs its functions primarily by placing investment orders with counterparties within the region covered by that advisor (the Americas for OPS, the Europe, Middle East, and Africa (“EMEA”) region for UK OpCo and the Asia and Pacific (“APAC”) region for Singapore OpCo).

The resources of each master fund form a single pool of collateral available to the OpCos for purposes of their trading activities. Rather than making a defined amount of the collateral pool available to each OpCo, each OpCo is subject to the global position and risk limits determined by OPS.

The investment activities of UK OpCo and Singapore OpCo in relation to the investment management of the Funds are subject to the overall control and responsibility of OPS. OPS monitors and has the right to instruct UK OpCo and Singapore OpCo in relation to their management of the portfolios of the Funds. OPS also monitors the risk profiles of the Funds' portfolios against global parameters and has the power to require UK OpCo and Singapore OpCo to take remedial action if needed.

OPS does not manage any assets on a non-discretionary basis. As of December 31, 2019, OPS had approximately USD 34,637,397,053 of regulatory assets under management. This figure does not disregard Funds' investments in other Funds.

## ITEM 5 - FEES AND COMPENSATION

Fees and expense payable to the Squarepoint Group for management and advisory services are set out in the applicable Governing Documents of each fund, and investors should refer to these Governing Documents for a full description of relevant fee calculation methodologies and expense mechanisms. These will generally include a management fee, a performance based fee and may also include advances or re-imbursements for expenses incurred by the Squarepoint Group.

### Management Fees

For certain Funds, Squarepoint Group receives a management fee based on the net asset value of that particular Fund, up to 2% per annum. Management fees are generally paid quarterly in advance.

### Performance-Based Compensation

Squarepoint Group receives performance-based compensation, which is compensation that is based on a share of income, capital gains or capital appreciation of the assets of a particular fund, over a specified period and may be subject to a high water mark as well as other adjustments, some of which are detailed below.

Investors should note that performance allocations where OPS is entitled to receive a proportion of the income generated ("Income Performance Allocation" or "IPA") by certain assets held by a Fund (the "Shared Income Funds", or "SI Funds") may create a conflict of interest for the OpCos in managing these SI Funds. The OpCos have the authority to allocate more of the Funds capital to assets that qualify for the shared income performance allocation as opposed to investing in other assets that do not pay this performance allocation. This income received regardless of the overall performance of the Fund. To manage this conflict, IPA's are subject to sliding scales and reduce as proportion of the income received, the more income is generated.

For certain funds, the performance-based fees are subject to a floor based on a percentage of the assets under management for those funds. Any compensation received due to the fee floor that is over and above the performance achieved by the manager for a specified period can be recouped from future performance fees. Additionally, performance based fees are generally paid annually, whereas AUM based fee floors are paid quarterly. As a consequence of this feature, should an investor in the fund redeem or be redeemed during periods when the floor has been in force and prior to any amounts being recouped, any such amounts would not be payable to the investor.

As noted further below, when sub-delegation agreements have been entered into with unaffiliated parties, any incentive and management fees agreed with the third-party adviser will be borne by relevant Funds. For all such Funds, the performance-based fees due to OPS will be based on the performance of the third-party adviser net of any such agreed incentive and management fees.

Squarepoint Group has, and may in the future, waive, reduce or modify the performance-based compensation for a Fund (or any investor therein, as applicable).

### Expenses Passed Through

As compensation for services provided in respect of certain Funds ("Expense Pass Through Funds", or "EPT Funds"), OPS is entitled to receive certain advances and reimbursements of Squarepoint Group operating expenses that have been agreed between those EPT Funds and the Squarepoint Group. Operating expenses that qualify for this treatment are related to the operations of the Squarepoint Group and may or may not be of benefit to the EPT Funds. Payments in respect of these amounts will be made by such Funds to OPS (or another member of the Squarepoint Group as directed by OPS) and distributed amongst the Squarepoint Group as determined by OPS.

In such circumstances, and as described in their Governing Documents, all expenses incurred by

OPS, with the exception of variable remuneration and taxes thereon of full time employees and consultants, shall be borne by the EPT Funds and allocated to some but not all classes of shares issued by each EPT Fund.

Share classes that are not allocated such expenses include Management Shares, and any holders of any such class of share will not indirectly bear these costs (see also Item 7). For the avoidance of doubt, variable remuneration paid to the Squarepoint Group partners and employees, if any, shall be paid solely by the Squarepoint Group. Determinations of such expense allocations across applicable share classes and Funds are made by OPS acting in its good faith and reasonable discretion. Notwithstanding the foregoing, certain shares restricted to Squarepoint Group staff may bear expenses related to other investment products of the Squarepoint Group and on a greater than pro rata basis. This results in certain resources utilized by the Non-EPT Funds being subsidized by the EPT Funds.

These expenses may be paid initially by the EPT Funds or the Squarepoint Group. To the extent that such amounts are paid by the Squarepoint Group they will be reimbursed by the EPT Funds as described below. Such reimbursement payment will be made to OPS or such other member(s) of the Squarepoint Group as OPS may direct.

Payments by the EPT Funds in respect of Squarepoint Group expenses will be deducted by OPS out of the assets of the applicable Funds up to two quarters in advance, based on OPS' budget projections and subject to a true up at the end of each quarter. Certain unanticipated or non-ordinary course Squarepoint Group operating expenses and the full amount of Squarepoint Group capital expenditure attributable to the EPT Funds' investment-related activities will be advanced by EPT Funds on request by OPS in advance of becoming due or as soon as practicable after incurrence. Advances by the EPT Funds of amounts in respect of Squarepoint Group capital expenditure will only be deducted from the assets of the EPT Funds as they are amortized by the Squarepoint Group. As described in the relevant Governing Documents, certain operating expenses are subject to a per annum cap.

Investors should note that differing fee structures between EPT Funds and those that are not EPT Funds ("Non-EPT Funds") may create a conflict of interest for Squarepoint in managing the Funds. Squarepoint can pass the expenses created by the implementation of a strategy through to investors to EPT Funds but it is not able to perform such a pass-through if strategies are allocated non-EPT Funds. Therefore, Squarepoint is incentivized to allocate higher expense strategies to the EPT Funds over the non EPT Funds.

For efficiencies and other purposes, Squarepoint may use the assets of one Fund to invest in the shares of a separate Fund. In such circumstances, the management and performance fees associated with the invested Fund will typically be waived.

### **Incentive and Management Fees Paid to Third Party Advisers**

Ops may enter into sub-delegation agreements with unaffiliated parties. Compensation to these third party advisers may include both incentive and management fees.

The incentive fee for managing each separately managed account is a percentage of the net profits or net losses (deducting all prior year's net losses not subsequently offset by prior years' net profits) for each fiscal year less any management fee, as described below, and a limited range of other expenses borne by the manager during such period.

In addition to an incentive fee described above, the third-party adviser may be entitled to receive a monthly or quarterly management fee, payable in advance or arrears (in each case as agreed with each external adviser), calculated at an annual rate (as agreed with each external adviser) of the notional value managed by the third-party adviser.

### **Other Fees and Expenses**

As laid out in the Governing Documents of the Funds, in addition to paying performance-based compensation to the Squarepoint Group, Funds typically pay all of their own operating and investment expenses including, but not limited to fees and expenses related to the below items.

- *Organizational and Offering Costs*

The organizational and ongoing expenses in connection with the offer, issuance and placement of the investments; explanatory and other memoranda; costs relating to obtaining investor identity information or investor licenses in various countries, as required; costs relating to the preparation, execution and amendment of legal documentation constituting the Funds and legal documentation entered into by the Funds, including with service providers; costs of stationery; fees of the general partner and board of directors of the Funds; costs of meetings of the general partner and meetings of the board of directors of the Funds and travel expenses to such meetings and any other reasonable expenses approved by the general partner or the board of directors of the Funds.

- *Trading Expenses*

Professional fees (including, without limitation, fees and expenses of consultants, finders, financial advisers, investment bankers, attorneys, accountants and other experts) relating to the investments of the Funds and other fees and expenses relating to the acquisition, holding and disposition of investments of the Funds including, without limitation, exchange listing and securities licensing fees, as applicable; third-party research; portfolio pricing services; travel related to management of investment activities; expenses relating to the Funds' borrowings, including, without limitation, borrowings of cash or securities; expenses relating to prime brokerage and other margin facilities to the Funds; custodial and depository fees and expenses; expenses relating to short sales; clearing and settlement charges; expenses relating to reorganizations and restructurings involving the Funds' investments; extraordinary expenses; expenses relating to operating investment arrangements including, without limitation, subsidiary companies necessary for accessing certain markets or instruments; expenses relating to investor and public relations; expenses of registering or qualifying the investments for sale or purchase; exchange memberships; exchange fees, transaction fees, brokerage fees and commissions or other costs of acquiring or disposing of investments of the Funds, including, without limitation, legal and accounting costs; bank service fees and interest expenses; any other costs related to the purchase, sale, transfer or processing of investments of the Funds.

- *Market Data, Other Data and Other Technology Related Expenses*

Market data and other data costs (whether or not the data is used and whether the data is used for trading, research, or other purpose) including, without limitation, real-time, non-real-time and historical market data licensing fees, fees for third party databases and news services and payments for alpha capture strategies; costs attributable to certain software including, without limitation, database, middleware, mathematical, statistical and analytics software license fees and associated consulting, installation and maintenance fees; costs attributable to hardware, including, without limitation, computers, specialized hardware, connectivity hardware such as network equipment (e.g., telephone and fibre optic lines) and storage space and related consulting, installation and maintenance fees; costs associated with custom development; data centre costs including, without limitation, leasing space, power and installation costs; costs of servicing, maintaining and operating hardware, software and networks including, without limitation, recovery services; depreciation costs associated with production hardware; technology costs associated with connecting to trading venues, trading counterparties, prime brokers of the Funds, and similar service providers.



- *Administration Fees*

- (i) The Funds administrators and their affiliates receive monthly fees from the Funds. The fee is equal to a percentage of the relevant net asset value based on a per annum rate subject to a minimum dollar amount; and
- (ii) Certain other one-off transaction fees at rates and out-of-pocket expenses specified in the relevant Administration Agreement.

- *Accounting, Tax and Related Expenses*

Auditing, accounting and tax preparation expenses; any VAT; costs relating to preparing K1 and PFIC information statements and other documents necessary to reasonably assist investors in their tax affairs; and fees and out-of-pocket expenses of any service company retained to provide accounting and bookkeeping services to the Funds; taxes and regulatory fees, including, without limitation, taxes linked to hosting hardware in some countries and financial transaction taxes.

- *Legal, Insurance and Related Expenses*

Legal expenses; insurance premiums relating to the Funds; any costs and expenses incurred in connection with any actual or potential claim, litigation, arbitration, mediation, government investigation or dispute in connection with the Squarepoint Group and the amount of any judgment or settlement paid in connection therewith; or the enforcement of the Funds' rights against any person or entity; and costs and expenses for indemnification or contribution paid by the Funds to any person or entity; expenses related to making corporate or regulatory filings for the Funds; costs relating to liability insurance for the officers of the general partner and for the directors and officers of the Funds; other extraordinary expenses.

- *Withdrawals/Redemptions, Transfers, Communications with Investors and Similar Expenses*

Expenses relating to transfers and withdrawals of investments and printing, mailing and similar expenses, including, without limitation, expenses of preparing, printing and distributing reports, financial statements, notices, distributions and other documents to investors and potential investors; costs of investor meetings.

Where applicable, Funds may also pay their pro-rata share of the expenses of the underlying investment vehicles in which they directly or indirectly invest. This includes management fees, performance fees and pass-through expenses of third party fund vehicles in which the Funds may invest. If, however, a Fund invests in another Squarepoint Fund, the management and performance fees associated with the invested Fund will typically be waived.

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

OPS simultaneously manages assets for multiple Funds, and as outlined in Item 5 above, the Funds are charged performance based fees. The performance-based fees vary from Fund to Fund and may incentivize the Squarepoint Group to make riskier investments than would be the case in the absence of such fees. Additionally, as certain Funds have significantly higher performance based fees than other Funds and Squarepoint staff have significantly more capital invested in those Funds (the "Higher Fee Funds") than in other Funds, there is an incentive to favor the Higher Fee Funds over other Funds, including, for example, in the allocation of management time, resources, and investment opportunities.

OPS allocates investment opportunities and strategies amongst its Funds according to the target return, risk and trading profile for each Fund and considering multiple factors including but not limited to; existing portfolio composition, liquidity requirements for each Fund, tax considerations, regulatory considerations, informal diversification requirements, anticipated research and development expenditure, turnover, investment horizons and optimization frequency. This generally leads to investment opportunities being allocated to a single Fund, or adaptations being made to so that separate instances of a model or signal can be allocated to different Funds, each aligning with that specific Funds profile

The Higher Fee Funds have access to shorter-term signals that are not made available to other Funds because the signals are believed to be capacity constrained, and their capacity has been reserved for the Higher Fee Funds. Over time, historical data has shown that strategies that use shorter-term signals tend to produce portfolios with higher Sharpe ratios and higher gross returns than those that utilize longer-term signals. Because the Higher Fee Funds utilize shorter-term signals than the other Funds, the Higher Fee Funds have experienced, and are expected to continue to experience, higher Sharpe ratios and higher gross returns than the other Funds. the Higher Fee Funds have priority with respect to new strategies, methods, signals, and other opportunities (including, without limitation, order working opportunities) going forward. Even when it is ultimately determined to use a new strategy, method, or signal for the benefit of Funds other than the Higher Fee Funds, it is likely to be first used for the benefit of the Higher Fee Funds, as the Higher Fee Funds are generally used to test new strategies, methods, and signals.

As noted in Item 10, a number of entities within the Squarepoint Group do not conduct any investment advisory services. Some of these non-advisory entities provide research services ("Affiliate Research Company") to the Squarepoint Group as a whole. Affiliate Research Companies may own specific intellectual property connected the research they produce and their compensation connected to the value that the Squarepoint group ascribes to their utilisation. Squarepoint staff may from time to time invest in a number of these Affiliate Research Companies. This can create an incentive for such staff to favour research produced by such Affiliate Research Companies and the trading programs that use them should they also be involved in the allocation of investment opportunities.

In general, and as noted in Item 12, Squarepoint's various trading programs independently generate orders, which are routinely directed to brokers and counterparties for execution; with respect to trade allocations, these orders are generally executed without regard for other instructions generated for the account of the same or a different client of Squarepoint and orders are generally filled independently. Since the Higher Fee Funds generally trade with more urgency than the other Funds (due to their shorter-term forecasting horizon) and since they have access to lower-latency order working strategies, the Higher Fee Funds generally trade ahead of the other Funds. This is likely to result in the other Funds having their orders filled at less favorable prices than they would have in the absence of this more-urgent trading by the Higher Fee Funds. In some cases, the impact of one Fund on another Fund may be material.

It is likely that working orders independently will cause the Funds to have a greater impact on each other than they would have if their trading were coordinated. If the correlation among Funds increases and/or the amount of capital invested in correlated Funds increases, this impact will increase.

Even among highly correlated Funds, OPS will not always purchase (or sell) the same securities at the same time, or in the same proportionate amounts, particularly if the different Funds have materially different amounts of capital or trade timing considerations. From time to time, highly correlated Funds will have opposing views as to whether to buy or sell a particular security at a particular time. As a result, one Fund may experience a loss on a security while a highly correlated Fund experiences a gain on the same security. For these and related reasons, the trading and performance of highly correlated Funds have diverged and may diverge even further in the future.

Very frequently, a Fund (or a strategy within a particular Fund) seeks to buy an asset at the same time as another Fund (or strategy within that other Fund) seeks to sell the same asset. It may be beneficial to cross these transactions to minimize or eliminate transaction costs, obtain better pricing, and to limit the market impact of the transaction. These cross trades create a potential conflict of interest as there is the potential to favor one account over another as OPS represents both the client-seller and the client-buyer in the transaction. Furthermore, trades between certain Funds would have heightened conflict profiles as they would be considered “principal transactions” (given the significant ownership of Squarepoint Group employees and controlling persons in certain Funds). Such cross transactions are permitted and OPS has implemented policies and procedures designed to ensure these transactions are carried out in a manner that complies with applicable regulatory requirements, including (i) disclosure is provided to each client about the potential conflict of interest; (ii) the use of independent third parties to obtain fair and better pricing for participating Funds, (iii) obtaining client consent for each cross transaction within the timeframes required, (iv) participating Funds to receive best execution; and (iv) no brokerage commission or mark up or mark down being charged by OPS. We do not place cross trades for client accounts that are subject to the US Employee Retirement Income Security Act of 1974, as amended.

Because of the overlap in trading conducted on behalf of the Funds, OPS must manage the supply of shares available for borrowing by the Funds with short positions and/or OPS’ remaining position limit capacity across multiple Funds. In general, we allocate such finite resources on a first-come-first-served basis. Given that the Higher Fee Funds trade in greater volume and with more urgency than the other Funds, it is likely that, from time to time, the Higher Fee Funds will deplete the supply of shares available for borrowing by the Funds with short positions and/or cause OPS to reach our remaining position or other limits and therefore prevent the other Funds’ from entering into particular positions.

Squarepoint has the authority to aggregate orders of multiple clients. When doing so, OPS has implemented procedures that are reasonably designed to ensure that aggregated transactions (i) are allocated on a fair basis, (ii) do not systematically advantage one fund over another, (iii) are carried out in a manner that complies with applicable regulatory requirements, (iv) obtain client consent when necessary, and (v) in order to achieve a better execution result overall.

Furthermore, when market structures and practices permit, with respect to derivative instruments, and ensuring the above procedures are applied, transactions may also be netted off against each other. This results in one side of the trade receiving a better price than that which would have been received if traded separately, whilst the other side not being disadvantaged and achieving the same price it would have achieved without netting.

Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified above under certain circumstances. Examples of reasons for allocating orders on a different basis include, among other things, available cash, liquidity requirements, macro risk parameters set by investment personnel, to avoid a misallocation of fills, legal and/or regulatory reasons (including a desire to avoid and/or minimize a regulatory filing, disclosure or other obligation) and/or to avoid odd lots.

As noted in Item 4, the Funds are formed as master-feeder, or similar, structures. The feeder funds, or their equivalents (collectively "Feeder Funds"), invest substantially all of their capital in the master funds, and in the vast majority of circumstances, trading and investing activity of the Funds takes place at the master level of the Fund.

For certain Funds ("MFC Funds"), OPS has the authority to transfer cash that is in excess of the amount needed to support MFC Fund's trading activities to its respective Feeder Funds, and vice versa should the MFC Funds incur a need for cash or funding (the "Cash Transfers"). These Cash Transfers are the main source of funding for a sub population of the MFC Funds ("CTF Funds"). As OPS manages multiple MFC Funds and investment opportunities present themselves for each MFC Fund at different times, this may affect the manner in which OPS manages an MFC Funds as a whole. OPS has adopted policies and procedures to ensure that the liquidity risk profile for each MFC Fund is managed and the Cash Transfers are carried out in a pro rata and equitable fashion. Nonetheless, in the event a material conflict were to arise, it may not be possible to resolve in an equitable manner. If this occurs, OPS will act in a manner that favours the MFC Funds at the expense of the CTF Funds.

The Squarepoint Group has adopted policies and procedures that we believe are reasonably designed to address these and other conflicts of interest. There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Squarepoint Group. The discussion above does not purport to be a comprehensive discussion of all of the conflicts of interest associated with the Squarepoint Group and an investment in the Funds. The Funds' Governing documents contain additional information with respect to the actual and potential conflicts associated with an investment in the relevant Funds.

## **ITEM 7 - TYPES OF CLIENTS**

The Squarepoint Group operates an independent asset management business, and provides discretionary investment advisory services to certain privately offered pooled and non-pooled investment vehicles, the Funds, as described in Item 4.

Investors in the Funds are generally required to make a minimum initial investment of either USD 10,000,000 or USD 100,000 depending on the specific share class. Investors in the Funds are also generally required to be both “accredited investors” and “qualified purchasers” or “knowledgeable employees” and meet other investor qualification criteria required by applicable securities and commodities laws and regulations.

Singapore OpCo also provides research and advisory services to a Corporate client.

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

### **Investment Strategy and Methods of Analysis**

The principal objective of the Funds is to provide investors with consistent risk-adjusted returns by means of capital appreciation by making investments in financial instruments. The Funds employs a multi-asset systematic global strategy-trading approach combining a collection of independent strategies, each focusing on a limited number of signals having their own risk parameters. The Feeder Funds invest substantially all of their capital in the master funds, and in the vast majority of circumstances, trading and investing activity of the Funds takes place at the master level of the Funds.

Squarepoint Group will mostly use a quantitative and systematic approach to investment. Squarepoint Group's research team uses statistical techniques to forecast movements in the value of financial instruments at various time horizons. In order to develop these proprietary forecasting tools, Squarepoint Group will leverage on large historical datasets, either compiled in-house over time, or licensed or purchased from third parties. The underlying data can be of various kinds, including, but not limited to, market data (e.g. prices, volumes), accounting data, regulatory filings, economics releases and news items. Various forecasts will then be combined with risk management and trading modules to form a trading strategy. Such a strategy will usually be tested against historical data ("back testing") to optimize its expected future performance which involves striking a balance between expected returns and risk, while taking other considerations such as available liquidity and market impact into account. After the back testing phase, a strategy will be implemented and generates orders on relevant instruments, such as equities, derivatives or foreign exchange. A few strategies will be executed manually by traders. Squarepoint Group investment professionals reserve the right to override model outputs and strategy trading intentions to reflect their perception of prevailing market conditions.

Risk management is performed in real-time. Whilst most risk management procedures are automated and built-in into the system, Squarepoint Group may intervene and alter risk parameters to respond to changing market conditions from time to time.

The strategies cover a wide spectrum of holding periods and boundaries are clearly defined. The portfolio combines low frequency trading with higher frequency trading. Multiple back-testing environments are used to focus on issues key to each category of strategy. Many different datasets are used to design, improve and run strategies that are often cross-validated using different but overlapping datasets. The majority of investments are made on a systematic basis.

The global portfolio of the Funds is spread across three major regions: EMEA, APAC and the Americas, with asset allocation to each region managed by OPS. OPS is responsible for managing the global portfolio during US business hours, UK OpCo is responsible for managing the global portfolio during European business hours and Singapore OpCo is responsible for managing the portfolio during Asian business hours. The global portfolio itself consists of a number of strategies with different turnovers. While the Funds do not have any fixed guidelines with respect to diversification, to achieve its investment objective, the Funds generally seeks to maintain a diversified portfolio of instruments spread across countries, sectors and asset classes. Notwithstanding the foregoing, the Funds' portfolio could become significantly concentrated in any one industry, sector, strategy or geographic region.

The investment policies and strategies (but not the investment objective and overall trading approach) of the Funds may be changed by the board of directors in consultation with OPS without the consent of the shareholders.

## **Potential Risks**

The following considerations should be evaluated carefully by any potential investor before making an investment in the Funds. Such considerations do not purport to be a complete discussion of all the risks and other factors and considerations which relate to or might arise from investing in the Funds or from its investments. Potential investors are advised to consult their own advisors regarding additional potential risks.

### ***Risk of Loss***

All investments involve the risk of loss of a part, or all, of the capital invested. Investing in the Funds involves a high degree of risk. There can be no assurance that the Funds' investment objective will be achieved. An investment in the Funds is suitable only for sophisticated investors for whom the investment does not represent a complete investment program and who fully understand and are capable of assuming the risks of such investment.

There can be no assurance that the Funds will achieve their investment objectives or that they will not incur a loss. Investors should be aware that past performance of the members of the Squarepoint Group is not necessarily indicative of future performance of the Funds.

### ***Investment Risks in General***

Investing in the Funds will involve certain considerations in addition to the risks normally associated with making investments in securities. The Funds' net asset value and any income therefrom may go down as well as up and there can be no assurance that upon redemption, sale or otherwise, investors will receive back the amount originally invested or that there will be any return of capital. Investment results will vary on a monthly, quarterly or annual basis.

Any investment in the Funds is at risk of a total loss of invested capital. Squarepoint cannot predict, measure, or hedge all market or other risks linked to the Funds' investment strategy. Squarepoint may choose, or may determine that it is economically appropriate, to not hedge certain risks, instead relying on diversification in an attempt to mitigate the risks. However, the Funds are not limited by any specific policies or requirements for diversification or risk mitigation. As a result, the Funds may become concentrated in a single issuer, industry, market or sector and the concentration of risk may increase losses suffered by the Funds. Limited diversification may cause greater volatility than would otherwise be the case, and could expose the Funds to losses disproportionate to market movements in general. Risks associated with different assets held by the Funds may become correlated in unexpected ways, with the result that the Funds become exposed to unforeseen risks.

### ***Delegation of Investment Discretion and selection and of Third-Party Investment Advisors***

From time to time, OPS may delegate some or all of its role as adviser to its clients to third party advisers. In connection with the selection of potential sub-advisers or advisers, OPS makes recommendations or selections of underlying investment managers for such clients.

OPS performs detailed due diligence on third party potential sub-advisers or advisers before selecting them. In selecting external advisers, Squarepoint relies on a variety of both quantitative and qualitative factors, including but not limited to, analysis of the adviser's investment process and results, including the length of their track record, operational controls, compliance policies and procedures, consideration of the assets under management, and interviews with members of the adviser's senior management and investment teams, management style, number and continuity of investment professionals, and client servicing capabilities.

There can be no assurance as to adequacy of the factors considered in selecting third-party advisers, and no guarantee against material losses as a result of such delegation.

### ***No Formal Investment Restrictions and Cryptocurrencies***

The Funds have not adopted any specific investment restrictions or limitations of any kind and does not currently otherwise voluntarily observe any specific fixed internal investment guidelines or principles, including, without limitation, with respect to diversification, geographic scope or the credit quality of its investments. The Funds generally seek to maintain a diversified portfolio of investments spread across countries, sectors and asset classes.

Whilst the Funds do not currently invest in cryptocurrencies or derivatives of cryptocurrencies, this does not preclude the possibility that the Funds may invest in these instruments in the future. Furthermore, the funds may be indirectly exposed to risks associated with these instruments through investments in firms that are directly involved in cryptocurrencies either through investment or otherwise.

### ***No Formal Diversification Policies***

Although diversification is an important part of OPS portfolio management process, and OPS generally seeks to maintain a diversified portfolio of instruments spread across countries, sectors and asset classes, OPS does not have any formal diversification policy or any fixed limits, guidelines, or requirements for diversifying the investments of the Funds. As a result of the foregoing and the fact that risks associated with different assets may be correlated in unexpected ways, the Funds could become subject to more concentrated issuer, industry, market, sector, or other exposures than expected. Most of OPS portfolio management activities are done on a strategy-by-strategy basis, while each Fund generally employs more than one strategy. Therefore, the overall portfolio of a particular Fund may have more exposure to a particular asset, asset class, market factor, or risk scenario than would be expected had those portfolio management activities occurred at such Fund's overall portfolio level. If OPS fails to identify and therefore manage any of these risks, the Funds may suffer losses.

### ***Bid and Offer Spread of Investments***

The bid and offer spread of financial instruments, including those in which the Funds invest, usually widens during periods of market decline or reduced liquidity, and this may adversely impact the valuation of investments held by the Funds or the ability of the Funds to dispose of financial instruments at a previously quoted price or at the currently quoted price.

### ***Compulsory Redemption***

The Funds and/or the Feeder Funds may compulsorily redeem the shares of a shareholder in certain circumstances. Such compulsory redemption may create adverse economic or other consequences to the shareholder depending on the timing thereof and the shareholder's personal circumstances.

### ***Suspensions of Redemptions***

The directors of the Funds may suspend the calculation of the net asset value of the Funds and the net asset value per share of each class in certain circumstances. No issue or redemption of shares at the option of the shareholders will take place during any period when such calculations are suspended and the Funds reserve the right to withhold payments of redemption proceeds to persons whose shares have been redeemed prior to such suspension until after the suspension is lifted. This could materially extend the period required for shareholders to realize their investments in the Funds.

### ***In-specie Distributions***

The Board of Directors may distribute assets of the Funds in-specie to a shareholder upon a redemption of such shareholder's shares. Assets distributed in kind may be illiquid or difficult to value,



may not be readily marketable or saleable and may have to be held by such shareholder for an indefinite period of time. Such assets will continue to be subject to market conditions and may fluctuate in value following the relevant redemption day. There can be no assurance that the redeeming shareholder will be able to liquidate such assets at a price equal to or greater than the value of the assets determined as of the relevant redemption day.

### ***Absence of Regulatory Oversight and Other Regulatory Risks***

None of the Funds are registered investment companies under the Investment Company Act or otherwise registered under the securities laws, or with the securities regulatory authority or commission, of any other jurisdiction other than to the limited extent described in the PPM, and none of the US Feeder, the Offshore Feeder or the Funds has any current intention of being so registered. Accordingly, the provisions of the Investment Company Act and legislation in other jurisdictions regulating the relationship between an investment fund and its asset manager and otherwise protecting the interests of investors in an investment fund are generally not applicable to an investment in the Funds. The Alternative Investment Fund Managers Directive (“AIFMD”) has imposed new requirements in relation to funds managed or established in the European Economic Area (“EEA”) and in certain circumstances to other funds which are marketed in the EEA, as well as funds managed by managers located in the EEA which result in increased requirements, including in relation to transparency and disclosure. The provisions of AIFMD will only apply to the Funds if the Funds are marketed in the EEA or to investors domiciled or with a registered office in the EEA, and even then only certain provisions will be applicable to the Funds as non-EEA alternative investment funds (“AIFs”) with a non-EEA alternative investment fund manager (“AIFM”).

### ***Changes in Law or Regulations may Adversely Affect the Fund’s Ability to Carry on its Business***

- *Home Regulator Considerations*

The Funds and each member of the Squarepoint Group are each subject to laws and regulations of national and local governments. Changes in such laws or regulations or their interpretation, or a failure to comply with any such laws or regulations, may adversely affect the Funds’ performance and returns to their shareholders.

- *Hedge Fund Regulation Considerations*

The regulatory environment for hedge funds and the managers of hedge funds is evolving. Any change in the laws and regulations affecting the Fund or any change in the regulations affecting hedge funds, funds of hedge funds or hedge fund managers generally may have a material adverse effect on the Funds’ ability to obtain leverage or carry on its business, which in turn could have a material adverse effect on the performance and returns to shareholders. Changes in law, regulations or their interpretation may result in legal uncertainty, compliance becoming increasingly burdensome and may even result in restructuring.

- *Investment Product Considerations*

The regulatory or tax environment for derivative and related instruments is evolving and may be subject to government or judicial action, which may adversely affect the value or liquidity of investments held by the Funds or its ability to obtain the leverage it might otherwise obtain. In such event, the investment returns of the Funds may be materially and adversely affected. The effect of any future regulatory or tax change on the Funds is impossible to predict.

### ***Differing Tax Positions***

We take into account the tax status of investors (or a subset of investors) in making trading decisions on behalf of certain Funds, however, we have no obligation to continue to do so. In the event that we do not take into account the tax status of any (or a subset) of investors in such a Fund, such

investors may have adverse tax consequences.

For example, there may be non-U.S. or U.S. tax-exempt investors in a Fund that is tailored for U.S. taxable investors. The actions that OPS takes to tailor such a Fund's after-tax returns for a U.S. taxable investor (e.g., by causing the Fund to hold a position longer than it would otherwise in order to benefit from the preferential U.S. federal income tax rate applicable to long-term capital gains) may negatively impact the pre-tax return of the Fund for all investors (including non-U.S. and U.S. tax-exempt investors).

***The Funds are exposed to changes in Tax Laws or Regulation, or their interpretation***

Changes to the tax laws of, or practice in, Cayman Islands, Singapore, the United Kingdom, the United States or any other tax jurisdiction relevant to the Funds including, for example, the imposition of withholding or other taxes (including financial transaction taxes) on or in relation to the Funds' investments, could adversely affect the value of the investments held by the Funds and decrease the post-tax returns to shareholders.

Financial transaction taxes on high frequency trading have been introduced in France and in Italy and may be imposed on certain transactions undertaken on behalf of the Funds. Financial transaction taxes may be introduced in other jurisdictions in which the Funds undertake investment transactions.

***The Funds are exposed to changes in its Tax Residency and changes in the Tax Treatment of arrangements relating to its business or investment in the Funds***

If the Funds were treated as resident, or as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it invests or in which its investments are managed, all of its income or gains, or the part of such gain or income that is attributable to, or effectively connected with, such permanent establishment or trade or business, may be subject to tax in that country, which could have a material adverse effect on the Funds' performance and returns to shareholders.

In the UK, UK tax legislation provides a statutory exemption (the "investment manager exemption" or "IME") from UK tax on the profits of a non-UK resident fund managed by a UK investment manager where the conditions of the IME are satisfied. If the IME conditions are not met with respect to the activities of UK OpCo, profits of the Funds that are attributable to transactions carried out by UK OpCo may be subject to UK corporation tax. In such circumstances, Squarepoint may consider reducing the role of UK OpCo which may, in turn, adversely affect returns from the Funds.

**Risks Related to Investment Strategies**

***Quantitative Strategies; Model Risk***

The quantitative research and modeling process is extremely complex. While Squarepoint Group utilizes back-testing and other statistical tests to evaluate research results, such tests will not insulate the Funds from all design and conceptual flaws. The complexity of the components of Squarepoint Group's strategies, and the interactions among such components, may make it difficult or impossible to detect the source of any weakness or failure in such strategies before material losses are incurred. Investors in the Funds are usually not made aware of any weaknesses or errors in models discovered by Squarepoint Group (regardless of whether or not such weaknesses or errors are corrected by the Funds or Squarepoint Group).

Even if all of the assumptions underlying the models used by Squarepoint Group are correct, there is no assurance that prices will move in line with the forecasts generated by the models. The models used by Squarepoint Group use historical data to make future predictions about the instruments in their respective portfolios, and the actual performance of those securities may not match the model's predictions. Financial markets are complicated and can act in unpredictable ways. The models utilized by Squarepoint Group are not able to take into account all of the complexities of the financial

markets, including events or circumstances that are not readily foreseeable, such as natural disasters, accounting fraud, litigation or regulatory developments. In unforeseen or low-probability scenarios (e.g., the COVID-19 pandemic or the negative oil futures pricing observed in April 2020), predictive models may produce unexpected results. As a result, Squarepoint Group's models may perform substantially worse than expected, resulting in losses.

The performance of quantitative models generally decays over time. Models must be constantly re-evaluated in light of, and, in some cases, adjusted to account for, rapidly changing market conditions. All changes to models (including incremental improvements to current models) expose the Funds to the possibility of unforeseen losses from a variety of factors, including conceptual failures and implementation failures. The determination as to when to turn over a model change is complicated and involves balancing the implementation and modeling risks associated with turning over new code with the expected benefits of the change. If Squarepoint Group turns over a new model too quickly or too slowly, the performance of the Funds may be negatively impacted, and the Funds could incur material losses.

The successful operation of the models is also reliant upon the information technology systems used by the Funds and its ability to ensure those systems remain operational and that appropriate disaster recovery procedures are in place. There can be no assurance that the effectiveness of mathematical models used by Squarepoint Group will be successfully maintained.

### ***Dependence on Technology***

Squarepoint Group's investment processes, including research, production trading, risk management, and trade aggregation and allocation, are highly automated and rely heavily on technology, including proprietary and third-party hardware and software. Squarepoint Group uses computer systems in substantially all phases of its operations, including research, valuation, trade identification and construction, trade execution, clearing, risk management, back office functions and reporting. Squarepoint Group believes that technology is critical to its success, and any failure on the part of Squarepoint Group to anticipate or respond adequately to applicable technological advancements could consequently have a material adverse effect on the Funds. In addition, the performance of the Funds, as well as various critical processes of the Funds, could be severely compromised by coding errors (including design and implementation errors), computer viruses, telecommunications failures, natural disasters, security breaches, software related "system crashes", disruption or deterioration of services of third-party providers, terrorist attacks and similar events. Such events might even cause computerized trading programs to generate orders or to execute trades many times the magnitude of, as well in the opposite market direction to, the transactions which were intended. Any event that interrupts Squarepoint Group's computer and telecommunications operations could result in, among other things, the inability of Squarepoint Group to establish, modify, liquidate, hedge or monitor the Funds' investments and therefore could have a material adverse effect on the operating results of the Funds.

The Funds could also be negatively impacted by power outages, hardware failures, disk failures and other similar circumstances, some of which are within Squarepoint Group's control to prevent, and others of which are not. While Squarepoint Group has business continuity procedures and regularly monitors its trading equipment, its procedures and monitoring may not be as robust as they could be and unexpected or double failures have been known to occur. In the case of severe business disruptions, Squarepoint Group may not be able to resume its activities for multiple hours or longer, depending on the severity of the outage and the systems impacted. Because Squarepoint Group's investment strategies generally trade on a frequent basis (as opposed to holding positions for long periods of time), failures in the trading or other systems, even for a short period of time, could have significant adverse effects on the performance of the Funds.

While Squarepoint Group takes precautions to secure its technology infrastructure, there can be no assurance that security will not be breached. In such event, some of the Squarepoint Group's critical data and systems could become corrupted, which could cause the loss of trading connectivity or trading in unintended ways.

While Squarepoint Group devotes considerable resources to preventing, identifying and containing the effects of computer systems errors, Squarepoint Group considers these errors to be an intrinsic aspect (and, therefore, a basic element) of its sophisticated and highly technological trading and execution strategies. Squarepoint Group will not be responsible for such errors except where such errors are the result of Squarepoint Group's gross negligence, bad faith, actual fraud or willful default. Such errors are complex and difficult to prevent and detect and prospective investors in the Funds should assume that such errors will occur. These errors will be for the account of the Funds and, potentially would be material to its performance.

### ***Operational Risks***

Squarepoint Group's strategies are highly dependent on information systems and technology. Any failure or deterioration of these systems or technology due to human error, data transmission failures or other causes could materially disrupt its operations. A disaster or a disruption in the infrastructure that supports Squarepoint Group's business, including a disruption involving electronic communications or other services that Squarepoint Group, or third parties that it does business with, use or affecting one of Squarepoint Group's offices or facilities, may affect its ability to continue to operate its business without interruption. Although Squarepoint Group has back-up facilities for its information systems as well as technology and business continuity programs in place, there can be no assurance that these will be sufficient to mitigate the harm that may result from such infrastructure disaster or disruption. In addition, insurance and other safeguards might only partially mitigate the effects of such disaster or disruption.

Squarepoint Group relies on third-party service providers for certain aspects of its business, including, but not limited to, position reconciliation, trade processing, NAV calculation and counterparty risk monitoring. It also relies on market data providers, analytics vendors and software companies. Any interruption or deterioration in the performance of these third parties could impair the quality of the Funds' operations and negatively impact Squarepoint Group's investment strategies.

### ***Coding Errors***

Software is prone to coding errors, and given the manner in which the Funds trade, a single software coding error can result in the execution of many unwanted trades (or, alternatively, the failure to place intended trades). While Squarepoint Group seeks to mitigate the incidence and impact of software errors with testing, change management procedures, monitoring and automated risk checks, the decision as to when to turn over new software involves balancing the expected benefits of any change (which would call for turning over the change quickly) with the risks that the software will contain errors (which would call for exhaustive testing). While Squarepoint Group seeks to strike the right balance, it may turn over new software too quickly or too slowly, which could negatively impact the Funds. From time to time, Squarepoint Group may deploy new code with errors that could have been detected with more exhaustive or independent testing, although in such cases Squarepoint Group may nevertheless continue to believe that turning over the new code was the right decision given the risk-reward trade-off associated with the change. In addition, where Squarepoint Group believes that the benefit of rolling out a change outweighs the risk of not addressing (or even diagnosing the precise cause of) a known weakness, Squarepoint Group may deploy new code with known weaknesses. In such cases, it is possible that Squarepoint Group's decision to deploy the change without addressing the known weakness will prove wrong in hindsight, and the Funds could be negatively impacted.

Detecting coding errors is often extremely difficult, particularly where, as is the case with some of Squarepoint Group's proprietary software, there are no design specifications or documents for the software. Given the difficulty of detecting coding errors, some errors will go undetected for long periods of time and some will never be detected. Moreover, some coding errors will be detected but not fixed by Squarepoint Group immediately, or, possibly, at all, due to competing priorities and/or the perception that the impact of the error is not material. Although Squarepoint Group will make judgments about the perceived impact of discovered errors so as to appropriately prioritize the

remediation of the errors with other business demands, in the vast majority of cases, Squarepoint Group will not perform a quantitative impact analysis on discovered coding errors. Squarepoint Group's judgment could prove to be wrong, and a software error that Squarepoint Group chooses not to fix immediately, or chooses to fix at different times for different funds, could have a material impact on the Funds. In addition, as a mathematical model can be expressed in computer code in multiple ways, the choice of code ultimately used may not result in the best representation of the model.

The occurrence of coding errors is inevitable given the Funds' sophisticated and highly complex trading processes, and coding errors will not constitute trade errors under the Funds' policies. Investors should understand that they are assuming the risks (including any losses) associated with these errors when investing in the Funds. The Funds do not expect to disclose discovered coding errors to investors, and losses arising from coding errors will be borne by the Funds.

### ***Reliance on Data; Availability and Accuracy***

The quantitative models that are utilized by Squarepoint Group to trade the Funds' portfolios rely on historical and current market and other data provided by third parties. Any interruption in the flow of data, or an inability to appropriately process, clean or analyze such data is likely to disrupt the Funds' ability to effectively trade and Squarepoint Group's ability to manage the portfolios. In addition, while the investment system is dependent on accurate data, no assurance can be provided that the data supplied by third parties is accurate. There may be inaccuracies in such data and the Squarepoint Group may make errors in incorporating such data into the investment system. Investment decisions (including hedging decisions) made, or programming code developed, on the basis of inaccurate or incomplete information could have a material adverse impact on the Funds' portfolios, including causing the Funds to liquidate positions it would not have sought to liquidate with accurate data and/or to accumulate positions it would not have sought to accumulate with accurate data. It is not expected that investors will be notified when such issues occur.

In addition to traditional data sets, Squarepoint also uses "alternative data" in our investment process. Alternative data draws from a wide array of data sources not traditionally used by investment managers. It can include, but is not limited to; data generated by business processes, such as financial transactions and credit card data; data generated by individuals, such as internet search trends; data generated by sensors, such as geolocation data; and data that is available in the public domain, such as government records and public records databases. Alternative data is often less structured than traditional data sets and usually has less history, making it more complicated (and riskier) to incorporate into quantitative models. The use of alternative data by investment firms is also subject to increased regulatory scrutiny; Data sources are potentially a source of material nonpublic information and/or personally identifiable information. Squarepoint Group's failure to properly vet or limit access to data sources could therefore cause the Funds to be prohibited from trading and Squarepoint Group or the Funds to be subject to adverse regulatory action. Whilst Squarepoint has procedures to vet new data sources, there can be no assurance that they will be effective or deemed sufficient by regulators, resulting in reputational, financial, or other harm to Squarepoint and the Funds. It is also possible that some or all of the alternative data sets used by Squarepoint will become unavailable in the future (due to changes in law, regulatory action, changes in vendor policies, or otherwise).

The third parties that provide data to Squarepoint Group usually provide the same information to other market participants, including our competitors. The more OPS incorporates data into its models that is being used by other market participants, the more likely the Funds' trading will be correlated with that of other funds and accounts. As described below, the more highly correlated our models are with those of other market participants, the more likely it is that the trading by other market participants will have a material adverse effect on the performance of the Funds. See Competition among Quantitative Managers; Correlated Trading below.

Furthermore, it is not possible for Squarepoint Group to integrate all relevant data into the quantitative models it develops. Squarepoint Group makes subjective decisions regarding what data to integrate

into its models. In making such determinations, Squarepoint Group may consider such factors as it deems relevant in its sole discretion, which may include the cost of obtaining such data, the technology cost of incorporating such data into the Funds' research and trading infrastructure, and the reliability of the third party providing such data. No assurance can be provided that Squarepoint Group's selections will result in the Funds achieving their investment objective. The acquisition and/or processing of data from third parties are significant components of the modeling utilized by Squarepoint Group and Squarepoint Group has growing but limited experience in these activities as investment advisers.

As detailed in Item 5 - Fees and Compensation, Other Fees and Expenses, data costs are generally Fund expenses. Many data providers charge based on how many users can view the data, which means that failure by Squarepoint Group to appropriately restrict access to the data could result in additional expenses to the Funds. In addition, many data sources OPS uses on behalf of the Funds come from providers with significant pricing power, which permits such providers to charge prices which may not be commensurate with the value such data provides the Funds and to increase such prices indiscriminately. Noncompliance with contractual data terms (which can be ambiguous and open to interpretation) could also result in vendors terminating our data licenses, which could have a material adverse effect on our Funds.

### ***Reliance on the Integrity of Financial and Economic Reporting***

A number of the investment strategies employed on behalf of the Funds rely on financial, economic and economic policy information made available by companies, governmental agencies, exchanges, consulting and research firms and central banks. Data such as financial performance and prospects for individual companies, unemployment rates, inflation and expectations of inflation, consumer confidence measures, the determination of the London Interbank Offered Rate, sovereign debt issuance calendars and numerous other factors can have a material effect on the investment positions taken on behalf of the Funds. However, the Squarepoint Group has limited ability, if any, to verify such financial, economic and/or economic policy information. The Squarepoint Group is dependent in this regard upon the integrity of both the individuals and the processes by which the entities that publish such data produce their results. The Funds could incur material losses as a result of the misconduct or negligence of such individuals and/or a failure of or substantial inaccuracy in such processes.

### ***Differential Access to Information***

The Squarepoint Group will execute transactions on behalf of the Funds with other market participants who may have superior information and market intelligence to the Squarepoint Group. From time to time, the Funds may incur substantial losses caused by an information disadvantage.

### ***Human Error***

While the Funds' trading strategies primarily utilise quantitative models and automated processes, the activities and decisions of the Squarepoint Group's personnel play a vital role in the Funds' investment approach.

The Squarepoint Group's personnel make subjective decisions in designing, implementing, monitoring and executing trading strategies, including determinations in connection with developing and making changes to quantitative models (e.g., the timing of implementation, the level of testing required and the setting of various parameters or other settings), implementing risk limits, monitoring the Funds' trading and infrastructure, and trading orders manually. Subjective decisions by individuals could prove to be wrong, which could result in losses. For example, a decision to increase a risk limit or not to turn off trading in response to an automated alert could cause a strategy to trade more than intended. Because trade orders are typically placed through automated systems, there is a heightened risk of human error occurring in connection with any trades that are placed manually.

The research and modelling processes utilized by the Funds rely on theories, research and models

being translated into computer code. Any errors made by individuals in such translation to computer code or with respect to the input of data may be difficult to detect and could result in errors in the models that result in losses. Given the manner in which the Funds trades, a single software coding error could result in the execution of many of unwanted trades. Similarly, the Funds may incur gains or losses because of a “trade error”— i.e., any human error involving a transaction in any Funds accounts, such as a keystroke error (“fat finger”) resulting in a manual trade being entered incorrectly (for instance, incorrect instrument, quantity, direction, price etc.) into a trading system.

It is not expected that investors will be made aware of human errors, and losses arising from human error will be borne by the Funds.

### ***Electronic Trading***

The Funds trade on electronic exchanges and other trading venues. Each venue entails its own inherent risks relating to system access, security, response times and its use of service providers. As evidenced by recent events, exchanges and other trading venues are not immune from software failures and system outages. Any software failure or system outage in a venue on which the Funds trade could impede the ability of the Funds to trade in a timely fashion or hedge its risk, which could have a material adverse effect on the Funds’ performance.

In addition, various market structure changes are being discussed globally that could impact electronic trading. Any such changes would likely materially negatively impact quantitative investment strategies like the Fund’s strategies.

### ***Frequent Trading***

The Funds trade frequently. Consequently, they bear significant brokerage, clearing and trading fees. In addition, new financial transaction taxes and higher exchange fees (for placing and/or cancelling orders) have been proposed. Even *de minimis* taxes or a small increase in exchange fees could have a negative impact on the returns of investment funds that trade frequently, like the Funds.

### ***Trade Execution***

Certain of the investment techniques used by Squarepoint Group require the rapid and efficient execution of transactions, or the ability to accumulate or liquidate large positions. Inefficient execution can eliminate the market opportunities that such techniques seek to capture.

Transactions may be executed on terms other than those intended by Squarepoint Group. For example, a transaction may be executed in the wrong investment instrument, for the wrong quantity or price, to buy when Squarepoint Group meant to sell or to sell when Squarepoint Group meant to buy. The Funds will generally bear the losses or costs of any such errors.

There is also risk that a counterparty will fail to settle a transaction in accordance with its terms and conditions, thereby causing the Funds to suffer a loss.

### ***Competition among Quantitative Managers; Correlated Trading***

There are a large number of investment managers that utilize quantitative models in their trading strategies. There may be attempts by other participants in the market to duplicate the Fund’s models or trading strategies. To the extent that such persons are utilizing models that are similar to those used by the Funds, the Funds may be competing for investment or arbitrage opportunities with such participants and the trading by such other persons may impact the opportunities and profitability of the Funds. To the extent that such participants take the same action with respect to a particular position as the Funds, the ability of the Funds to purchase or dispose of its investments at attractive prices may be adversely affected.

In addition, the liquidation of a large number of positions in a short period of time by market

participants that utilize quantitative models in their trading strategies could have a material adverse effect on the value of the Fund's portfolio. Such liquidation crises are independent of any fundamentals and might be similar to the crises that occurred in September 1998 and August 2007.

### ***Disclosure of Intellectual Property and confidential information***

The intellectual property and confidential information developed by the Funds for their trading activities could be copied or stolen by third parties (including, potentially, by rogue employees or through failures in the Funds' security systems or processes) who may provide such intellectual property to competitors of the Funds. Even absent a security breach, the Funds or the Squarepoint Group could inadvertently disclose confidential information to third parties. In addition, new regulations or additional scrutiny by regulators may require additional transparency with respect to the trading strategies used by firms deploying quantitative or algorithmic strategies, such as the Funds. For example, additional position-level disclosure obligations have been proposed, as has the tagging of model-driven orders. Even if the regulations often only require reporting to governmental agencies, it is possible that the information will leak out to the public.

In each case, disclosure of the Funds' intellectual property and confidential information would make it more likely that the Squarepoint Group's investment strategies could become known by competitors and could lead to opportunities for competitors to reverse-engineer all or part of the Squarepoint Group's strategies. As a result, the Funds may have correlated trading with funds that trade on the basis of such intellectual property and confidential information, which could have a materially adverse impact on the Funds' trading results.

### ***Open Source Software, Third-party Claims of Intellectual Property Infringement or Misappropriation***

The Squarepoint Group uses software and development tools governed, directly or indirectly, by open source licenses and may incorporate such software or tools into its proprietary systems. Given the nature of open source licenses, third parties may assert intellectual property claims against the Squarepoint Group in connection with such open source licenses.

More broadly, OPS' ability to carry out trading activities depends in part on such activities not infringing or misappropriating the patents, other intellectual property or trade secrets of third parties. Third parties may assert that the Funds or Squarepoint Group is employing their proprietary technology without authorisation. There may be third-party patents or patent applications with claims to technologies or methods of trading related to the Squarepoint Group's technology or trading strategies. The Squarepoint Group may face a claim of intellectual property infringement or misappropriation of trade secrets, if a third party believes that the Funds or Squarepoint Group uses the intellectual property or trade secrets of such third party.

If any third-party patents were held by a court of competent jurisdiction to cover aspects of the Funds' technology or trading strategies, or if the Funds or Squarepoint Group is found to have misappropriated a third party's trade secrets, the third party may obtain injunctive or other equitable relief, which could effectively block the Funds' ability to pursue a trading strategy unless Squarepoint obtains a licence. These licences may not be available on acceptable terms, if at all, or the licensed rights may be non-exclusive, which could result in competitors of the Funds gaining access to the same intellectual property. Defending against claims of patent infringement or misappropriation of trade secrets could be costly and time consuming, regardless of the outcome, and could burden the Funds with substantial unanticipated costs. In the event of a successful claim of infringement or misappropriation against the Squarepoint Group of the Funds, the Squarepoint Group may be forced to: (i) re-engineer its proprietary systems and/or software; (ii) release certain proprietary software code; (iii) make its proprietary software available under the terms of any open source license; (iv) pay substantial damages, royalties or an account of profits made from the infringement; or (v) obtain one or more licences from third parties – any of which could materially and adversely affect its operations and as a result, negatively impact performance of the Funds.



## ***Cybersecurity risk***

As part of its business, OPS processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the shareholders. Similarly, service providers of OPS or the Funds, especially the administrator, may process, store and transmit such information. OPS has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorised access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to OPS may be susceptible to compromise, leading to a breach of OPS' network. OPS' systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by OPS to the shareholders may also be susceptible to compromise.

Breach of OPS' information systems may cause information relating to the transactions of the Funds and personally identifiable information of the shareholders to be lost or improperly accessed, used or disclosed.

The service providers of OPS and the Funds are subject to the same electronic information security threats as OPS. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the shareholders may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of OPS' or the Funds' proprietary information may cause OPS or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the shareholders' investments therein.

## ***Recent Developments in Financial Markets***

Recent developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of recent changes in the financial services industry, the Funds, the Squarepoint Group, the Funds' prime brokers (and their respective affiliates) and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the Squarepoint Group's or the Funds' business and operations.

## ***Eurozone Economic Risk***

European financial markets have recently experienced volatility as a result of being adversely affected by concerns about high government debt levels and further default on or restructuring of government debt. Holders of such sovereign debt, including banks and other financial institutions, could be adversely affected by events such as defaults, restructuring and/or downgrades on these holdings. Furthermore, the ability of governments to support their domestic financial systems would likely be impeded.

It is possible that EU member countries that have already adopted the Euro could abandon the Euro and return to a national currency and/or that the Euro will cease to exist as a single currency in its current form. The effects of voluntary or involuntary abandonment of the Euro on that country, the rest of the European Union, and global markets are impossible to predict but are likely to be negative.

## ***Potential Implications of Britain's Withdrawal from the European Union ("Brexit")***

The United Kingdom formally ceased membership of the European Union on January 31, 2020 and entered a transition period lasting until December 31, 2020. The ongoing withdrawal process could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. As an investment manager authorised and regulated by the FCA, UK OpCo is currently subject to provisions of certain European directives and regulations (e.g., Markets in Financial Instruments Directive, the AIFM Directive, and the European Market Infrastructure Regulation) which have either been incorporated into the UK law or have direct effect in the UK. The longer-term impact of the decision to leave the EU on the UK regulatory framework will depend, in part, on the relationship that the UK establishes with the EU in the future. In particular, it is uncertain whether and how UK laws that incorporate EU directives may be modified after the transition period and whether UK firms (such as UK OpCo) will continue to have the benefit of certain rights to conduct cross border business within the EU. It is not possible to ascertain the precise impact the United Kingdom's departure from the EU may have on the Funds or UK OpCo from an economic, financial or regulatory perspective but any such impact could have material consequences for Squarepoint and/or the Funds.

## ***Evolving Regulatory Risks***

The legal and regulatory environment worldwide for private investment funds (such as the Funds) and their managers is evolving. Changes in the regulation of private investment funds, their managers and their trading and investing activities may have a material adverse effect on the ability of the Funds to pursue their investment programs and the value of investments held by the Funds. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organisations. New laws and regulations or actions taken by regulators that restrict the ability of the Funds to pursue their investment programs or employ brokers and other counterparties could have a material adverse effect on the Funds and the shareholders' investments therein. In addition, OPS and/or UK OpCo may, in their sole discretion, cause the Funds to be subject to certain laws and regulations if they believe that an investment or business activity is in the Funds' interest, even if such laws and regulations may have a detrimental effect on one or more shareholders.

## ***Regulation in the Derivatives Industry***

There are many rules related to derivatives that may negatively impact the Funds, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of OPS and the Funds, and increase the amount of time that OPS spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Funds.

These rules are operationally and technologically burdensome for OPS and the Funds. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Funds in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Funds forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants ("FCMs")), as the use of other parties may be more efficient for the Funds from a regulatory perspective. However, this could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the US Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or “EMIR”) and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over “security-based swaps” and the CFTC has regulatory authority over “swaps”. EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations, that are still in the proposal stage or are expected to be introduced in the future.

### ***Alternative Investment Fund Managers Directive***

The AIFMD regulates: (i) AIFMs based in the EU (ii) the management of any AIF established in the EU (irrespective of where an AIF’s AIFM is based); and (iii) the marketing in the EU of the securities of any AIF, whether conducted by an EU AIFM, a non-EU AIFM or a third party.

Pursuant to the AIFMD, OPS, as a non-EU AIFM marketing non-EU AIFs (i.e., the Funds) to persons within the EU, is required to, among other things: (i) confirm that United States and the Cayman Islands regulatory authorities have entered into a cooperation-and-information-sharing agreement with the regulator of each EU country into which the Funds are to be marketed; (ii) confirm that the Cayman Islands is not listed as a non-cooperative country for the purposes of the Financial Action Task Force; and (iii) provide EU investors and the regulators of such investors’ EU countries with the Funds’ annual financial report and certain additional information about the Funds.

The Funds, as a non-EU AIFs managed by a non-EU AIFM, may only be marketed to investors in the EU in accordance with applicable national private placement rules. Each EU country has discretion over its own national private placement rules and has the authority to remove these rules or enact new rules that may require AIFs to become registered with the local regulator before securities can be offered in that country. “Reverse solicitation”, where an EU investor approaches a non-EU AIFM regarding shares in a non-EU AIF, is outside the scope of the AIFMD and remains permissible in EU jurisdictions as it is at present. The Funds, OPS or UK OpCo or Singapore OpCo may be required to take significant measures to comply with national rules implementing the AIFMD in those countries of the EU where the Fund is to be marketed. Compliance with the requirements of the AIFMD and marketing rules in the EU may be costly (e.g., if numerous EU registrations are required) or could require significant amendments to be made to the structure of the Funds (such as redomiciling the Funds, if EU investors were to become the principal target for fund-raising).

Any regulatory changes arising from implementation of the AIFMD may increase the expenses of the Funds, OPS or UK OpCo or Singapore OpCo may impair the ability of OPS or UK OpCo and Singapore OpCo to manage the investments of the Funds or limit the ability to market shares in the future, each of which may materially adversely affect the Funds’ ability to carry out their investment approaches and achieve their investment objectives or impact adversely on returns to shareholders.

### ***MiFID II***

The package of European Union market infrastructure reforms known as “MiFID II”, in effect from 3 January 2018, is expected to have a significant impact on the European capital markets. MiFID II increases regulation of trading platforms and firms providing investment services in the European Union.

Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU

trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of Squarepoint Group to execute the investment program.

New rules requiring unbundling the costs of research and other services from dealing commission and further restrictions on Squarepoint Group's ability to receive certain types of goods and services from brokers may also result in an increase in the investment-related expenditure of the Funds.

### ***Regulatory Focus on Algorithmic Trading***

Algorithmic trading is the subject of ongoing regulatory attention. The SEC, the CFTC, the FCA, the MAS and ESMA, among other regulators and exchanges, have undertaken efforts to review the impact of algorithmic trading on the functioning of markets and to suggest systems and controls for trading participants to ameliorate any adverse impact. For example, in September 2013, the CFTC published a Concept Release on Risk Controls and System Safeguards for Automated Trading Environments. In October 2012, in response to recent algorithmic trading mishaps, the SEC hosted a technology roundtable to discuss potential measures to promote stability in markets that rely on highly automated systems. As mentioned previously, MiFID II came into effect on January 3<sup>rd</sup> 2018 which brought in specific regulations covering algorithmic and high frequency trading. High-frequency trading, in particular, is subject to intense regulatory focus. Minimum resting periods, higher fees for cancelled trades and circuit breakers have been proposed. It is possible that new regulations may require the Funds to implement additional technology and other controls, which could consume limited internal resources, and thereby impede Squarepoint's ability to pursue other initiatives, including improvements to its strategies. Moreover, it is possible that the Funds may be subject to inquiries and/or examinations by regulators in connection with any investigation of the practices of trading firms that employ algorithmic or high-frequency trading strategies. Any such inquiry or examination is likely to be distracting for the Funds and the Squarepoint Group and consume limited internal resources, and could result in additional expenses that would impact the performance of the Funds.

### ***Capacity Constraints***

The Funds may be capacity constrained, meaning that performance may degrade if assets under management become too large. As a result, the Squarepoint Group may seek to reduce the amount of capital invested in the Funds in order to create a portfolio size that it considers optimal to trade, including by distributions and compulsory redemptions as set out in the PPM. Any such compulsory redemptions may not be made on a pro rata basis, with certain investors being mandatorily redeemed before other investors (for example, certain Squarepoint Investors). In addition, if OPS decides not to effect compulsory redemptions and/or chooses to accept additional subscriptions into the capacity constrained Fund, performance of the Funds may be materially adversely impacted.

### ***Leverage***

The Funds utilize leverage as part of their investment program, and the amount of such leverage is significant. The Funds use leverage to enhance returns and in particular may leverage certain debt, equity and convertible securities through entering into credit facilities, engaging in related derivatives transactions and short sales and/or otherwise investing in such securities on margin. The Funds have no specific leverage restrictions but leverage is monitored in line with internal guidelines.

Leverage exaggerates the effect on the value of interests in the Funds of any increase or decrease in the market value of its securities, thus increasing the volatility of the Funds. In addition, monies

borrowed are subject to interest costs that may or may not be recovered through appreciation of the securities purchased or the yield from such securities. As a result of recent proposals that may require banking entities to hold higher levels of capital (e.g., Basel III capital ratio rules), the financing costs to which the Funds is subject will likely increase. Any material increase in financing costs would have a material adverse effect on the performance of the Fund. To raise cash to meet a margin call or other payment requirement (including as a result of a sudden precipitous drop in the value of the Fund's portfolio), the Funds may be required to liquidate assets in its portfolio that it otherwise would not liquidate or at a sub-optimal time. In addition, the Funds may be required or Squarepoint Group may decide to de-lever the Funds' portfolio, which may result in the liquidation of portfolio positions at a different time than would otherwise be the case. In the absence of specific agreements, securities margin arrangements are generally subject to change or revocation by the lender upon very limited notice and for any or no reason. The lender may demand an increase in the collateral, including requiring collateral equal to the full amount of the borrowings, and, if the Funds are unable to provide additional collateral, the lender could liquidate assets held by the lender to satisfy the Funds' obligations. Liquidation in that manner could have extremely adverse consequences, which may be exacerbated in the event that these changes or revocations are imposed suddenly or by multiple lenders. In periods of market stress, and particularly in periods of stress specific to the Funds, lenders or counterparties may attempt to increase margin levels. Additionally, a simultaneous, broad-based increase in margin among hedge funds generally would likely adversely impact the investments held by the Funds by decreasing demand and increasing supply of those or similar investments.

### ***Loss or Insufficiency of Margin on Derivatives***

The Funds engage in derivative transactions pursuant to ISDA master agreements ("ISDAs") with counterparties that are usually major banks or their affiliates. Under the Fund's ISDAs, counterparties may require the Funds to post initial margin at the time of entry into a derivatives transaction, and the initial margin represents an uncollateralized credit risk to the counterparty. Also, the ISDAs provide for two-way variation margin pursuant to which the Funds and the Funds' counterparty post margin to one another to reflect fluctuations in the market value of the derivative. Generally, the dealer bank is responsible for calculating the daily change in margin requirements to be paid by either party due to changes in market prices. However, the dealer bank's calculation, due to error or lack of timely data, may not accurately reflect such market price changes. Although the Funds have the right to dispute the dealer bank's calculation, there can be no guarantee that these dispute mechanisms would work effectively leaving the Funds materially under-collateralized. Further, since the variation margin amount is calculated on the day preceding any dealer default, it is unlikely to reflect fully the cost to the Funds of entering into a replacement transaction on the date of the default, particularly because any default by a dealer bank can have a significant effect on the markets and value of such transactions. As a result, any margin held by the Funds will likely prove insufficient in the case of a major dealer default.

### ***Net Asset Value Triggers***

The trading agreements, such as ISDAs, to which the Funds is a party, typically include terms relating to declines in the Fund's net asset value, measured as decrease in the Funds' net asset value by a specified percentage on a monthly, quarterly and/or annual basis ("NAV Triggers"). While a decline in the Funds' net asset value may be the result of a number of factors, including market conditions, withdrawals and/or diminishing performance, NAV Triggers provide a mechanism for the Funds' counterparties and prime brokers to take protective measures to limit exposure to the Funds during a period of decline or volatility. Such protective measures may include requesting additional collateral, imposing other limitations on the Fund's ability to effect trades, closing out the Fund's positions under the relevant agreement on the counterparty's side of the market and at prices determined by the counterparty, setting off other amounts owed by the counterparty or terminating the relevant trading agreement(s). Further, a termination of an ISDA or a declaration of default by a counterparty also may permit other counterparties to exercise similar rights against the Funds under the cross-default and/or cross-acceleration provisions of other ISDAs and financing agreements. Any

of these events could result in substantial losses to the Funds or have an adverse effect on the Funds' ability to trade and carry out its investment strategy.

### ***Counterparty Risk***

The Funds are exposed to the credit risk of the banks, brokers, dealers, exchanges and other counterparties through which it deals, particularly its prime brokers, which currently provide a significant portion of the Fund's financing. The Funds' prime brokers or other financing counterparties hold Funds' assets, including assets held as collateral for margin loans or other financing provided to the Funds. If a prime broker or counterparty becomes insolvent, the assets and/or collateral of the Funds held by such prime broker or counterparty may not be recoverable by the Funds. Further, even if the Funds are able to recover a portion of such assets or amounts, such recovery could take a significant period of time.

The Funds are also subject to risk of loss of its assets on deposit with a sub-custodian in the event of the sub-custodian's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the Funds, or the bankruptcy of an exchange clearing house. The Funds are also subject to risk of loss of its assets on deposit with non-U.S. counterparties because non-U.S. regulatory bodies do not uniformly require such brokers to segregate customer funds. The local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Funds' assets. Investors should assume that the insolvency of any significant counterparty would result in a loss to the Funds, which could be material.

In the case of the bankruptcy of a broker-dealer through which the Funds deal, the Funds may not be able to fully resume trading for some period of time due to its reliance on the insolvent broker-dealer for exchange connectivity and other services. The Funds' potential reliance on a few counterparties is likely to be heightened in any new markets where the Funds trade, at least for some period of time following the Funds' expansion of trading into those markets.

If the Funds' derivatives transactions are cleared through a derivatives clearing organization, the CFTC has issued final rules regulating the segregation and protection of collateral posted by customers of cleared and uncleared swaps. These rules are intended to provide greater protection to customer funds in the event of the insolvency of the customer's clearing firm. However, these rules are new and their operation has not yet been tested during an insolvency event or addressed by a bankruptcy court. The CFTC is also working to provide new guidance regarding prime broker arrangements and intermediation generally with regard to trading on swap execution facilities. If adopted, such guidance is expected to facilitate a greater efficiency in arrangements for execution of such transactions.

Even if a counterparty remains solvent, the Funds may be materially adversely impacted if the counterparty fails to adequately perform its duties and obligations. The Funds rely on service providers for certain key activities (including, without limitation, trading, market data, and reconciliation). Failure of one of these key service providers to perform as expected could negatively impact the Funds.

### ***Short Sale Transactions***

Short selling is critical to Squarepoint Group's strategies which typically aim at maintaining a long-short portfolio. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of securities. In addition, positions that are economically similar to short sales may be established through derivatives trading.

In many jurisdictions, a party is required to borrow or locate shares before selling securities short. From time to time, shares will be unavailable for borrowing and, consequently, the Funds will be unable to carry out intended trades.

Where Squarepoint Group is able to execute a short sale on behalf of the Funds, the Funds face the risk of an unlimited loss, in that the price of the underlying security could increase without limit, exposing the short seller to the unlimited cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Similarly, a short position established synthetically through a derivative could also result in a substantial and possibly unlimited loss if the value of the underlying asset or index actually increases rather than decreases.

Many jurisdictions have imposed restrictions and reporting requirements on short selling. Most recently, in March 2020 many countries introduced pro-longed short selling bans in response to the market volatility resulting from the COVID-19 pandemic. In addition, the European Securities and Markets Authority reduced the threshold at which net short positions must be disclosed to national competent authorities in the European Union. For the US, in 2008, the SEC suspended short selling on over 900 public companies (including issuers in the financial services industry) and, in 2010, the SEC adopted a short sale price test rule, which limited short selling a security following a 10% decline in its trading price. These restrictions and reporting requirements, and any restrictions and reporting requirements enacted in the future, may change the manner in which the Fund trade and may prevent Squarepoint Group from successfully implementing its investment strategies. In addition, reporting requirements relating to short selling may provide transparency to the Funds' competitors as to its short positions, which may have a detrimental impact on the Funds' returns.

### ***Hedging Transactions***

Squarepoint Group may seek to limit the Funds' exposure to certain risks by employing hedging techniques, including by using a variety of derivative transactions. There can be no assurance regarding the effectiveness of these techniques or that they will result in increased or more stable returns than would have been achieved had they not been employed. Hedging techniques involve risks different from those of underlying investments. In particular, the variable degree of correlation between price movements of hedging instruments and price movements of the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of the Fund's positions. If Squarepoint Group incorrectly assesses the degree of correlation between the positions it aims at hedging and the instruments used to hedge such positions or fails to recalculate or readjust the hedges as markets change or time passes and the characteristics of the Fund's positions change, the Funds may suffer losses.

Hedging techniques may also increase risk through the unintended market impact of hedging transactions, leverage effects associated with hedging positions, the general risks related to the use of derivative instruments, lower liquidity of the hedged and hedging positions relative to an unhedged position, or other factors. In addition, even where Squarepoint Group seeks to hedge a particular risk, a suitable hedging instrument might not be available, might not be identified by Squarepoint Group and/or might not be successfully executed. Hedging instruments are intended only to reduce exposure to certain risks and not to reduce all forms of investment risks.

Although the contemplated use of hedging instruments is intended to minimize the risk of loss resulting from a decline in the value of the hedged position, the use of such instruments may limit any potential gain which might result from an increase in the value of such position. In addition, Squarepoint Group is not obliged to hedge any particular form of risk in any particular situation and may change its investment policies and practices in any manner without notice to or the consent of investors.

### ***Directional Strategies***

Some, but not all, of the strategies used by the Squarepoint Group are directional. Directional investing is subject to all the risks inherent in incorrectly predicting future price movements. Price movements may be influenced by unanticipated factors or Squarepoint Group's analysis of known factors may prove inaccurate, in either case potentially leading to substantial losses.

### ***Relative Value Strategies***

Some, but not all, of the strategies deployed by the Squarepoint Group are relative value. While relative value strategies aim at being neutral to directional market moves, this does not mean that the Funds will not be affected by adverse market conditions. There can be no assurances that the strategies pursued will be profitable and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for the Funds to maintain a position. In the event that the perceived mispricings underlying the Squarepoint Group's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by Squarepoint Group, the Funds may incur a loss.

### ***Use of Discretion***

While Squarepoint's trading systems are predominantly algorithmic and mechanical, Squarepoint reserves the right to exercise discretion. No assurance can be given that such use of discretion will enable the Funds to avoid losses and in fact such use of discretion may cause the Funds to forego profits which it may have otherwise earned had such discretion not been used.

### ***Equity Securities and Equity-Related Securities***

The Funds invest in equity securities and may also invest in equity-related instruments, such as stock options and individual stock futures. The value of equity securities varies in response to many factors. Factors specific to an issuer, such as certain decisions by management, lower demand for the issuer's products or services or even the loss of a key executive, could result in a decrease in the value of the issuer's securities. Factors specific to the industry in which an issuer participates, such as increased competition or costs of production or negative consumer or investor perception, can have a similar effect. The value of an issuer's stock can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or decrease in consumer confidence. These factors and others can cause significant fluctuations in the prices of the securities in which the Funds invest and can result in significant losses.

Squarepoint Group does not perform due diligence on the fundamental soundness of the business model or management of the issuers in which the Funds invest. Squarepoint Group's models do not take into account all, or potentially any, of the factors that contribute to the value of a particular company's equity securities.

### ***Small Capitalization Companies***

The Funds may invest in securities of small capitalization companies and recently organized companies and may establish significant long or short positions in such securities. While such securities may provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. Historically, such securities have been more volatile in price than those of larger capitalized, more established companies. The securities of small capitalization and recently organized companies typically pose greater investment risks because the issuers may have limited product lines, distribution channels and financial and managerial resources. In particular, small capitalization companies may be operating at a loss or have significant period-to-period variations in operating results; may be engaged in a rapidly changing business with products



subject to substantial risk of obsolescence; may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; and may have substantial borrowings or may otherwise have a weak financial condition. In addition, these companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified managerial and technical personnel. Further, there is often less publicly available information concerning such companies than for larger, more established businesses. The equity securities of small capitalization companies may not be traded in the volumes typical of larger capitalization companies. Consequently, the Funds may be required to dispose of the securities or cover a short position over a longer (and potentially less favorable) period of time than is required to dispose of or cover a position with respect to the securities of larger, more established companies. Investments in small capitalization companies may also be more difficult to value than other types of securities because of the foregoing considerations as well as lower trading volumes. Investments in companies with limited operating histories may be more speculative and may entail greater risk than investments in companies with an established operating record. Additionally, transaction costs for these types of investments are often higher than for those in larger capitalization companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

### ***Commodities***

The Funds invest in commodities and may also invest in commodity-related instruments, such as options, swaps and futures. The prices of commodities contracts and all derivative instruments may depend upon a number of factors, including the prices of the underlying assets and may be highly volatile. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, the Funds are subject to the risk of failure of any of the exchanges on which they trade, their clearinghouses or the clearing brokers through which their trades clear. In the case of commodity contracts traded on non-U.S. exchanges and certain derivative instruments, the Fund may be subject to the risk of the inability of, or refusal by, the counterparty to perform. In addition, profits realized in non-U.S. markets could be eliminated by adverse changes in the applicable currency exchange-rate, or the Funds could incur losses as a result of those changes.

### ***Debt Securities***

We may invest in debt instruments that have speculative characteristics. The issuers of such instruments, both corporate and sovereign issuers, may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Certain debt securities may have features that allow the issuers to prepay or extend the maturity of the debt. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. As with other interest rate products, debt securities are sensitive to changes in interest rates during the term of the bond, affecting the value of the product prior to any call or maturity date.

### ***Mortgage-backed Securities ("MBS") and Asset-backed Securities ("ABS")***

Some investment characteristics of MBS and ABS differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying mortgages or other assets generally may be prepaid at any time. The frequency with which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans and other assets underlying MBS and ABS will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other

factors. Generally, mortgage obligors tend to prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans. Although ABS are generally less likely to experience substantial prepayments than are MBS, certain of the factors that affect the rate of prepayments on MBS also affect the rate of prepayments on ABS. Particular investments may experience outright losses, as in the case of an interest only security in an environment of accelerated actual or anticipated prepayments.

Particular investments will be affected by the credit quality of their underlying loan and the creditworthiness of the borrower. Also, particular investments may underperform relative to hedges that Funds may have constructed in these investments, resulting in a loss. The To Be Announced ("TBA") market in MBS comes with inherent counterparty default risks between the date of execution of the trade and the actual settlement date.

### ***Interest-Rate and Foreign Exchange-Rate Risks***

The prices of assets held by the Funds may be sensitive to interest-rate and foreign exchange-rate fluctuations; such fluctuations could cause the U.S. dollar value of long and short positions to move in unanticipated directions. To the extent that interest-rate and foreign exchange-rate assumptions underpin the hedging of a particular position, fluctuations in rates could invalidate those underlying assumptions and expose the Fund to losses. The Funds are not obligated to hedge its exposure to any risks, including, without limitation, interest-rate and foreign exchange-rate risks.

### ***Investment in China***

The Funds may invest in China. In this market, companies' shares might be suspended for many reasons, including their own request. Prices may not be available for significant periods of time which can lead to increased margin to be posted by the Funds.

### ***Non-U.S. Investments***

The Funds invest in non-U.S. securities and derivatives. Such investing and trading involve special risks not typically associated with investing in and trading U.S. securities and derivatives, including changes in exchange rate and exchange control regulation; the imposition of non-U.S. withholding or other taxes; political, social or economic instability; the possibility of government intervention; less liquid markets; less rigorous (or no) accounting and financial reporting standards; higher transaction costs; greater difficulty in enforcing contractual rights; and more uncertain procedures (if any) for bankruptcy or other reorganization or liquidation proceedings. In addition, in many non-U.S. markets, there is less government supervision of exchanges, brokers, dealers and issuers than in the United States, which may make such entities more likely to fail or experience substantial outages than their U.S. counterparts. In the case of emerging market securities and derivatives, the foregoing risks are likely to be more pronounced. More specifically, the following risks are heightened in the case of emerging markets:

Access to Markets: Some emerging markets have securities markets to which foreign investors have only limited direct or indirect access, or which may require approvals or consents. In addition, there is in some countries a higher possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war) or terrorism which could adversely affect the economies of such countries or the Fund's investments in those countries. These limitations and events may interfere with and/or delay the pricing or trading of securities in emerging market countries for significant periods of time.

Currency Risk: The economies, the currencies and the financial markets of a number of the emerging markets to which the Funds may be exposed have historically experienced extreme volatility, exposing investments in the markets of those countries to greater than usual risk.

Trading Volume; Transparency: Trading volumes on the securities exchanges of emerging markets can be substantially less than in the developed world, so that executing trades may be slow and

cumbersome, and may result in transactions at unfavorable prices. There may be no approved settlement procedure, and trades may be settled by a free delivery of stock with payment of cash in an uncollateralized manner, potentially exposing the Funds to counterparty credit risk. In general there may be an increased risk of defaults and delays in settlement compared to the markets in more developed economies. Volatility of prices can be greater than in the developed world

Emerging Markets Banking and Financial Systems; Inflation: The banking and other financial systems of many emerging markets are not all well developed or well regulated. Bank transfer delays, liquidity crises and other problems may arise as a result of the under-capitalization of the banking sector as a whole. Some emerging markets countries in which the Funds may invest have experienced substantial rates of inflation in recent years. Inflation and rapid fluctuations in inflation rates have had, and may in the future have, negative effects on the economies and securities markets of certain emerging economies.

Legal and Tax Systems: The legal and tax systems of many emerging markets are less predictable than most legal systems in countries with fully developed capital markets. Currently, the tax rules and regulations prevailing in many emerging markets are, as a general matter, either new or under varying stages of review and revision, and there is considerable uncertainty as to whether new tax laws will be enacted and, if enacted, the scope and content of such laws. Reliance on oral administrative guidance from regulators and procedural inefficiencies hinder legal remedies in many areas, including bankruptcy and the enforcement of creditors' rights. There can be no assurance that current taxes will not be increased or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future. In addition, changes to tax treaties (or their interpretation) with countries in which the Funds invest may have significant adverse effects on the Funds' ability to efficiently realize income or capital gains. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of the Funds, and political or social instability or diplomatic developments that could affect investments in those countries.

### ***Derivative Instruments Generally***

The Funds will make extensive use of derivatives. Derivatives are financial instruments that derive their value from, and are valued in relation to, one or more underlying securities, assets, financial benchmarks, indices or interest rates. Examples include swaps (including equity swaps), credit derivatives, futures contracts, index futures, forward contracts, options and contract for differences. Many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Derivatives may entail investment exposures that are greater than their initial margins or option premiums would suggest, meaning that a small investment in derivatives could have a large potential impact on a Fund's performance. Derivatives are also subject to various other types of risk, including market risk, liquidity risk, structuring risk, counterparty financial soundness, credit worthiness and performance risk, legal risk and operational risk. For example, the Funds could experience losses if the market for a derivative in its portfolio is, or suddenly becomes, illiquid or if there is legal uncertainty regarding its rights under the agreement governing the derivative instrument.

The regulation of derivatives is evolving globally, and significant changes in such regulation have been enacted or proposed. While there may be benefits to such increased regulation, it may also result in increased costs or margin requirements for transacting in derivatives and could make derivative markets less liquid and more volatile, particularly in the short term while there is uncertainty regarding the impact of the regulation.

## ***Rights and Warrants***

The Funds may make investments in rights and warrants. Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights and warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities that may be purchased nor do they represent any rights in the assets of the issuing company. Also, the value of a right or warrant does not necessarily change with the value of the underlying securities and a right or warrant ceases to have value if it is not exercised prior to the expiration date.

## ***Swap Agreements***

Squarepoint Group may enter into swap agreements on behalf of the Funds. Swap agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange payment streams that may be calculated in relation to a rate, index, instrument or certain securities and a particular “notional amount”.

While there are many benefits to trading via swap, there are also costs. In some markets, including the US where directed orders are not permitted via swaps, there may be more latency associated with trading equity securities via swap since the Funds cannot directly access certain trading venues when trading via swap. In such cases, the reference price for a swap may be less favorable than it would have been had the Funds been able to access the trading venue directly. In addition, because swap counterparties may be unwilling to provide exposure to specific securities when unable to hedge their resulting exposure, the Funds may not be able to gain exposure to certain issuers when trading via swap. Further, in many markets, swap counterparties will not accept “give up” hedges executed by other counterparties. In those markets (which include the United States), the Funds will not be able to execute positions with a different broker than the broker that provides financing to the Fund.

Swaps may be subject to various types of risks, including market risk, liquidity risk, structuring risk, tax risk and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease the Fund’s exposure to equity securities, long-term or short-term interest rates, non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of securities or inflation rates and may increase or decrease the overall volatility of the Funds’ portfolio. Swap agreements can take many different forms and are known by a variety of names. The Funds will not be limited to any particular form of swap agreement if Squarepoint Group determines that other forms are consistent with the Funds’ investment objective and policies. The most significant factor in the performance of swaps is the change in individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the counterparties. If a swap calls for payments by the Funds, the Funds must have sufficient cash availability to make such payments when due.

## ***Credit Default Swaps***

The Funds may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. Credit default swaps can be used to implement Squarepoint Group's view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Funds may sell credit default protection in which they receive a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds may also "purchase" credit default protection even in the case in which they do not own the referenced instrument if, in the judgment of Squarepoint Group's, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the US Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. Squarepoint Group may also enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

### ***Futures Contracts***

The Funds may trade futures contracts for hedging purposes or for speculative purposes. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of futures trading accounts. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor.

Certain futures positions may be less liquid at some times than at other times because certain future exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that the Funds may indirectly hold or control in particular commodities. The imposition of any of these limits could hinder the Funds' ability to liquidate unfavorable positions in a timely manner.

Foreign futures transactions involve executing and clearing trades on a foreign exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of a foreign exchange or the laws of a foreign country. Moreover, such laws or regulations vary depending on the foreign country in which the transaction occurs. For these reasons, the Funds may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures.

### ***Forward Contracts***

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

### ***Effect of Speculative Position Limits***

The CFTC and various exchanges have rules limiting the maximum number of futures contracts and options on futures contracts which any person or group may own, hold or control. In applying such limits, the CFTC and various exchanges may require aggregation of the positions owned, held, or controlled by related entities. Any such limits may adversely impact the Funds; by way of example, such limits may prevent the Funds from acquiring positions that might otherwise have been desirable or profitable.

In addition, the positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on their investment activities may be significant. If at any time positions managed by OPS were to exceed applicable position limits, OPS would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Funds might have to forego or modify certain of its contemplated trades.

### ***New Issues***

The Funds at times may purchase equity securities that are issued in initial public offerings registered under the U.S. Securities Act of 1933 ("new issues"). Pursuant to FINRA Rule 5130, certain "restricted persons" may not participate fully in gains or losses from new issues and, conversely, investors that are not restricted persons may be allocated all, or a larger portion than their pro rata share, of the profits or losses relating to such new issue offering. New issue securities in the past have on occasion experienced immediate, sometimes rapid, increases in market value following such offerings. In such cases, certain restricted persons may not receive some or any of the gains from such investment. Conversely, new issue securities may experience a decrease in market value following initial public offerings, in which case certain shareholders who are not restricted persons may receive more than their pro rata share of the losses from such investment.

Squarepoint Group has limited experience in purchasing equity securities issued in initial public offerings, and such transactions are outside the scope of Squarepoint Group's core competency. As such, Squarepoint Group cannot necessarily predict how profitable such transactions may be and, as a result, the Funds may suffer losses, which could be significant.

### ***Currencies***

The Funds may trade foreign currency spot trades, forward contracts, and/or other derivatives thereon for hedging and/or speculative purposes. In addition, the Funds may have exposure to currencies through non-US Dollar denominated securities, derivatives and other instruments that it chooses not to hedge against the US Dollar or any other currency. To the extent the Funds' assets are unhedged, the value of those assets will fluctuate with US Dollar exchange rates as well as the price changes of the Funds' investments in the various local markets and currencies. Thus, an increase in the value of the US Dollar compared to the other currencies in which the Funds make its investments reduces the effect of increases and magnifies the effect of decreases in the prices of the Fund's securities in their local markets. Conversely, a decrease in the value of the US Dollar has the opposite effect on the Fund's non-US Dollar securities. Exchange rates can change dramatically over short periods of time, particularly during times of political or economic unrest or as a result of actions taken by central banks, which may be intended directly to affect prevailing exchange rates.

### ***Exchange-Traded Funds***

The Funds may invest in exchange traded funds ("ETFs") for hedging and/or speculative purposes. While an investment in a non-leveraged equity index ETF is generally expected to have a lower volatility than an investment in one of a few single stocks and to have a positive correlation to the performance of broader markets, such an investment in an ETF that is specific to an industry or

sector may have higher volatility and lower correlation to the performance of broader markets. Authorized participants (who are authorized to create ETFs from their constituent instruments and redeem ETFs into their constituent instruments) manage the supply and demand of ETFs. If an ETF's constituent instruments become difficult to buy or sell or an authorized participant, for another reason, destabilizes the supply and demand balance of an ETF, the liquidity of the ETF may be adversely affected, and the performance of the ETF may cease to track the prices of its constituent instruments, which could have an adverse effect on the Funds if it is trading that ETF at the time.

In addition, if the Funds invest in ETFs, it will be subject to fees (including, without limitation, management fees and/or distribution fees) in respect of its investment(s) in the ETF(s), which fees will not offset the expense reimbursements and/or fees to which an investor in the Funds may be subject in respect of its investment in the Fund. Moreover, as ETFs are investment companies that are registered under the Investment Company Act, the Funds (as a private investment fund) are limited in the percentage of any single ETF that it can acquire. An ETF may be delisted and liquidated at the discretion of its issuer. Should an entity hold a position in an ETF when it is delisted, such entity may be subject to costs associated with the ETF's liquidation, counterparty risk against the issuer and additional taxes due to cash distributions from the liquidation. The ability to take short positions in an ETF is subject to borrowing availability. The ability to take optimal positions in ETFs may be adversely affected by one or more ETFs becoming hard to borrow therefore preventing the Funds from entering or maintaining a short position. ETFs on equity indices attempt to track their underlying indices closely. However, the issuer may in its discretion temporarily introduce ex-index constituents to the ETF, including ex-index equities and foreign currencies. This may introduce risks and tracking errors that are difficult to model to the ETF and that may negatively affect the value of positions in the ETF. Depending on the ETF's structure, investors may be subject to additional taxation on distributions from ETFs.

ETFs listed in countries different from their constituent instruments are subject to additional risks not typically associated with ETFs listed in the same country as their constituents, including: (i) movements in currency exchange rates; (ii) significant events that affect the ETF's underlying value that occur when the ETF's listed exchange is closed; and (iii) risk factors that arise from trading in foreign instruments. ETFs that track non-equity products, such as, volatility, commodities, non-US stocks or foreign exchange and ETFs that use leverage or inverse leverage carry specific risks in addition to those listed above. ETFs that use futures, swaps or other derivatives carry risks listed in sections "Derivative Instruments Generally", "Rights and Warrants", "Swap Agreements", "Futures Contracts" and "Effect of Speculative Position Limits" above in addition to those specific to ETFs.

### ***Money Market and Other Liquid Instruments***

The Funds may, from time to time, hold cash, cash equivalents, U.S. Treasuries and other short-term securities or money market funds in order to fund anticipated redemptions or expenses, manage counterparty risk or for such other reasons as determined by Squarepoint Group in its sole discretion. Any such temporary or defensive positions could prevent the Funds from achieving their investment objective. Use of repos to cover settlement, financing or regulatory obligations brings credit risk against the repo counterparty in addition to risks associated with the underlying collateral posted against the repo or settlement risk where the counterparty is unable to deliver the securities.

### **Risks Related to Squarepoint**

#### ***Key Personnel; Retention***

The performance of the Funds depends to a large degree on the efforts of the individuals engaged in the Squarepoint Group's business. Competition among alternative investment managers is intense for the most highly skilled individuals. If a senior person of the Squarepoint Group ceases to be engaged in the business, no assurance can be given that Squarepoint Group would be able to find and recruit a replacement with similar experience or ability or as to the length of time the search for a replacement would take.

### ***Limited Operating History***

The Funds may be newly-formed entities which do not have an extensive operating history for prospective investors to evaluate prior to making an investment in the Funds. The investment professionals of Squarepoint Group have been using strategies similar to some of the strategies described herein in their previous roles. However, there can be no assurance that the Funds will achieve results comparable to those that the investment professionals have achieved in the past.

### ***Trade Error Policy***

It is the policy of Squarepoint Group that utmost care must be taken when making and implementing investment decisions on behalf of the Funds and Squarepoint Group devotes considerable resources to preventing, identifying and containing the effects of computer system errors. Squarepoint Group consider these errors to be an intrinsic aspect (and therefore a basic element) of its sophisticated and highly technological trading and execution strategies. To the extent trading errors occur, Squarepoint Group will not be responsible for such errors or any losses resulting from trading errors, except where such errors result directly from Squarepoint Group's gross negligence, bad faith, actual fraud, or willful deceit. As a result of the exculpation and indemnification provisions in the management agreements relating to the Funds, absent gross negligence, bad faith, willful misconduct or actual fraud, trading and other mistakes (including, without limitation, those that result in losses and those that result in gains) may be treated as being for the Fund's account (i.e., investors of the Funds will bear any resulting losses and will benefit from any resulting gains).

Misconduct by individuals engaged in Squarepoint Group's business could cause significant losses to the Funds. Individual misconduct may include binding the Funds to transactions that exceed authorized limits or present unacceptable risks and engaging in unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses). In addition, individuals engaged in the Squarepoint Group's business may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities. Although the Funds plan to adopt measures reasonably designed to prevent and detect misconduct, such measures may not be effective in all cases.



## **ITEM 9 - DISCIPLINARY INFORMATION**

From time to time, and in the ordinary course of business, OPS has in the past and may, in the future, be subject to routine, formal or informal regulatory examinations or other inquiries, claims or litigation.

Additional disciplinary disclosure information can be found in Part 1 of Squarepoint's Form ADV within Item 11 and any related DRP pages.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

OPS is registered as a Commodity Pool Operator (“CPO”) with the CFTC.

In addition, as mentioned previously in Item 4, OPS is one entity in a family of entities which together will comprise the Squarepoint Group. In addition to UK OpCo and Singapore OpCo, the Squarepoint Group also includes a number of entities that are primarily responsible for IT research and development activities specialized in quantitative finance (especially in the fields of trading software), large-scale computing and data management, statistical financial research, and financial analytics dedicated to financial institutions, and provide the benefits of their expertise to other Squarepoint Group companies. The population of such entities can change from time to time.

Squarepoint Group or individuals engaged in the Squarepoint Group’s business may from time to time invest, or have one of their affiliates invest, in funds or firms that pursue quantitative trading strategies, including funds or firms that trade the same products in the same markets as Squarepoint Group. Investment in such funds or firms may require substantial time and effort which time and effort might otherwise be expended on managing the Funds. Individuals engaged in the Squarepoint Group’s business are not obligated to devote any specific amount of their business time to the affairs of the Squarepoint Group. In addition, each of such persons and their respective principals may perform similar or different services for others and may sponsor or establish other investment funds or manage managed accounts during the same period that they provide services to the Funds, including investment funds and managed accounts that trade the same or substantially similar strategies, markets and/or instruments. Therefore, each of these persons will have conflicts of interest in allocating management time, services and functions among the various entities and accounts for which they provide services.

The administrator, the prime brokers, the custodian and/or their respective affiliates currently, or may, act as manager, custodian, registrar, broker, administrator, investment advisor, director, placing agent or dealer in relation to, or be otherwise involved in, other funds and accounts, including funds established by parties other than Squarepoint Group and funds which have similar objectives to those of the Funds. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the Funds. At all times, each has regard in such event to its obligations to the Funds and will endeavor to ensure that such conflicts are resolved fairly. The officers and employees of the Funds’ administrator are or may be involved in other business activities and are not required to devote any specific amount of time to maintaining the Funds.

In addition, subject to applicable law, any of the above parties may deal, as principal or agent, with the Funds, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm’s-length basis and pursuant to applicable law.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

OPS has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act. Each of OPS’s permanent employees, officers, directors, partners, and members and most temporary employees and consultants who have worked for OPS for more than six months, (collectively, “employees”), receive training in the Code and are required to acknowledge their receipt and understanding of the Code on an annual basis and upon any material changes.

The Code contains provisions requiring employees to act in the best interests of OPS’s clients and to comply with the federal securities laws which govern OPS’s activities. The Code also contains OPS’s personal trading policies and procedures which govern the personal investing activities of its employees. OPS’s Code requires employees to disclose all of their “covered accounts” (which includes all securities accounts over which employees and immediate family members sharing the same household exercise any control or retain a beneficial interest) to OPS’s Compliance department.

Under the Code, trading in single name stocks is prohibited globally. The only exception to this prohibition is to permit people to sell (with pre-clearance as specified below) a position that existed prior to joining Squarepoint. Furthermore, employees must pre-clear with OPS’s Compliance all transactions and all employees are subject to a thirty-day holding period.

Investors and prospective investors in the Funds may obtain a copy of the Code upon request.

As an investment adviser with respect to the Funds, OPS may be subject to additional potential conflicts of interest between OPS or its related persons and the Funds beyond those posed by personal trading. The Advisers Act imposes certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. Therefore, in addition to the Code, OPS has also implemented policies and procedures aimed at mitigating conflicts which may arise in trading based on material non-public information, participation in outside business activities by employees, political contributions, and gifts and entertainment that may be received and/or given by employees. OPS has also adopted policies to ensure that any potential conflicts of interest which are identified are mitigated and resolved in a manner that is consistent with OPS’s fiduciary duty to its clients and in compliance with applicable laws and regulations.

## ITEM 12 - BROKERAGE PRACTICES

### Best Execution

OPS currently has prime brokerage arrangements in place with the brokers enumerated in Item 7.A of Form ADV Part 1A. In addition, OPS maintains an “approved broker list” of trading and execution counterparties. OPS’s selection of broker-dealers and other counterparties is overseen by a Brokerage and Best Execution Committee which is comprised of the Global Head of Operations and representatives from the investment and research divisions of the Squarepoint Group. In selecting trading and other counterparties, and evaluating the performance of those counterparties, the Brokerage and Best Execution Committee takes into account a number of factors, including, without limitation, commission and financing rates, trading and technology infrastructure (including speed and reliability of execution), stock lending supply and rates, ability to execute and process transactions with appropriate levels of confidentiality, operational processes, and the financial strength, integrity, and stability of the broker or counterparty. The Brokerage and Best Execution Committee meets quarterly, or more frequently if required, and is responsible for allocating trade flow and establishing the commission budget as well as evaluating best execution and monitoring counterparties.

In no event will Squarepoint Group select a broker-dealer or will the Funds pay a higher commission than would otherwise be paid as a means of remuneration for the referral or affording Squarepoint Group with the opportunity to participate in any capital introduction program.

### Trade Aggregation and Allocation

At present, Squarepoint does not generally aggregate orders or trades between the Funds. As noted in Item 6, in the limited circumstances when this may currently occur, we have implemented procedures that are reasonably designed to ensure that aggregated transactions (i) are allocated on a fair basis, (ii) do not systematically advantage one fund over another, and (iii) are carried out in a manner that complies with applicable regulatory requirements.

### Soft Dollars

Squarepoint Group currently only uses commissions to obtain research and brokerage services to the extent permitted by local regulations, such as permitted research and brokerage services within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; software that provides trade analytics and trading strategies; corporate governance research and rating services; investment and economic recommendations; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; access to hardware that cannot otherwise be accessed in certain markets; technological solutions relating to data distribution, data center space; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. In those situations, the commissions paid on transactions with those broker-dealers or merchants providing such services may exceed the amount another broker-dealer or merchant would have charged for effecting such transactions.

Should Squarepoint Group elect in the future to use Commissions arising from a Fund’s investment transactions for services other than research and brokerage, such usage will be limited to services

that would otherwise be a Fund expense. The use of Commissions to obtain such other services would be outside the parameters of Section 28(e).

Research and brokerage services obtained by the use of Commissions arising from a Fund's portfolio transactions are used by Squarepoint in their investment activities and may provide benefit to other Funds. Squarepoint does not seek to allocate soft dollar benefits proportionately based on the Fund which generated such soft dollar credits.

The use of Commissions (or certain mark-ups or markdowns) to obtain research and brokerage products and services can raise other conflicts of interest. For example, Squarepoint Group will not have to pay for the products and services itself. This creates an incentive to select or recommend a broker-dealer based on Squarepoint Group's interest in receiving those products and services (or the ability to instruct such a broker dealer to pay a third-party vendor for these products and services).

With regards to MiFID II and as it relates to UK OpCo, to the extent that UK OpCo uses third party investment research, as defined by MiFID II, it will do so consistent with requirements regarding acceptable methods to pay for investment research. Investment research may be received in return for direct payments made by UK OpCo out of its own resources or by payments from a separate research payment account ("RPA") funded by Clients and controlled by UK OpCo.

## **ITEM 13 - REVIEW OF ACCOUNTS**

OPS will monitor the trading activity and portfolio holdings of the Funds on an ongoing basis to ensure that trading activity is consistent with the general investment objectives of the Funds as outlined in the PPM. The review process will address the risk limits across regions, strategies, and asset classes as well as updating the overall risk limits for the portfolio.

The Funds' administrator will provide monthly reports on shareholder accounts in the Funds and certain other information. Each investor in the Funds will also be furnished with a set of audited financial statements for each relevant fiscal year and, where applicable, a Schedule K-1 indicating such investor's share of the Funds' income, gain, loss, deductions, and credits relevant for U.S. federal income tax purposes.

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

Squarepoint Group (including OPS) may receive certain services (including, without limitation, capital introduction and hedge fund consulting) from prime brokers or other counterparties with whom the Squarepoint Group conducts business at no additional cost. This could present a conflict of interest with respect to the selection of such counterparties, though the Squarepoint Group understands that the benefits received through these relationships generally do not depend on the volume of transactions directed to a particular counterparty.

## **ITEM 15 - CUSTODY**

OPS does not maintain physical custody over the Fund's assets. However, under the provisions of the Custody Rule, Rule 206(4)-2 under the Advisers Act, OPS is deemed to have custody over the assets of the Funds. OPS will comply with the annual audit provisions of the Custody Rule, and each of the Funds will be audited in accordance with United States Generally Accepted Accounting Principles (US GAAP) and the audited financial statements of the Funds will be distributed to all investors within 90 days of the relevant Fund's fiscal year end.



## **ITEM 16 - INVESTMENT DISCRETION**

OPS has discretionary authority to manage the assets of the Funds. OPS' discretion is exercised in a manner consistent with the stated investment objectives and guidelines of each Fund. The procedures followed in assuming this authority are outlined in each Fund's governing documents.

When OPS or the Funds grant discretion to a sub-adviser, that sub-adviser makes the trading and investment decisions pursuant to the terms of the sub-advisory agreement and consistent with the stated objectives, guidelines and restrictions of the particular account for which discretion has been granted.

## **ITEM 17 - VOTING CLIENT SECURITIES**

The investment strategy employed by the Squarepoint Group will not be influenced by the outcome of proxy contests and OPS has determined that the benefit which would accrue to the Funds from proxy voting is heavily outweighed by the costs associated with voting proxies. Therefore, OPS will generally abstain from voting proxies in client accounts as it is seen as being in their best interests. In circumstances when OPS sees voting to be in the client accounts overall benefit, OPS will do so.

Third party sub-advisers that have been granted discretion over the management of funds will also have the authority to vote client securities. This raises the potential conflict of voting being exercised in opposing directions by different third party sub-advisers for the same client account or Fund.