

**CAXTON ASSOCIATES LP**  
**FORM ADV PART 2A BROCHURE**

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**March 31, 2021**

**Important Disclosure:**

**This Brochure provides information about the qualifications and business practices of Caxton Associates LP (“Caxton”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. Registration with the SEC as an investment adviser does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.**

**This Brochure contains certain material information in the manner and format promulgated by the SEC. Additional information, which must be read and considered with the information in this Brochure, may be found in other documents including, as applicable, registration statements, offering memoranda and/or investment management agreements, among others. Please also read and understand the entire Brochure as responses to certain Items also may respond to or provide additional or fuller information regarding the responses to other Items. This Brochure and the information contained herein is not, and should not be considered as, an offer to invest in, or to buy or sell, any interests or shares in any funds, or to participate in any investment or trading strategy. Caxton is not soliciting any action based on the Brochure and the information contained herein. Any offering or solicitation will be made only pursuant to the applicable offering documents, all of which must be read and agreed to in their entirety.**

**If you have any questions about the contents of this Brochure, please contact Caxton at (212) 593-7700. Additional information about Caxton is available on the SEC’s website at www.adviserinfo.sec.gov.**

## **ITEM 2: MATERIAL CHANGES**

This document serves as our Brochure and is dated as of March 31, 2021. It amends our Brochure dated as of October 26, 2020 and contains the following update of note:

- Items 4 and 10 were updated as a result of the establishment of Caxton (Monaco) S.A.M.

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#### **ITEM 4: ADVISORY BUSINESS**

A. Caxton Associates LP (“Caxton Associates” or “Caxton”) is a New York-based trading and investment firm formed as the successor to Caxton Corporation, which was founded in 1983 by Mr. Bruce Kovner. Mr. Andrew E. Law is the Chairman and Chief Executive Officer of Caxton Associates and the sole shareholder of Canterbury Holdings Limited, which is the sole member of Canterbury Holdings USA LLC, the general partner of Caxton Associates. Mr. Andrew Law is the principal owner of Caxton Associates.

Certain advisory services and trading activities are provided by Caxton Europe LLP (“Caxton Europe”), Caxton (Canada) Ltd. (“Caxton Canada”), Caxton (Singapore) Pte. Ltd (“Caxton Singapore”) and Caxton (Monaco) S.A.M (“Caxton Monaco”) each a subsidiary of Caxton Associates and “relying advisers” on Caxton’s Form ADV. Caxton Europe is a United Kingdom limited liability partnership and investment adviser registered with the U.K. Financial Conduct Authority. Caxton Canada is a Canadian corporation and an investment adviser registered with the Ontario Securities Commission. Caxton Singapore is a Republic of Singapore private company limited by shares that was issued a Capital Markets Services License by the Monetary Authority of Singapore. Caxton Monaco is a Monegasque joint stock company accredited to provide certain financial services by the Commission de Controle des Activites Financieres. See also Item 10 C for additional information regarding Caxton Europe, Caxton Canada, Caxton Singapore and Caxton Monaco.

B. Caxton Associates’ primary business is to manage client and proprietary capital through global macro hedge fund strategies as well as other alternative investment disciplines. Assets are managed via a broad mandate to trade in a variety of global markets and instruments.

Investment and trading activities of Caxton’s global strategies are conducted pursuant to its investment advisory contractual arrangements with private funds organized offshore (the “Caxton Master Fund Clients”) that are made available through a master-feeder structure. In addition, assets from Caxton International Limited, one of the Caxton Master Fund Clients, are allocated to certain subsidiary entities that are also Caxton Master Fund Clients for the purpose of investment and trading activities. Separate feeder funds (each a “feeder fund”) are each organized to permit investors the opportunity to participate in the investment and trading activities engaged in by the applicable Caxton Master Fund Clients (the Caxton Master Fund Clients, their respective feeder funds and subsidiaries, and any other potential clients are referenced herein as the “Caxton clients”). Caxton may engage, through affiliates and special purpose vehicles, in public and private investments, as well as leverage buyout and venture capital strategies.

The Caxton Master Fund Clients advised by Caxton are as follows:

- Caxton International Limited, a British Virgin Island Limited Company, is a diversified global macro fund, allocating assets to multiple portfolio managers using the global macro strategies described below.

- CX Macro Limited, a British Virgin Islands Limited Company, is a global macro fund where the substantial majority of the assets are managed by one portfolio manager using the global macro strategies described below.
- CX Global Advantage Limited, a British Virgin Islands Limited Company, is a hedge fund focused on interest rate strategies, which allocates assets to several portfolio managers using the strategies described below.
- CX Dynamis Limited, a British Virgin Islands Limited Company, is a hedge fund focused on interest rate products and volatility strategies, which allocates assets to several portfolio managers using the strategies described below.
- CX Quantitative Climate Limited, a British Virgin Islands Limited Company, is a hedge fund focused on quantitatively driven equity strategies, which allocates assets to several portfolio managers using the strategies described below.

#### 1. Global Macro Strategies

Caxton's principal activity is trading in the international currency, financial, commodities and securities markets. Caxton follows currencies on a worldwide basis. Caxton trades primarily in major international currencies, but will also engage in substantial trading in "exotic" or other currencies. Currency positions are initiated and liquidated primarily in the interbank forward market as well as in the options and futures markets. The Caxton clients may also trade a wide variety of commodities, including, but not limited to, energy products, precious metals and agricultural products, through trading strategies involving futures, options and other derivatives, and potentially other commodity interests, in markets worldwide.

Caxton engages in a broad range of fixed income, securities and commodities trading, including U.S. and non-U.S. equity and debt securities (including options, warrants and other rights with respect thereto and new issue securities) on both a discretionary basis and separately on the basis of computerized trading programs. Caxton also trades U.S. and non-U.S. government securities with related financing through repurchase and reverse repurchase agreements and other financing arrangements (which may be used for other trading instruments as well). Caxton may engage in securities lending on behalf of the Caxton clients by loaning securities in the Caxton clients' portfolios to qualified brokers and dealers. Caxton also pursues strategies involving interest rate and other swap agreements, index futures and other derivative products both for purposes of profit objectives as well as risk management. Trading may include fundamental long/short equity strategies and top-down, "macro equity" trading. Caxton's trading activities also include credit strategies, as well as relative value strategies involving some or all of the following: U.S. and non-U.S. government securities; mortgage-backed, asset-backed and related securities; corporate debt and equity securities; as well as convertibles, warrants, options and other derivatives and instruments.

Caxton's global macro trading strategies may involve quantitative trading systems. Caxton, in its sole discretion, may and usually does, invest for its clients on a leveraged basis. Additionally, Caxton reserves the right, in its sole discretion, to delegate a portion of its trading activities to sub-advisors (including affiliates) with similar or unique trading strategies and/or financial products. The Caxton clients may also invest in other private investment funds managed or advised by Caxton or an affiliate, related party or third party as described in the applicable feeder fund's Explanatory Memorandum or Private Placement Memorandum ("Memorandum").

## 2. CX Global Advantage Strategies

CX Global Advantage Limited currently engages in three core trading strategies primarily involving interest rate and interest rate-sensitive instruments: (1) systematic directional trading, (2) discretionary trading and (3) relative value trading. The allocation to these strategies will fluctuate with the market opportunity. As market conditions evolve, one or more of the foregoing strategies may be excluded from CX Global Advantage's trading activities and other strategies may be incorporated.

## 3. CX Dynamis Strategies

CX Dynamis Limited currently engages in four core trading strategies primarily involving interest rate and interest rate-sensitive instruments: (1) macro directional, (2) macro volatility, (3) relative value and (4) systematic trading. The allocation to these strategies will fluctuate with the market opportunity. As market conditions evolve, one or more of the foregoing strategies may be excluded from the CX Dynamis' trading activities and other strategies may be incorporated.

## 4. CX Quantitative Climate Strategies

CX Quantitative Climate Limited currently engages in six core trading strategies primarily involving equities: (1) climate, (2) macro, (3) temporal, (4) governance, (5) relative value and (6) specialised. The allocation to these strategies will fluctuate with the market opportunity. As market conditions evolve, one or more of the foregoing strategies may be excluded from the CX Quantitative Climate's trading activities and other strategies may be incorporated.

## 5. Special Purpose Vehicles and Fund of Funds

Caxton may engage, through affiliates and special purpose vehicles, in public and private investments, as well as leverage buyout and venture capital strategies.

The respective strategies that may be used by Caxton are described in the Memorandum of each client that is a private fund.

C. Caxton has a broad mandate to select the financial instruments and markets in which the Caxton clients may invest, as well as the investment techniques it will use. For certain other

clients, the mandate is narrower and more specialized. Generally, each client's investment mandate is described in its Memorandum, investment guidelines or contractual documents.

D. Caxton does not participate in wrap fee programs.

E. Caxton manages assets only on a discretionary basis. As of December 31, 2020, Caxton Associates and its relying advisers had approximately \$25,435,890,192 in Regulatory Assets Under Management (as such term is defined in Part 1 of Form ADV). See Item 10 for further information about Caxton's affiliates.

## **ITEM 5: FEES AND COMPENSATION**

A. Management fees (alternatively called “advisory fees” in the context of certain clients) may vary with each client. With respect to the Caxton Master Fund Clients and their feeder funds, the annual fee schedule ranges from 1.0% to 2.0% of assets under management (except for Strategic Investment share/interest classes and the Strategic Investment component of certain share/interest classes, for which the management advisory fee may be up to 2.0%, see Item 11 C below).

The determination and calculation of management fees are laid out in more detail in the relevant Memorandum of each client that is a private fund. Advisory compensation is payable monthly in arrears according to the terms of the relevant agreement with each client.

Caxton or an affiliate may receive performance-based compensation in addition to management or advisory fees. With respect to the Caxton Master Fund Clients and their feeder funds, Caxton or an affiliate may receive annual performance allocations or incentive fees ranging from twenty percent (20%) to an amount up to twenty-five percent (25%) of net profits (except for Strategic Investment dedicated share/interest classes and the Strategic Investment component of certain share/interest classes, for which the performance-based allocation may be up to thirty percent), as defined and calculated in each client’s Memorandum or investment management agreement, if applicable. With respect to the performance allocation, such amounts are accrued monthly and may take into account strategic investments as described in the applicable Memorandum. Caxton will only receive the performance based allocations or incentive fees where the receipt of such compensation will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940, if applicable.

Management/advisory fees are prorated for partial periods, while performance-based compensation is charged to investors at year-end or upon redemption at the full rate.

Caxton’s clients do not have the ability to negotiate or select the fee methodology. The general partner, manager or board of directors, as applicable, reserves the right to enter into different terms, including the full or partial waiver or modification of the base annual management/advisory fee and any performance allocation or incentive fees and the modification of withdrawal terms on an investor-by-investor basis. However, to date, fees and allocations have only been modified for certain Caxton principals, employees, affiliates, executive committee members and members of their families and trusts established for their benefit.

B. Advisory compensation generally is deducted from clients’ assets and payable monthly in arrears according to the terms of the Memorandum or relevant agreement with each client. Caxton or an affiliate may receive annual performance allocations or incentive fees as deducted or paid from clients’ assets, as defined and calculated in each client’s Memorandum or investment management agreement.

C. Caxton’s clients may incur direct and indirect fees and ongoing expenses as described in the applicable client’s Memorandum or other relevant agreement, which fees and expenses



generally include, but are not limited to, all expenses incurred in connection with the offering of any interests or shares (such as, legal and accounting fees, printing and mailing costs and other expenses), any organizational costs (if applicable), and all ongoing expenses of the client relating to its investment program. Other expenses include, but are not limited to, the client's allocable share of margin interest and other financing costs, advisory, consulting and other service fees (including investment-related fees) payable to Caxton (or an affiliate) or to others, travel and other costs, fees and expenses directly related to potential and actual investments (whether or not such investments are consummated), expenses in connection with meetings of boards of directors or shareholders, any director's or chairman fees, insurance premiums, and custodial or transfer agency expenses and fees, litigation and indemnification costs, and expenses of any funds into which a client, directly or indirectly, invests. Ongoing operational and administrative expenses of the client, include, but are not limited to, legal, accounting and auditing fees, fees payable to an administrator, registrar and/or transfer agent, management fees, incentive allocations, mailing costs, printing fees, and registration and other filing fees and taxes.

Clients will also incur brokerage, transaction and other similar and related fees and costs. Please see Item 12 for more information.

D. Caxton does not require its clients to pay fees in advance.

E. Neither Caxton nor its supervised persons accept compensation for the sale of securities or other investment products.

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

The Caxton clients are, and other clients may be, subject both to management/advisory fees and performance-based fees or allocations. In addition, traders may manage assets using quantitative trading systems.

The side-by-side management of client funds, to the extent applicable, with different performance-based fees or fees that are based solely on assets under management may create potential conflicts of interest, i.e., that Caxton could potentially have an incentive to favor clients, or to take greater investment risks on behalf of clients, that pay a higher performance fee over a client that pays a lower performance fee or no performance fee. In addition, the fact that Caxton is compensated based on the trading profits of clients may create an incentive for Caxton to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. Moreover, the performance-based compensation may be based on unrealized gains that clients may not ultimately realize.

However, in the event Caxton engages in side-by-side management, trades will be primarily allocated pro-rata, based on clients' relative assets under management in the respective fund or account. Other factors that may affect allocation decisions may include, but are not necessarily limited to, client directed investment limitations, differing investment strategies and objectives, trading restrictions, risk parameters, cash flows (including as a result of subscriptions and redemptions) or tax considerations. In the event Caxton or an affiliate engages in the side-by-side management of client funds with different performance-based fees or fees based solely on assets under management, the allocation of investment opportunities will not be based on differences in fees or compensation among Caxton clients. The allocation of investment opportunities will be monitored, as applicable, to ensure that they are not based on differences in client fees or compensation payable to Caxton or affiliates.

## **ITEM 7: TYPES OF CLIENTS**

Caxton currently serves directly or indirectly as general partner, manager or advisor to several domestic and foreign private investment funds, and as a trading advisor to several foreign private investment funds.

Caxton's clients are currently comprised of the Caxton clients and certain other investment vehicles. As described in Item 4 B, the private funds (other than with respect to strategic investments) generally engage in trading activities through a master-feeder structure.

In order to invest in any of the Caxton clients, an investor must be an accredited investor as defined by Regulation D under the Securities Act of 1933 (onshore funds) or a "Professional Investor" as defined in the BVI Mutual Funds Act (offshore funds), and if subject to a performance fee or allocation, must be a qualified client as defined by Section 205 of the Investment Advisers Act of 1940 and Rule 205-3 thereunder (if applicable). Additionally, all investors in fund clients excepted from the definition of investment company by virtue of Section 3(c)(7) of the Investment Company Act of 1940 must be qualified purchasers or knowledgeable employees as defined in Section 2(a)(51) thereof and the rules thereunder.

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

A. Caxton's primary investment strategy is a Global Macro strategy, which encompasses a broad investment mandate and trading in a variety of global markets and instruments, as discussed above in Item 4 B. Caxton Global Advantage and Caxton Dynamis have primary investment strategies that use interest rate and interest rate-sensitive products.

Depending upon the client, Caxton bases its trading decisions on a combination of technical and fundamental analysis. Fundamental analysis attempts to anticipate market movements by analysis of factors external to the market that affect supply and demand relationships. Technical analysis attempts to forecast price changes through observations of the markets themselves. Trading decisions will incorporate analysis of: political and economic factors; market expectations; technical factors including price behavior and market sentiments; valuation models; interest rate arbitrage; geographical arbitrage; basis relationships between instruments and markets; portfolio and risk management objectives; and signals generated by computerized technical trading models. Caxton believes neither technical nor fundamental analysis is entirely independent of the other, and therefore has developed the skills necessary to apply both methods simultaneously. Certain Caxton clients will engage in more limited or specialized investment strategies.

Investing in securities and other financial instruments involves risk of loss which clients should be prepared to bear.

### **B. Trading Risks**

Trading, Funding and Credit Risks Generally. Trading risk is an inherent part of Caxton's and its clients' business activities. Market risk is the risk that a change in the level of one or more market factors such as prices, rates, indices, volatilities, and correlations will result in losses for a position or portfolio. Caxton's clients will incur market exposure through trading and hedging activities throughout the portfolio. Caxton employs value at risk ("VAR") to statistically measure the potential loss in the value of the portfolio or segments of the portfolio due to adverse movements in underlying risk factors. Caxton also employs stress testing, event risk analysis and other risk measurement methods and tools to assess risk on an ongoing basis. Such tools assist Caxton in evaluating potential market risk but do not independently limit risk.

Caxton's clients are subject to liquidity risk, which relates to the ability to raise funding or liquidate an asset in a timely manner at a reasonable price. While Caxton seeks to manage liquidity risk by investing substantial portions of client assets in markets expected to have strong liquidity (e.g., major foreign currency and fixed income products and large capitalization exchange traded securities), Caxton also will trade in less liquid products and markets.

Credit risk includes the risk that a counterparty or an issuer of securities or other financial instruments will be unable to meet its contractual obligations and fail to deliver, pay for or otherwise perform a transaction. Credit risk will be incurred when Caxton's clients engage in

principal-to-principal transactions outside of regulated exchanges, as well as in transactions on certain exchanges that similarly operate without a clearinghouse or similar credit risk-shifting structure. Caxton's clients may also be subject to the risk of the failure of any exchanges on which its positions trade or of the exchanges' clearinghouses.

Caxton's client's strategies are expected to include the use of margin on securities, options, futures, swap transactions and other investments and may include bank or dealer credit lines. There can be no assurance that Caxton or its clients will be able to maintain adequate financing arrangements under all market circumstances. Margin calls may be made in the event certain positions decline in value and in some cases even where the relevant positions have not declined in value, and Caxton's clients may not always have sufficient liquid assets or assets which can be liquidated in a timely manner to satisfy such margin calls. In such an event, the applicable lender may have the right to liquidate assets of the applicable Caxton client in its sole discretion. Banks and dealers that provide financing to Caxton's clients may change their respective policies at any time and for any reason in either a prospective or retrospective manner, which may affect the existing investments of the client and the ability of Caxton to make certain future investments on behalf of its clients. In addition, various laws for the protection of creditors rights in the jurisdictions of formation or operation of the issuers or borrowers with whom Caxton's clients do business may affect a client's investments and dealings with such issuers and borrowers. Application of such laws may differ depending on the legal status and location of the parties, and a Caxton client may experience less favorable treatment under certain laws in comparison with others.

In the normal course of business, Caxton's clients may also invest in financial instruments with off-balance sheet risk. These instruments include forward and futures contracts, swaps and options contracts. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to a loss in excess of the investor's recognized asset carrying value in such financial instrument, if any, or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities.

Standardized legal documentation with counterparties may not exist for all types of transactions engaged in by certain Caxton clients and even where such documentation exists, the parties may negotiate specific terms to standardized forms.

**Forward Contracts.** Forward contracts are a form of individual cash transaction, as opposed to a futures transaction (see below), in that a forward contract relates to the purchase and sale of a specific quantity of a commodity (such as foreign currencies), security or other instrument, with a specific counterparty at a particular time in the future. Each contract is specifically negotiated rather than uniform. Caxton's clients may purchase and sell foreign currencies for future delivery through financial intermediaries (i.e., foreign and domestic banks, broker-dealer firms and other financial institutions). In such instances, the financial intermediary generally acts as a principal in the transaction and charges a flat fee or includes a premium in the price it quotes for such contract.

Forward contracting generally requires the extension of credit by the financial institution to those with whom it trades along with margin payments, thereby allowing trading to be conducted on a leveraged basis. Since forward contracting is conducted on a principal-to-principal basis, the contracts are not guaranteed by an exchange or clearinghouse. Consequently, forward contracting may involve less protection against defaults than trading on futures exchanges with organized clearinghouses and may entail risks relating to delivery failures. Caxton's client's credit risk should be primarily limited to the risk of non-performance by the counterparty. Financial institutions are not required to continue to make markets in foreign currencies. There have been periods, for example, during which certain banks have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. In such instances, Caxton's clients may have little or no ability to close out all or any portion of a forward contract position. Forward contracts also generally cannot be modified or terminated prior to maturity unless special agreement is reached with the counterparty.

Certain derivative contracts, including many forward contracts, are now subject to certain laws and, in some cases, the swap regulations of the U.S. Commodity Futures Trading Commission ("CFTC") and SEC, including requirements related to exchange trading, clearing, margining, collateral segregation, reporting, recordkeeping and position limits. Many non-deliverable forwards are now considered swaps for certain purposes, including determination of whether such instruments need to be centrally cleared and subject to mandatory margining. Specific requirements, however, may not yet have been determined or implemented. Although these changes are expected to decrease the credit risk involved in bilaterally negotiated contracts, exchange clearing will not make the contracts risk-free. Where foreign currency forwards are not subject to regulation as swaps, there may be no regulatory scheme in relation to the contracts, except for regulation of general banking activities and exchange controls in the various jurisdictions where trading occurs or in which the currency originates. In instances where forward contracts are not regulated by any governmental authorities, such contracts are not subject to regulations and limitations, such as limitations on the number and size of open positions, restrictions on market concentration and leverage, or other financial responsibility requirements. The imposition or relaxation of credit, exchange or currency controls or fixing of currency exchange rates by governmental authorities could significantly affect or eliminate such forward trading.

Increased attention is given and concern expressed periodically regarding speculative trading in the currency markets and its potential to disrupt attempts by the central banks to influence exchange rates. If Caxton were restricted in its ability to trade in the foreign currency markets, Caxton believes that the impact on its ability to trade for its clients could be materially adverse.

**Securities Trading.** Any investment in securities carries certain market risks. The success of Caxton's securities trading depends in part on its ability to correctly assess price movements of equity and debt securities. There is no assurance that Caxton's judgments will be accurate or that its clients will achieve their investment objectives.

In addition to the market risks inherent in securities trading, Caxton also may utilize leverage to finance its clients' securities positions. Fluctuations in the market value of leveraged securities can have a disproportionately large effect relative to the capital invested. Caxton also may sell securities short and may write or purchase options. Trading in the over-the-counter or exchange markets in different jurisdictions also presents varying degrees of risk with regard to (i) inconsistent or relaxed requirements with respect to record keeping, auditing, financial responsibility or segregation of customer transactions or positions, (ii) potential expropriation, (iii) burdensome or confiscatory taxation, (iv) moratoriums and reschedulings, (v) exchange and investment controls, (vi) political instability and (vii) diplomatic or economic events which might adversely affect trading activities and the enforceability of contractual obligations.

Caxton engages in various trading strategies involving the purchase and sale of U.S. and non-U.S. government securities, which will include financing through repurchase agreements ("repos"), reverse repurchase agreements ("reverse repos"), forward and swap transactions and other similar arrangements. Other strategies involving interest rate, other fixed income and derivative products (including government agency and mortgage and asset-backed instruments, bank loans, forward contracts and options on forward contracts) may be traded. In a repo transaction, a Caxton client will sell a security with an obligation to repurchase the instrument at a future date. In a reverse repo transaction, a Caxton client will purchase a security and agree to resell the instrument at a future date. Such transactions are effected on a principal-to-principal basis and allow for the maintenance of large open positions on a leveraged basis with relatively small cash outlays, without a clearinghouse system being present. As such, Caxton's client is exposed to various risks, including the risk that, in the event of a default by the counterparty to the transaction, it may be necessary to attempt to cover commitments in the open market. Caxton will attempt to avoid risk of default by carefully monitoring both the credit of the entities with which it enters into such transactions and general market conditions.

Caxton's clients may engage in securities lending which involves certain risks, including the risk of loss resulting from problems in the settlement and accounting process, counterparty and market risk, and risks generally associated with leverage. Caxton clients also bear risk that the counterparty will not provide, or will delay in providing, additional collateral to the extent necessary because of price movements in the loaned securities or the value of existing collateral.

To the extent that Caxton trades and invests in emerging markets, such trading will require increased consideration of the foregoing risks, as well as consideration of risks not typically associated with investing in more developed countries and markets. Such risks include: (i) political and economic uncertainty, including the risk of nationalization, expropriation, confiscatory taxation and war; (ii) higher rates of inflation and greater governmental intervention or instability; (iii) limitations on foreign investment and on repatriation of invested capital; and (iv) acute price, market and currency volatility.

Caxton may trade in high-yield bonds. The higher yield on such bonds, in comparison to relatively lower risk investments such as bank investments, money market funds and investment grade debt, may be attributable to increased expectation of default or financial difficulties by the issuers of high-yield bonds.



**Futures Trading.** Futures prices are highly volatile. Price movements of futures and other derivative products are influenced by a wide variety of factors, including, among other things, changing supply and demand relationships, weather, government, agricultural, trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and changes in interest rates.

Margins are good faith deposits which must be made with a broker to initiate or to maintain an open position in a futures contract. In most exchange transactions, both buyer and seller are required to post margins with the broker handling their trades as security for the performance of their buying and selling undertakings and to offset losses in their trades due to daily fluctuations in the markets. Margin requirements are also imposed by exchanges on writers of commodity options. The low margin deposits normally required in futures trading (typically between 2% and 15% of the value of the futures contract purchased) permit an extremely high degree of leverage. Accordingly, a relatively small change in the market price of a futures contract can produce a disproportionately large profit or loss, and it is therefore possible to gain or lose substantially more than the initial margin on a trade.

It may not always be possible to execute a buy or sell order at a desired price or to close out an open position, either due to market conditions or daily price fluctuation limits. Certain futures exchanges limit fluctuations in futures contract prices during a single day through “daily limits”. Daily limits may prevent liquidating trades or new trades from being executed during a given trading day at a price above or below the daily limit. Speculative position limits (the maximum net long and net short positions which any person may hold in particular futures contracts and options) also limit the number of open positions that may be held in certain futures and option contracts. In addition, even if future prices have not moved to the daily limit, Caxton may be unable to execute trades at favorable prices if the volume of trading in the relevant contracts is inadequate. It is also possible for an exchange or other regulator to suspend trading in a particular contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Caxton will potentially engage in futures trading in all global exchange and over-the-counter markets. Certain futures exchanges operate as “principals’ markets” (similar to the forward markets) in which the obligation to assure performance rests solely with the individual member effecting the trade, and not with any exchange or clearinghouse. Trading futures in different jurisdictions will also present risks similar to the risks associated with trading securities on a global basis.

**Options.** Caxton trades options both for speculative and risk management purposes. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The purchasing or writing of an option runs the risk of losing the entire investment in such option. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the market or strike price of the financial instrument underlying the option, which the writer must purchase or deliver upon exercise of the option, potentially causing significant losses to its clients in a relatively short period of time. Because option premiums paid or received by a client



will be small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage.

Certain over-the-counter options are now subject to the swap regulations of the CFTC and SEC, including exchange trading, clearing, margining, collateral segregation, reporting, recordkeeping and position limit requirements.

**Relative Value Strategies.** Although Caxton engages in relative value strategies that are not intended to be correlated to the market, this does not mean that they will be unaffected by the condition of the market. There can be no assurance that relative value or hedged strategies will be profitable in either up or down markets, and various market conditions may be materially less favorable to certain strategies than others. International securities and derivative markets may not move in correlation with each other or in directions anticipated by Caxton, so that hedging and arbitrage activities may not be successful. Historical volatility patterns will not always be an accurate predictor of future volatility, and market anomalies may affect the performance of specific positions. Substantial competition from other relative value traders and other market participants may render it difficult or impossible for Caxton to achieve intended results or promptly effect transactions in volatile markets. Relative value strategies also involve substantial leverage. The risk management and hedging techniques that may be utilized by Caxton, while intended to minimize certain risks, cannot provide any guarantee that Caxton's clients will not be exposed to risks of investment losses.

**Swap Transactions.** Caxton's clients may engage in swap transactions involving equities, interest rates, currencies, indices, commodities, credit default risk, bank loans, or other financial instruments with financial institutions. Swaps are individually negotiated transactions where each party agrees to make a one-time payment or periodic payments to the other party. The parties to a swap typically do not obligate themselves to make "principal" payments, but only to pay the agreed upon rates as applied to an agreed upon "notional" amount. Nevertheless, swap agreements are principal-to-principal transactions in which performance is generally the responsibility of the individual counterparty and not an organized exchange or clearinghouse. As such, Caxton's clients are exposed to the risk of counterparty default. However, new regulations require that a substantial portion of over-the-counter swaps be executed in regulated markets, submitted for clearing through regulated clearinghouses, and subject to mandated margin requirements as well as subject to collateral segregation, reporting recordkeeping, and position limit requirements. Central clearing and exchange-trading of certain credit default swaps ("CDS") and interest rate swaps is currently required. Although these changes are expected to decrease the credit risk involved in bilaterally negotiated contracts, central clearing will not make the contracts risk-free.

In circumstances in which a Caxton client may be the buyer of protection under a CDS and does not own the debt or loans that are deliverable thereunder, it will be exposed to the risk that (i) the cash settlement price determined in an auction sponsored by the International Swaps and Derivatives Association ("ISDA") for deliverable securities or loans would be unfavorable or (ii) if no auction is held or the CDS is ineligible for auction settlements, deliverable securities or loans will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In addition, it may be unclear whether or not a

“credit event” triggering the seller’s payment obligation under a CDS has occurred, and any determination may be unfavorable. Moreover, certain corporate events with respect to a reference entity, such as the retirement of debt or the assumption of debt by another entity in connection with a “succession event” or “restructuring of debt”, may result in Caxton’s client not being able to realize the full value of the CDS. As a seller of a CDS, Caxton’s client would incur leveraged exposure to the credit of the reference entity and be subject to many of the same risks it would incur if it were holding debt securities or loans issued by the reference entity. Caxton’s client would not have any legal recourse against the reference entity and would not benefit from any collateral securing the reference entity’s debt obligations or from redemption or exchange offers for, or accelerations of, the referenced entity’s debt obligations. In addition, the CDS buyer may have broad discretion to select which of the reference entity’s debt obligations to deliver to Caxton’s client following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of Caxton’s client or, equivalently, this “cheapest-to-deliver” option may be reflected in the cash settlement price in an ISDA-sponsored auction. Given the increase in the volume of credit derivatives trading in the market and credit events, the settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties.

**Commodities.** Caxton may engage in commodity trading strategies. Commodity prices historically have corresponded with the level of economic activity and industrial production. Earnings and financial conditions of commodity producers are dependent on the market prices of the underlying resources which historically have fluctuated significantly. Commodity prices are highly sensitive to natural disasters, political and social disruptions, government action, technological developments, access to new sources of a particular commodity or increases or reductions in any existing source of a particular commodity.

Caxton may conduct certain of its commodity trading activities on commodity exchanges outside the United States. Trading on such exchanges is not regulated by any U.S. governmental agency and may involve certain risks not applicable to trading on U.S. exchanges, including different or diminished investor protections.

**New Issue Securities.** Caxton may purchase equity securities acquired in initial public offerings (“New Issue Securities”). Special risks associated with New Issue Securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, lack of financial statements, new or untested products and technology, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of New Issue Securities available for trading in some initial public offerings may make it more difficult for a Caxton client to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenue or operating income or the near-term prospects of achieving them.

**Dependence on the Systematic Trading System.** The success of Caxton’s systematic trading strategy for the Funds depends in large measure on the effectiveness of a systematic

trading system (the “Trading System”) as utilized in the various markets in which the Funds invest. The Trading System has been used to assess and predict price movements of securities in only in certain specific markets and only for limited periods of time. Prior performance of Caxton using the Trading System or any other methodology in trading securities should not be relied upon as an assurance or prediction of future results of use of the Trading System or such other methodology in trading securities or other instruments. There is no assurance that the Trading System’s assessments and predictions of price movements of securities or other instruments will be accurate or will be consistent over periods of time or that trading in reliance on recommendations generated by the Trading System will achieve the Fund’s investment objectives or avoid material losses. The use of electronic data processing technology in collating information or in developing and operating a trading method does not assure the success of the method, since the processing serves primarily only to compile and organize the data supplied to it, which may be inaccurate or incomplete or fail timely to reflect fundamental market-moving events. The reliability of the trading recommendations generated by the Trading System is materially dependent on the accuracy of information supplied to the computers and the reliability in processing that information of Caxton’s proprietary software, which is constantly being revised and updated. Errors in the input of data or in the programming of the software may occur and can materially distort the resulting recommendations and incorrectly influence trading decisions based on those recommendations. Detection of such data and programming errors may be difficult and such errors may remain unidentified for extended periods. No assurance can be given that trading decisions based on the use of the Trading System or other computer-generated recommendations will produce profits or avoid losses for the Funds.

**Strategic Investments.** While Caxton has determined that it generally will no longer pursue new Strategic Investments (as defined in Item 11) on behalf of its clients, certain of Caxton’s clients may continue to pursue Strategic Investments under the limited circumstances as described in their respective Memoranda. Accordingly, those clients may be subject to certain risks associated with such investments, including but not limited to the following: the experience of Caxton in transactions involving Strategic Investments is more limited than Caxton’s trading experience. Despite concerted efforts to identify and evaluate potential risks, the magnitude or even the existence of certain risks and liabilities may not become evident until after a Strategic Investment has been made. In addition, Strategic Investments were typically structured with the strategic partner being granted broad authority to manage and operate the relevant Strategic Investment, including authority to determine to hold or dispose of a Strategic Investment. Such arrangements also may provide that such strategic partner’s authority in respect of a Strategic Investment may be terminated only in very limited circumstances. Caxton, does, however, retain ultimate authority to determine whether Caxton’s client will make any follow-on investment in any Strategic Investment.

**Increased Cost of Frequent Trading.** Frequent purchases and sales may be required by the trading strategies utilized by Caxton. More frequent purchases and sales will increase the commission costs and certain other expenses involved in a client’s operations. These costs will be borne by Caxton’s clients regardless of the profitability of the investment and trading activities.

Differing Positions of Portfolio Managers. Caxton's investment personnel, because of differing portfolio managers and/or investment strategies, or other factors, may cause a client to take investment positions that are different from or adverse to those taken by another portfolio manager for the same client, including positions contrary to those or senior or junior to those held by such client.

Failure of a Clearing Broker. If a firm acting as securities or commodity clearing broker for Caxton's clients fails to maintain client assets in an account which segregates such client assets from the assets of the broker itself or the assets of other clients (which is not required in many jurisdictions), such deposits may be subject to a risk of loss in the event of the broker's bankruptcy. Under certain circumstances, such as the inability of another customer of the clearing broker or the clearing broker itself to satisfy deficiencies in such customer's accounts, Caxton's clients may be subject to a risk of loss of its funds on deposit with the clearing broker. In the case of such bankruptcy or loss, Caxton's clients may only be able to recover a portion (if any) of their property available for distribution to the clearing broker's other customers.

C. See the risks described in Item 8 B above.

## **ITEM 9: DISCIPLINARY INFORMATION**

Neither Caxton nor a management person (as defined) has been subject to a material legal or disciplinary event.

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

A. Neither Caxton nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Caxton is registered pursuant to the Commodity Exchange Act, as amended (the “CE ACT”), as a commodity pool operator (“CPO”) and is a CPO member of the National Futures Association (the “NFA”).

Mr. Andrew E. Law is the Chairman and Chief Executive Officer of Caxton and is individually registered as a principal, as well as an associated person and swap associated person, of Caxton Associates with the NFA.

C. Caxton Associates is the sole shareholder of Caxton Europe Asset Management Limited (“CEAM”), which is the managing partner of Caxton Europe LLP (“Caxton Europe”). Caxton Europe is a United Kingdom limited liability partnership and investment adviser registered with the U.K. Financial Conduct Authority, which provides investment advisory services similar to certain of the services provided by Caxton. Caxton Europe is allocated certain assets of Caxton’s clients to invest. Caxton Europe’s strategies focus on macro strategies, European and other global equities, higher-yielding fixed income, floating rate, convertible securities, emerging market debt and currencies. Caxton Europe is a “relying adviser” on Caxton’s Form ADV.

Mr. Law is a Director of CEAM. Rhian Lloyd and Matthew Wade, General Counsel and Chief Operating Officer/Chief Risk Officer of Caxton, respectively, are also Directors of CEAM. Certain Caxton advised funds may use Caxton Europe’s trading desk for facilitation of certain orders.

Caxton Associates is the sole shareholder of Caxton (Singapore) Pte. Ltd. (“Caxton Singapore”). Caxton Singapore is a Republic of Singapore private company limited by shares that was issued a Capital Markets Services License by the Monetary Authority of Singapore on March 3, 2017, which provides investment advisory services similar to certain of the services provided by Caxton. Caxton Singapore is allocated certain assets of the Caxton clients to invest. Caxton Singapore’s strategies focus on macro strategies, interest rate, floating rate, emerging market debt and currencies. Caxton Singapore is a “relying adviser” on Caxton’s Form ADV.

Mr. Sugandh Mittal is the Chief Executive Officer of Caxton Singapore and a Portfolio Manager and Partner of Caxton Associates. Messrs. Wade and Mittal and Ms. Lloyd serve as Directors of Caxton Singapore.

Caxton Associates is the sole shareholder of Caxton (Canada) Ltd (“Caxton Canada”). Caxton Canada is a Canadian Corporation registered with the Ontario Securities Commission as of January 2<sup>nd</sup> 2018. Caxton Canada is allocated certain assets of the Caxton clients to invest and will focus on macro strategies, interest rates, and debt instruments. Caxton Canada is a “relying adviser” on Caxton’s Form ADV.

Mr. Stuart Kraft is the Chief Executive Officer of Caxton Canada. Messrs. Wade and Kraft and Ms. Lloyd serve as Directors of Caxton Canada.

Caxton Associates is the sole shareholder of Caxton (Monaco) S.A.M (“Caxton Monaco”). Caxton Monaco is a Monegasque joint stock company accredited to provide certain financial services by the Commission de Controle des Activites Financieres. Caxton Monaco is allocated certain assets of the Caxton clients to invest and will focus on macro strategies, interest rates, and debt instruments. Caxton Monaco is a “relying adviser” on Caxton’s Form ADV.

Messrs. Barrett, Metsovitis and Wade and Ms. Lloyd serve as Directors of Caxton Monaco.

As discussed in response to Item 4 B, Caxton advises private funds. Certain of those funds may be deemed to be controlled by, or under common control, with Caxton. Caxton clients may invest in other private investment funds or accounts managed or advised by Caxton or an affiliate or other party as described in the respective client’s Memorandum.

We note that, effective September 30, 2014, the Petershill II funds, a fund complex managed by Goldman Sachs Asset Management, L.P., an affiliate of Goldman, Sachs & Co., acquired a passive minority interest in Caxton and certain of its affiliates. In addition on June 3, 2015, Caxton completed the additional and final passive minority interest sale of Caxton Associates LP and affiliates to the Petershill II funds and related entities managed by Goldman Sachs Asset Management, L.P. The investment increased by the maximum permissible from 9.99% to 19.98%. Goldman, Sachs & Co. and certain of its affiliates (collectively “Goldman”) are a principal prime broker and futures commission merchant for certain of Caxton’s clients. In addition Goldman is an active counterparty of certain of Caxton’s clients with respect to certain over-the-counter trading agreements, repurchase agreements, as well as delivery versus payment and give-up arrangements between such parties.

The ownership interest of the Petershill II funds in Caxton and certain of its affiliates creates a potential conflict of interest with respect to the brokerage and counterparty arrangements with Goldman. However, Caxton has fiduciary duties with respect to its clients. As discussed in Item 12 below, brokers are selected on the basis of best execution and their ability to obtain the most favorable overall results, taking into account such factors as commission rates, size of order, soft dollar credits, research and execution capabilities, and financial stability and reputation, among other things.

The Petershill II funds and their affiliates will have certain access with respect to investment funds and other products sponsored, controlled or advised by Caxton or its affiliates which are generally open to investors. Such access does not include any rights to special or preferential terms or conditions.

D. As indicated in Items 4 B and 10 C, Caxton clients may invest or Caxton may allocate a portion of clients’ assets for management in other funds or accounts advised by Caxton, a Caxton affiliate, another party and/or other private investment funds (whether limited partnerships, limited liability companies, corporations or other types of entities). When one Caxton client (the

“investing fund”) invests or when Caxton allocates a portion of clients’ assets for management in another separately offered fund or account, the investing fund (and its investors) will not be charged any duplicate fees, and will be charged pursuant to the higher fee schedule.



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

A. Caxton's Code of Ethics ("Code") sets forth a standard of business conduct expected of all Caxton employees (including partners), reflecting Caxton's fiduciary obligations, supervisory requirements, and duty to comply with applicable federal securities and other laws. The Code also sets forth procedures and controls to prevent the misuse of material nonpublic information.

Caxton employees may buy or sell securities and other instruments that Caxton recommends or trades for clients. Caxton monitors and limits or restricts such transactions pursuant to internal policies and guidelines. We also note that Caxton and its affiliates may serve as general partners, managing members or in similar capacities with respect to entities in which persons may invest.

Caxton's Code includes policies seeking to avoid conflicts of interest with respect to personal transactions by its employees. The Code requires Caxton's employees to report their personal securities holdings and transactions as well as other non-exempt trading activities to Caxton's Chief Compliance Officer or their designee. The Code specifically requires each employee's broker-dealer to provide duplicate personal account statements and trade confirmations directly to Caxton (to the extent possible). The Code also requires Caxton to review these reports periodically. Caxton does not permit any employee to participate in initial public offerings. Caxton employees may only purchase private investments with the prior consent of the Chief Compliance Officer or their designee.

All Caxton employees are subject to restrictions on personal trading. All employees are subject to pre-clearance of any personal trades, with limited exceptions for certain instruments. Any employee that is involved in making securities or other investment recommendations or otherwise has access to non-public information concerning Caxton's purchase or sale of securities or other instruments or portfolio holdings, and his or her immediate family (e.g., spouse and minor children) (collectively "Covered Persons") is subject to additional restrictions on his or her personal transactions -- namely, such Covered Persons are subject to certain blackout periods for any personal trades, which may vary depending on their position and level of access. Certain other restrictions on personal transactions applicable to Covered Persons and others are set forth in Caxton's Code and Guidelines for Personal Trading, which will be provided to any client or prospective client upon request.

B. See Item 11 A.

C. See Item 11 A.

Certain feeder funds of Caxton International Limited has been authorized to invest a percentage of its assets in "Strategic Investments"—typically less liquid investments for which market quotations may not be available and which are contemplated to be held on a relatively long-term basis. Such investments are now limited to follow-ons to existing Strategic Investments and unfunded commitments. Such investments could include significant or controlling purchases of equity and/or debt securities of other entities, and assets of or other

interests in other entities. Caxton has the right (but not the obligation) to co-invest for the balance of any such Strategic Investment as described in the respective client's Memorandum. Caxton may share its co-investment option with its affiliates and with other persons, including Caxton employees. Caxton may have a potential conflict of interest in connection with the ability of Caxton and its affiliates to co-invest in certain investment opportunities. Where Caxton, its affiliates or other employees co-invest with the client, they will only do so on terms that are no more favorable than the terms available to the client. In addition, Caxton in its sole discretion may have determined that a particular Strategic Investment opportunity has been structured such that it is not a suitable investment opportunity for the client. In such situations, Caxton, its affiliates or other Caxton employees would not have been precluded from investing in those Strategic Investments.

D. See Items 11 A and 11 C.

Caxton may cross securities between its clients. Such cross trades will be executed by an independent broker-dealer on an agency basis at the current fair market value as determined by such broker-dealer and otherwise consistent with Caxton's fiduciary obligations. Cross trades will not be executed for any client where such trade would not be permitted under applicable law (e.g., under the Employee Retirement Income Security Act of 1974).

Caxton may experience errors with respect to trades executed on behalf of its clients which may result in losses or gains for its clients. Caxton will seek to resolve the error on a fair and equitable basis, taking into consideration whether the error resulted from a breach of Caxton's standard of care as set forth in the client's Memorandum and/or Investment Advisory Agreement. In general, none of Caxton, its principals, officers, members, employees, or controlling persons will be liable to the client if (1) such person acted in good faith, or in a manner which they believed to be in, or not opposed to, the interests of the client and (2) such person's conduct did not constitute gross negligence, actual fraud or willful misconduct. Negative or positive results of trading errors generally will be borne by the client, rather than by Caxton, so long as Caxton adheres to the foregoing standard of care.

In the normal course of business, Caxton and its officers, managers or employees may provide and receive gifts, gratuities and contributions to and from various individuals or entities such as clients, investors, vendors, consultants, and service providers. These gifts, gratuities and contributions are not premised upon any specific client referrals or any expectation of any other type of benefit to Caxton. Caxton has adopted policies and procedures with respect to approvals and recordkeeping of gifts, gratuities and contributions. Caxton and its officers and employees also may make political contributions to persons who may serve or seek to serve in elected capacities with certain public entities. These political contributions are subject to compliance with the Rule 206(4)-5 under the Investment Advisers Act of 1940 and any applicable State and local rules.

## **ITEM 12: BROKERAGE PRACTICES**

A. Caxton utilizes many brokers (each a “Broker”), to execute trades for its clients, depending upon various factors, including which Broker may be able to offer best execution for a particular trade. Prior to engaging Caxton to provide management or trading advisory services, the client will be required to enter into a formal agreement with Caxton (as part of the limited liability company agreement or limited partnership agreement for domestic clients or a trading advisory agreement for foreign clients) setting forth the terms and conditions under which Caxton will manage the client’s assets, including having a separate custodial/clearing agreement with each Broker.

Factors that Caxton considers in recommending or utilizing a Broker include the Broker’s financial strength, reputation, execution, pricing, soft dollar credits, research and service. The commissions and/or transaction fees charged by a Broker may be higher or lower than those charged by other broker-dealers. Caxton will not receive any portion of the brokerage commissions and/or transaction fees charged to clients. The brokerage commissions and/or transaction fees charged by any Broker are exclusive of, and in addition to, Caxton’s management/advisory fee and performance fee or allocation.

Although the commissions paid by Caxton’s clients will comply with Caxton’s duty of best execution on an aggregate basis, a client may pay a commission that is higher than another broker-dealer might charge to effect the same transaction where Caxton determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including, among others, the value of research provided, execution capability, soft dollar credits, the size and difficulty of effectuating the order, commission rates, and responsiveness. Accordingly, although Caxton will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Caxton negotiates commission rates paid to each Broker. Certain representatives from trading and compliance have responsibility for reviewing best execution and meet periodically to evaluate the execution performance of Brokers and to discuss and/or compare services, commissions and execution quality by its Brokers.

### **(1) Soft Dollar Practices**

In return for effecting securities transactions through a Broker, Caxton may receive certain investment research products and related services that assist Caxton in its investment decision-making process for the client. Caxton anticipates that its use of soft dollars will generally, but not necessarily exclusively, fall within the safe harbor for soft dollar transactions under Section 28(e) of the Securities Exchange Act of 1934.

Research products and related services received typically may include written and oral information and analyses concerning specific securities, companies or sectors; market, financial and economic studies, opinions and forecasts; statistics and pricing services; as well as

discussions with research personnel, and software, databases and other news, technical and telecommunications services utilized in the investment management process. Caxton also may utilize soft dollar credits for certain third party research, market data from independent vendors, and research personnel and advisers. In addition, Caxton may also utilize and receive proprietary research products from full service Brokers consistent with its best execution obligations. During the last fiscal year, Caxton evaluated broker-dealers and other research and service providers and sought to correspondingly direct equity transactions and credits based upon the determined value provided by such broker-dealers and other research and service providers, when consistent with its obligation to seek best execution.

Although the investment research products and/or services that may be obtained by Caxton will generally be used to service all of Caxton clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Caxton does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

The potential conflicts that may be associated with the use of soft dollars include the following:

When Caxton uses client brokerage commissions to obtain research or other products or services, it receives a benefit by not having to produce or pay for the research, products or services. Caxton may also have an incentive to select or recommend a broker-dealer based on its interest in receiving soft dollar credits as well as the research or other products or services, rather than on its clients' interest in receiving most favorable execution. Caxton may also cause clients to pay commissions (or markup or mark downs) higher than those charged by other broker-dealers in return for soft dollar benefits.

Caxton mitigates these potential conflicts by using client brokerage commissions to obtain research or other products or services in compliance with Section 28(e) of the Securities Exchange Act of 1934 and other applicable laws and consistent with its obligation to seek best execution. Caxton's direction of client transactions to particular broker-dealers in return for soft dollar benefits, along with payments for invoices utilizing soft dollar credits are subject to review, approval and ongoing monitoring by designated Caxton personnel.

In addition, if Caxton receives a research product or service that also may have non-research uses (i.e., a "mixed use"), a potential conflict of interest may arise because such research product or service may directly benefit Caxton even though it arises from the soft dollars of Caxton's clients. Any mixed use research or service will be reviewed. Caxton will make a good faith allocation of the cost of any mixed use product or services which may be paid for with soft dollar credits.

Caxton has delegated certain of its discretionary trading activities to its affiliate, Caxton Europe. As of 3 January 2018, many European Union ("EU") firms, including Caxton Europe, are subject to new European rules on payments for research. Rather than the Caxton clients paying for research through dealing commissions, the Caxton clients will contribute to a separate research payment account ("RPA") which will be used by Caxton Europe to pay for third-party

research. Such research may be used by Caxton Europe in respect of the provision of services to Caxton in respect of the Caxton clients and certain other clients that would benefit from the same research.

## (2) Brokerage for Client Referrals

Caxton does not select or recommend broker-dealers based upon client referrals from a broker-dealer or third party.

From time to time, Caxton clients may accept investments from full-service financial firms and/or their employees who are investing on their own behalf or on behalf of third-parties. The financial service firms may have related entities that include broker-dealers and Caxton may utilize these broker-dealers from time-to-time to effect client transactions. Caxton does not take these investments into consideration when determining which broker-dealers to use to execute client transactions.

Please also refer to Item 10, especially with respect to the Petershill II funds and Goldman.

## (3) Directed Brokerage

The Caxton clients do not direct brokerage.

B. Caxton may in its discretion bunch or aggregate orders for its clients; however, Caxton is not required to bunch or aggregate orders. For example, Caxton may choose not to bunch orders, if portfolio management decisions for different clients are made separately, if bunching or aggregating would be inconsistent with its advisory duties (e.g., if aggregating client orders could result in a large transaction that could cause market impact and result in additional transaction costs for each client) or, in certain cases, if determining to enter individual, separate orders would not be inconsistent with its fiduciary duty. In certain circumstances, not aggregating client orders may result in additional costs including one client having a less favorable execution than another client.

Caxton may, in its discretion, allocate aggregated orders on an average price basis. When securities transactions are appropriate for more than one client, transactions are generally allocated among clients based upon clients' relative assets under the relevant portfolio manager's management.

The Caxton clients may participate in initial public offerings of U.S. equity securities ("IPOs"). Allocations of IPOs will generally be made among eligible clients on a pro rata basis.

Caxton will not be obligated to allocate an investment opportunity across all of its clients and may at times sell a position for one or more of its clients, while it continues to hold the position for other clients. Although the allocation of investment opportunities among Caxton clients may create potential conflicts of interest because of the interests of Caxton or because

Caxton may receive different fees or compensation from its clients, the allocation decisions will not be based on such interests, fees or compensation.

### **ITEM 13: REVIEW OF ACCOUNTS**

A. Caxton client accounts are generally reviewed daily by or under the supervision of Caxton's Chairman & Chief Executive Officer and Chief Risk Officer, among others, in conjunction with their designated responsibilities.

Caxton investment personnel are responsible for evaluating securities (and other products) for investment, reviewing portfolios for each client, and making asset allocation and security selection on a daily basis. Securities and other products are continuously analyzed for investment, and Caxton's investment professionals review all relevant portfolios on a daily basis according to the client's investment objectives and pursuant to Caxton's stated investment strategies and styles. Accounts are reviewed for performance, valuation, tax considerations, diversification, sector exposure and risk.

Caxton considers the careful management of risk to be an important element of a successful trading program, and has, over the years, developed a range of monitoring and analytical techniques intended to make risk management more rational and effective. Caxton monitors markets on a continuous basis. When volatility and trading losses reach predetermined levels, positions will be reviewed to determine whether to scale back or eliminate such positions. Each client's portfolio of positions and investments is monitored to maintain appropriate levels of risk and volatility. Caxton's Risk Management Group continues to enhance Caxton's risk management disciplines, adding, depending on the particular client, VAR computations, stress testing and additional analyses to complement the risk control methods developed over the past twenty-five plus years.

B. As noted above, client accounts are generally reviewed on a daily basis.

C. The investors in a client typically receive monthly statements detailing their account information, including, but not limited to, the account's beginning and ending equity, and the account's performance for that period. For certain fund clients, the Net Asset Value ("NAV") per share, certain performance information and other fund reporting information is available through a secure link on the Caxton website. Additionally, each investor will be provided with the fund's audited financial statements within 90 or 120 days, as applicable, of such client's fiscal year end. The terms for providing account information and reports to other Caxton clients are specified in the applicable client's trading agreement or contractual documents.

Certain Caxton clients have retained the services of a third party administrator to act as administrator and share registrar and transfer agent. The administrator is generally responsible for producing and distributing monthly account statements and other fund reporting information as specified above to investors in the Caxton clients.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

A. Not applicable.

B. Not applicable.



## **ITEM 15: CUSTODY**

Caxton may be deemed to have custody of the assets of its clients under Rule 206(4)-2 under the Investment Advisers Act of 1940. Client assets will generally be cleared and custodied with major global broker-dealers or other parties.

See also Item 13 C above.

Investors in Caxton's fund clients should carefully review any statements or reports provided by the fund administrator as well as the fund's audited financial statements.

## **ITEM 16: INVESTMENT DISCRETION**

Caxton is granted discretionary authority over its clients based on contractual authority contained in an applicable limited liability company agreement, limited partnership agreement or trading advisory agreement. In general, Caxton's clients do not place limitations on the discretionary authority granted to Caxton. Generally, each client's investment mandate and any limitations on Caxton's discretionary authority is described in the applicable client's Memorandum and contractual documents.

## **ITEM 17: VOTING CLIENT SECURITIES**

Caxton views proxy voting as an extension of the investment process. To that end, where the voting of proxies is irrelevant to the investment decision to purchase, hold, or sell a security (or other applicable instrument), Caxton will not vote proxies on behalf of clients (e.g., in connection with quantitative driven strategies). In addition, Caxton generally does not vote proxies with respect to non-US issuers, but may decide to do so depending upon the nature of the proxy.

With respect to strategies where Caxton is required to vote pursuant to its proxy voting policies, Caxton may delegate to an independent proxy voting service the authority to exercise the voting rights associated with client holdings. Any such delegation will be made in accordance with the direction that the votes be exercised in accordance with Caxton's proxy voting policies. Caxton currently has delegated responsibility for proxy voting to Institutional Shareholder Services, Inc. ("ISS").

As a matter of general policy and other than in connection with Strategic Investments or other specific situations, Caxton seeks to be an active trader of securities (and other applicable instruments) without seeking to influence or control company operations or activities. In order to implement Caxton's proxy policy, Caxton has provided ISS with general proxy voting guidelines to be applied absent contrary instructions from authorized representatives of Caxton.

Potential conflicts of interest may exist if Caxton would be in the position of voting a proxy solicited by an issuer with which Caxton or one of its affiliates has a business or personal relationship that may affect how it votes the issuer's proxy. Caxton requires anyone involved in the decision making process to disclose any potential conflict to the Chief Compliance Officer (or his designee) and where a material conflict of interest exists, Caxton will designate an individual who can impartially help decide how to resolve the conflict.

Clients may contact Caxton to obtain information on how proxies were voted for that client and to request a copy of Caxton's proxy voting policies and procedures.

From time to time, Caxton may receive notices regarding class action lawsuits or other actions involving securities and investments that are or were held by clients. Caxton will participate in such class action lawsuits only where it believes, in its sole discretion, that such participation may result in a material benefit to the applicable client taking into consideration such factors as the anticipated costs and benefits.

## **ITEM 18: FINANCIAL INFORMATION**

- A. Caxton does not require or solicit prepayment of fees from its clients.
- B. Caxton is not subject to any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.
- C. Caxton was not the subject of a bankruptcy petition at any time during the past ten years.