

**Form ADV Part 2A: Brochure**

**R. G. Niederhoffer Capital Management, Inc.**

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**March 31, 2021**

**This Form ADV Part 2A (“Brochure”) provides information about the qualifications and business practices of R. G. Niederhoffer Capital Management, Inc. (“RGNCM” or “we”).**

**If you have any questions about the contents of this Brochure, please contact our Investor Relations or Compliance departments at 1-212-245-0400 or [compliance@niederhoffer.com](mailto:compliance@niederhoffer.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**A copy of this Brochure and additional information about RGNCM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.**

**Item 2: Material Changes**

RGNCM's last Brochure was dated January 19, 2021. Set forth below is a summary of material changes since that last annual update to the Brochure.

Since the last update to the Brochure, RGNCM has accepted its first investment in Smart Alpha Onshore.

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You will receive a summary of any material changes to this Brochure and subsequent Brochures within 120 days of the end of our fiscal year (our fiscal year currently ends of December 31). We may provide other disclosure information about material changes as necessary.

This Brochure, any subsequent Brochures, and any other disclosure information we provide will always be available free of charge.

Our Brochure may be obtained by contacting our Investor Relations or Compliance departments at: 1-212-245-0400 or [compliance@niederhoffer.com](mailto:compliance@niederhoffer.com).

A copy of this Brochure and additional information about RGNCM is also available via the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4: Advisory Business**

RGNCM is a quantitative trading advisor that employs a short-term, primarily contrarian strategy to trade the world's largest and most liquid markets. For trading programs offered to investors, trading is done in equity, fixed income, foreign exchange and commodity markets, subject to the particular objectives of the trading program. Founded in 1993, RGNCM's scientific trading philosophy takes inspiration from the field of computational neuroscience. Our investment objective is to provide above-average, risk-adjusted returns on capital in all market environments, but particularly in choppy, volatile and emotional market conditions.

RGNCM has been registered with the SEC as an investment adviser since 2006, has been registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator and commodity trading advisor since 1993, and is a member of the National Futures Association ("NFA"). Such registrations and memberships do not imply that the SEC, CFTC or the NFA have endorsed RGNCM qualifications to provide advisory services.

Roy G. Niederhoffer is the founder, sole owner and sole director of RGNCM.

As of December 31, 2020, RGNCM managed approximately \$330,400,000 (\$321,100,000 in assets if the Optimal Alpha Program, which is not offered to investors, is not included). Regulatory Assets Under Management, as defined by the SEC, was approximately \$51,100,000 on December 31, 2020. All assets are managed on a discretionary basis.

RGNCM serves as the investment manager to several private funds, as sub-investment manager to one hedge fund, and as the investment manager or trading advisor to several separately managed accounts (each, an "SMA").

As further discussed in Item 8, RGNCM currently has three trading programs: (1) Diversified Program; (2) Smart Alpha Program; and (3) Optimal Alpha Program (which no longer trades securities (except perhaps a minimal amount) and is not offered to investors, and consequently is not further discussed in this Brochure). These trading programs have different investment objectives.

The Diversified Program's investment objective is to achieve attractive risk-adjusted returns while also providing low or negative correlation to traditional and alternative investments. RGNCM seeks to attain this objective via trading in cash and spot currencies, futures contracts, forward contracts, swaps, equities (currently, the Diversified Program does not trade equities), options on the foregoing and other derivative and financial instruments on regulated and over-the-counter United States and non-United States exchanges and markets.

The Smart Alpha Program's investment objectives are (1) stable absolute returns regardless of market environment, with zero correlation to fixed income, equities and hedge funds; and (2) consistent downside protection for portfolios containing global bonds, global equities, hedge funds, and commodity trading advisors. RGNCM seeks to attain these objectives via trading in cash and spot currencies, futures contracts, forward contracts and swaps, options on the foregoing and other derivative and financial instruments on regulated and over-the-counter United States and non-United States exchanges and markets.

RGNCM places no permanent limits on the exchanges or markets on which it trades, but concentrates its trading in markets that offer high liquidity. Due to the differing strategies of the Diversified Program and Smart Alpha Program, the Smart Alpha Program trades fewer instruments than the Diversified Program.

RGNCM provides investment advisory services to the following four hedge funds, all of which employ the Smart Alpha Program:

- Roy G. Niederhoffer Smart Alpha Fund 2X, Ltd. (“Smart Alpha Fund Offshore”);
- Roy G. Niederhoffer Smart Alpha Fund 2X (Onshore) L.P. (“Smart Alpha Fund Onshore”);
- Roy G. Niederhoffer Smart Alpha Master Fund, Ltd. (“Smart Alpha Master Fund”); and
- KLS Niederhoffer Smart Alpha UCITS Fund, a subfund of Kepler Liquid Strategies ICAV (“Smart Alpha UCIT Fund”).

RGNCM also provides investment advisory services to SMAs. The four SMAs as of today’s date are: (1) an SMA via a Bermuda entity established by a European Union financial institution, which trades the Diversified Program; (2) an SMA via a Bermuda entity established by a European Union financial institution, which trades the Diversified Program; (3) an SMA established by a European Union financial institution, which trades the Diversified Program; and (4) an SMA via a Cayman Islands entity established by a European Union financial institution, which trades the Smart Alpha Program.

In this Brochure, the following definitions will be used:

- “Feeder Funds” means the Smart Alpha Fund Offshore and Smart Alpha Fund Onshore;
- “Master Fund” means Smart Alpha Master Fund;
- “UCIT Fund” means Smart Alpha UCIT Fund.
- “Funds” means the Feeder Funds, Master Fund and UCIT Fund;
- “Funds/SMAs” means the Funds and the SMAs; and
- “Advisory Clients” means the Funds, the SMAs, the investors in the Funds and the investors in the SMAs.

Each Feeder Fund invests substantially all of its assets into a corresponding Master Fund. Specifically, Smart Alpha Fund Offshore and Smart Alpha Fund Onshore invest in Smart Alpha Master Fund. The only investors in the Master Fund are the two corresponding Feeder Funds.

Neither the UCIT Fund nor the SMAs invest their assets into a Master Fund; rather, they make their investments directly.

The Funds and SMAs utilize the trading programs of RGNCM. While RGNCM does not tailor its advisory services for the individual needs of investors in the Funds, it does tailor advisory services for the needs of the owners of the SMAs.

RGNCM does not participate in any wrap fee programs.

## **Item 5: Fees and Compensation**

The fees and expenses paid by each Advisory Client are summarized below, and set forth in more detail in the private placement memoranda for each Feeder Fund, prospectus and prospectus supplement for the UCIT Fund, and trading advisory agreements for the SMAs.

### **Feeder Funds (Certain Fees)**

RGNCM receives a management fee (“Management Fee”) based on assets under management from each of the Feeder Funds of 0.9% per annum. RGNCM receives a liquidity fee (“Liquidity Fee”) based on assets under management of 0.5% from any Feeder Funds’ share class that offers daily liquidity. RGNCM receives a Profit Allocation (as defined below) of 18% from each of the Feeder Funds.

Management Fees and Liquidity Fees (if applicable) paid by the Feeder Funds are deducted in arrears at each month-end.

### **UCIT Fund (Certain Fees)**

Investors in the UCIT Fund pay: (i) a Management Fee based on assets under management between 0.75% and 1.75% per annum; and (ii) a UCIT Fund Incentive Fee (as defined below) of 20%. Management Fees and UCIT Fund Incentives paid by the UCIT Fund investors are split between RGNCM and the UCIT Fund manager.

Investors in the UCIT Fund do not pay a Liquidity Fee.

Management Fees paid by the UCIT Fund are deducted in arrears at each month-end.

### **SMAs (Certain Fees)**

RGNCM and any institution that establishes an SMA negotiate: (i) a Management Fee that is calculated based on assets under management; and (ii) an SMA Incentive Fee (as defined below). RGNCM does not receive a Liquidity Fee from the SMAs.

Management Fees paid by SMAs are deducted in arrears at each month-end.

### **Performance-based Fees (Profit Allocations and Incentive Fees)**

At the end of each calendar quarter, or when shares or partnership interests in a Feeder Fund are redeemed (the “Fund Profit Allocation Period”), RGNCM may receive a profit allocation (“Profit Allocation”) in the case of investors in the Feeder Fund. For Smart Alpha Fund Offshore and Smart Alpha Fund Onshore, RGNCM receives a Profit Allocation to its book capital account of 18% of net new appreciation in such fund (including unrealized gains), if any, achieved by each investor in such fund during each Fund Profit Allocation Period.

At the end of each calendar year, or when shares in the UCIT Fund are redeemed (the “UCIT Fund Incentive Fee Period”), UCIT Fund investors may pay an incentive fee (“UCIT Fund Incentive Fee”) in the amount of 20% of net new appreciation in such fund (including unrealized gains), if any, achieved by each investor in such fund during each UCIT Fund Incentive Fee Period.

At the end of each calendar quarter (the “SMA Incentive Fee Period”), RGNCM may receive an incentive fee (an “SMA Incentive Fee”, referred together with the UCIT Fund Incentive Fee and the Profit Allocation as “Performance Amounts”) in the case of each SMA. For each SMA, RGNCM may receive an SMA Incentive Fee equal to a percentage of the appreciation in the net asset value per share (including unrealized gains), if any, achieved by such SMA during such SMA Incentive Fee Period. The SMA Incentive Fee percentage paid by each SMA has been set via negotiation with each institution that established the SMA.

Performance Amounts are subject to a loss carryforward, also known as a high water mark, such that RGNCM will be eligible to receive a Performance Amount only if the appreciation of the net asset value per share for the relevant period exceeds any depreciation of that net asset value that has not been recouped.

RGNCM, as general partner or investment manager of each Feeder Fund, as sub-investment manager of the UCIT Fund, and as trading advisor of the SMAs, is entitled to retain any Performance Amounts previously allocated or received even if subsequent losses are incurred. However, no subsequent Performance Amount is allocated or received until net new appreciation is achieved for the SMAs, the investor’s account in the UCIT Fund or the investor’s account in the Feeder Fund, as applicable.

Profit Allocations (if any) and SMA Incentive Fees (if any) are deducted in arrears at each quarter-end. UCIT Fund Incentive Fees (if any) are deducted in arrears at the end of each calendar year.

### **Fees (generally)**

If a Fund investor is invested for only a portion of a particular month, then the Management Fee and Liquidity Fee (if applicable) are pro-rated. For the Funds, Management Fees are calculated before the accrual or payment of Liquidity Fees (if applicable) and Performance Amounts (if any); Liquidity Fees (if applicable) are calculated after the accrual or payment of Management Fees but before the accrual or payment of Performance Amounts (if any); and Performance Amounts are calculated after the accrual or payment of Management Fees and Liquidity Fees (if applicable). All such fees and Performance Amounts are determined before giving effect to any subscriptions, distributions or redemptions accrued or paid as of such period-end.

RGNCM in its sole discretion may waive or reduce the Management Fee, Liquidity Fee (if applicable) or Profit Allocation with respect to one or more investors in a Feeder Fund for any period of time, or agree to apply a different Management Fee, Liquidity Fee (if applicable) or Profit Allocation for such investor. In addition, RGNCM may grant certain investors in the Feeder Funds preferential rights with respect to various matters, including, without limitation: the right to most favorable economic terms for their investments; the ability to transfer carryforward losses (for purposes of the Profit Allocation) incurred during an investment in another hedge managed by RGNCM; notice of certain events or changes in policies or practices; increased periodicity of reporting; greater transparency; and the right to make new investments when the applicable Fund is otherwise closed for new investments. Any such fee reductions or other preferential rights shall be determined by RGNCM on a case by case basis, and shall be limited to certain investors that are shareholders or employees of RGNCM, relatives of such shareholders or employees, and strategic or large investors. RGNCM, its shareholders or relatives of such shareholders are not charged any Management Fees, Liquidity Fees or Profit Allocation on their investments in the Funds.

RGNCM may waive or reduce the Management Fee or SMA Incentive Fee with respect to any investor in the SMAs. Investors in the SMAs may also be charged fees by other parties not affiliated with RGNCM.

RGNCM and the investment manager of the UCIT Fund may waive or reduce the Management Fee or UCIT Fund Incentive Fee with respect to any investor in the UCIT Fund.

The Management Fee and SMA Incentive Fee have been set via negotiation with the institutions that established the SMAs. Initial size of the account, potential size of the account and expected duration of the account were among the factors RGNCM analyzed when negotiating such fees.

Investors in the Funds will bear not only RGNCM's fees, but also other fees and expenses of the Funds. Expenses borne by the Funds include brokerage commissions and dealer spreads, NFA fees, give up fees, interest charges, audit fees, legal fees, independent directors' fees, custodial fees, exchange listing and membership fees and expenses, insurance costs, continuing offering fees and expenses, bank service fees, cash management fees, fees and expenses associated with leasing and/or buying seats on any exchange, extraordinary fees and expenses and other fund related expenses. In certain instances, RGNCM may determine, in its sole discretion, to bear (without reimbursement by the Fund) any of the foregoing expenses, in whole or in part.

To the extent that expenses of the Master Funds are identifiable with a particular Feeder Fund, such expenses are charged solely to such Feeder Fund; otherwise, expenses of the Master Funds are borne pro rata in accordance with the assets in the applicable Feeder Funds. Similarly, to the extent that expenses of Feeder Funds or Master Funds are identifiable with a particular Feeder Fund or Master Fund, such expenses are charged solely to such fund; otherwise, expenses of the Feeder Funds and Master Funds are borne pro rata in accordance with the assets in the applicable Funds.

No additional Management Fees, Liquidity Fees or Profit Allocations are charged as a result of the master/feeder structure.

Investors in any fund that we may advise in the future may bear different expenses.



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

As set out in Item 5, RGNCM charges performance-based fees or performance-based allocations (“Performance Amounts,” as defined in Item 5) with regard to investments into each of the Funds and SMAs.

The applicable percentage for calculating Performance Amounts is 18% for the Feeder Funds, 20% for the UCIT Fund, and a negotiated amount for the SMAs (the Feeder Funds, UCIT Fund and SMAs, the “Payees”). To the extent that the percentage is less for one Payee compared to another Payee, RGNCM could have an incentive to disfavor the Payee with the higher percentage. However, our allocation policy, which is discussed in Item 12, minimizes the likelihood of this occurring. RGNCM’s policy is to treat all Advisory Clients fairly and equally, not to favor one Advisory Client over another, and to allocate trades in a systematic manner.

RGNCM serves as an investment manager, sub-investment manager or trading advisor to the Funds and the SMAs, and may establish or serve other new Funds or SMAs. Each Fund imposes minimum investment limits upon investors in the Fund that can be waived in certain circumstances, as set forth in that each Feeder Fund’s private placement memorandum and the UCIT Fund’s prospectus and prospectus supplement.

RGNCM’s Performance Amount arrangements with the Funds and the SMAs may create an incentive for RGNCM to make investments that are more speculative or subject to a greater risk of loss than would be the case if no such arrangement existed. Because the Performance Amount is calculated on a basis that includes unrealized appreciation of assets (which may subsequently never be realized), such Performance Amount may be greater than if it were based solely on realized gains. In addition, because the Profit Allocation is made quarterly and the SMA Incentive Fee is paid quarterly, this may result in an allocation or payment during the year even though the annualized return results in a net loss.

## **Item 7: Types of Clients**

RGNCM provides advisory services to hedge funds and SMAs. The underlying investors may include but are not limited to funds of hedge funds, high net worth individuals, corporations and partnerships, corporate pension and profit-sharing plans, foundations, endowments, sovereign funds, municipalities, registered mutual funds, private investment funds and other U.S. and non-U.S. institutions.

Smart Alpha Fund Offshore offers Class A shares (monthly liquidity) and Class B shares (daily liquidity), with minimum investments of \$1,000,000 and \$5,000,000. respectively.

Smart Alpha Fund Onshore offers limited partnership interests (monthly liquidity) with minimum investments of \$1,000,000.

RGNCM may waive the minimum investment requirement for any of the Feeder Funds; however, Smart Alpha Fund Offshore requires a minimum investment of \$100,000.

The UCIT Fund (daily liquidity) offers various classes of shares, each with a different minimum investment.

RGNCM provides investment advisory services to SMAs on a case by case basis. Initial size of the account, potential size of the account, expected duration of the account and level of fees are among the factors RGNCM analyzes when considering an SMA.

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

### **Overview**

RGNCM employs a primarily contrarian strategy to trade, on a speculative basis, the global equity, fixed income, currency and commodity markets, subject to the restrictions of the particular objectives of the Diversified Program or Smart Alpha Program. While RGNCM invests primarily in interest rate sensitive instruments, currencies, equities and commodity contracts, RGNCM places no limitations on the exchanges or markets on which it trades. RGNCM currently concentrates its trading in markets that offer high liquidity. RGNCM's trading is primarily short-term and quantitative. Currently, neither the Diversified Program nor the Smart Alpha Program trade equities, and the Smart Alpha Program does not trade commodities.

RGNCM utilizes a network of computers running proprietary software designed to continuously process RGNCM's database and trading rules, plus current (real-time) and historical data to determine which rules presently apply. RGNCM relies primarily on mathematical analysis to create trading rules, which are only implemented upon meeting certain criteria for risk, correlation and potential reward when tested against historical data. These rules are intended to predict short and long-term price movements. Trades may be either contra-trend or trend-following.

RGNCM uses many different "computer models," each of which is a separate computer trading system made up of different types of rules. Each "computer model" may trade using a different strategy, time horizon, type of investment and risk/reward ratio. Performance of each "computer model" in the multi-model system is tracked in real time. By acting as an "asset allocator" to these "computer models," RGNCM attempts to optimize profitability and reduce risk. RGNCM has sole discretion to determine the Funds' maximum gross and net exposure. In rare circumstances, RGNCM may choose to exit the markets entirely.

The strategy consists of more than different trading rules which are grouped into families based on their correlation to each other and holding duration. These families typically fit into three main categories:

1. intra-day: trades less than one day in duration, including both momentum and counter-trend systems.
2. 1-7 day: trades lasting between one day and one week. These systems are primarily contrarian, but may include some momentum systems as well.
3. long term: trades lasting greater than one week, including both momentum and counter-trend systems.

In addition, RGNCM uses human discretion in conjunction with its mathematical, computerized trading systems. Rather than follow each computerized signal in a mechanical fashion, RGNCM considers the current market condition when entering or exiting positions. At any time that RGNCM believes circumstances warrant, RGNCM will use human judgment to achieve its investment objectives.

## **Trading Programs**

RGNCM currently has three trading programs.

The Diversified Program's investment objective is to achieve attractive risk-adjusted returns while also providing low or negative correlation to traditional and alternative investments. RGNCM seeks to attain this objective via trading in cash and spot currencies, futures contracts, forward contracts, swaps, equities (currently, the Diversified Program does not trade equities), options on the foregoing and other derivative and financial instruments on regulated and over-the-counter United States and non-United States exchanges and markets. The Diversified Program is used by three SMAs.

The Smart Alpha Program's investment objectives are (1) stable absolute returns regardless of market environment, with zero correlation to fixed income, equities and hedge funds; and (2) consistent downside protection for portfolios containing global bonds, global equities, hedge funds, and commodity trading advisors. RGNCM seeks to attain these objectives via trading in cash and spot currencies, futures contracts, forward contracts and swaps, options on the foregoing and other derivative and financial instruments on regulated and over-the-counter United States and non-United States exchanges and markets. The Smart Alpha Program is used by the four Funds and by one SMA.

Because the Optimal Alpha Program no longer trades securities (except perhaps a minimal amount) and is not offered to investors, this trading program is not discussed further in this Brochure.

RGNCM places no permanent limits on the exchanges or markets on which it trades, but concentrates its trading in markets that offer high liquidity. Due to the differing strategies of the Diversified Program and Smart Alpha Program, the Smart Alpha Program trades fewer instruments than the Diversified Program.

## **Risks**

Offerings of shares or partnership interests in the Feeder Funds are made pursuant to private placement memoranda, which all investors in the Feeder Funds receive prior to making their initial investments. Such private placement memoranda contain a more complete description of the risks associated with an investment in the Funds.

Offerings of shares in the UCIT Fund are made pursuant to a prospectus and prospectus supplement, which all investors in the UCIT Fund receive prior to making their initial investments. Such prospectus and prospectus supplement contain a more complete description of the risks associated with an investment in the Funds.

### *General Risks*

Investing in securities involves risk of loss that investors must be prepared to bear.

Investors in the Funds/SMAs should understand that all investments involve risk and that there can be no guarantee against loss resulting from an investment in a Fund/SMA nor can there be any assurance that any investment objective of the Funds/SMAs will be attained. As with any investment, the value of an investment in a Fund/SMA may decrease as well as increase, depending on a variety of factors which may

affect the values of the portfolio of a Fund/SMA, including general economic conditions, market factors and currency exchange rates.

Additionally, investment decisions made by RGNCM will not always be profitable or prove to have been correct. RGNCM cannot assure that it will achieve its investment objectives, and investors should recognize the possibility of losing their entire investment.

RGNCM seeks to attain the trading program objectives by trading in cash and spot currencies, futures contracts, forward contracts, swaps, equities, options on the foregoing and other derivative and financial instruments on regulated and over-the-counter United States and non-United States exchanges and markets. Each of these instruments involves particular risks, as does RGNCM's use of short-selling. Currently, the Funds and SMAs do not trade equities.

#### *Reliance on RGNCM*

The Funds/SMAs rely on RGNCM in formulating their investment strategies. The bankruptcy or liquidation of RGNCM or the death, impairment or retirement of Roy G. Niederhoffer, the President of RGNCM, may have an adverse impact on investment performance.

#### *Turnover*

RGNCM's trading activities will often be made on the basis of short-term market considerations. The portfolio turnover rate will be substantial at times, due to either such decisions or market conditions, and may result in the Funds/SMA incurring substantial brokerage commissions, dealer spreads and other transaction fees and expenses.

#### *Decisions Based on Technical Analysis*

RGNCM primarily employs trading strategies that utilize mathematical analyses of technical factors relating to past market performance. The buy and sell signals generated by a technical trading strategy are based upon a study of actual intraday, daily, weekly and monthly price fluctuations, volume and open interest variations, and other market data and indicators. The profitability of any trading strategy based on this type of historical analysis is determined by the relationship of future price movements to historical prices and indicator values, and the ability of the strategy to adapt to future market conditions. For example, if RGNCM employs a particular strategy that has been successful in periods of sustained price movement in one direction in various markets, the future performance of this strategy may be determined by the relative frequency in the future of these sustained movements. RGNCM attempts to develop strategies that will be successful under many possible future scenarios. However, there can be no guarantee that the strategies of RGNCM will be effective or applicable to future market conditions. Any factor which lessens or increases the frequency of various types of market movements can impact the future performance of RGNCM's strategy, such as an increase or decrease in the number of other traders employing particular strategies or increased government control of, or participation in, the markets.

Technical, trend-following trading systems are used by many other traders. At times, the use of such systems may:

- result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time;
- alter historical trading patterns;

- obscure developing price trends; or
- affect the execution of trades.

### *Investments are Speculative*

Certain of the investments in which the Funds/SMA may invest are interest rate sensitive, which means that their value and, consequently, the net asset value, will fluctuate as interest rates fluctuate. In addition, interest rate increases may increase the interest carrying costs of borrowed investments. Performance of the Funds/SMA, therefore, will depend in part on RGNCM's ability to anticipate and respond to such fluctuations in market interest rates, and to utilize appropriate strategies to maximize returns to the Funds/SMA, while attempting to minimize the associated risks to their investment capital.

### *Trading Strategies*

The success of RGNCM's trading strategies depends upon its ability to interpret correctly market data and to predict market movements. Any factor which would make it more difficult to execute timely trades, such as a significant lessening of liquidity in a particular market could also be detrimental to profitability. As RGNCM may modify and alter its strategies from time to time, it is possible that the trading strategies used by RGNCM in the future may be different from those presently in use. No assurance can be given that the trading strategies used or to be used by RGNCM will be successful under all or any market conditions.

### *Trading in Securities of Non-United States Issuers*

RGNCM may trade in securities of non-United States issuers traded outside of the United States. In addition to currency exchange risks, such trading requires consideration of certain other risks not typically associated with investing in United States securities. There may be less publicly available information regarding issuers located in certain countries. In addition, certain countries may have no laws or regulations prohibiting insider trading. The economies of certain countries often do not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Certain of such economies may rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Investments in non-U.S. markets also may be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or the imposition of punitive taxes. In addition, the governments of certain countries may prohibit or impose substantial restrictions on foreign investing in their capital markets or in certain industries. Any such action could severely affect security prices, impair RGNCM's abilities to purchase or sell non-U.S. securities or otherwise adversely affect the Funds/SMA. Other non-U.S. market risks include political and social instability. In addition, higher expenses may result from investment in non-U.S. securities than would from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and foreign brokerage commissions that may be higher than in the United States. Non-U.S. markets also may be less liquid, more volatile, and generally less subject to governmental supervision than in the United States.

### *Trades May be Executed at Different Prices for Different Accounts*

The trading models used by RGNCM identify the price of a particular instrument which corresponds to one of the model's entry or exit point for a trade. Once an entry or exit point has been reached, RGNCM attempts to execute the trade for all appropriate accounts at the best price possible. Trades may be executed at different times for different accounts. There is no guarantee that the Funds/SMAs will receive a trade at the price identified by the models or at the same price as other accounts.

*Potential Inability to Trade or Report Due to Systems Failure*

RGNCM's strategies are dependent to a significant degree on the proper functioning of its internal computer systems. Accordingly, systems failure, whether due to third party failures upon which such systems are dependent or the failure of RGNCM's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short time), could, in certain market conditions, cause the Funds/SMAs to experience significant trading losses or to miss opportunities for profitable trading. Additionally, any such failures could cause a temporary delay in reports to investors.

*Potential Disruption or Inability to Trade Due to a Failure to Receive Timely and Accurate Market Data from Third Party Vendors*

RGNCM's strategies are dependent to a significant degree on the receipt of timely and accurate market data from third party vendors. Accordingly, the failure to receive such data in a timely manner or the receipt of inaccurate data, whether due to the acts or omissions of such third party vendors or otherwise, could disrupt trading to the detriment of the Funds/SMAs or make trading impossible until such failure or inaccuracy is remedied. Any such failure or inaccuracy could, in certain market conditions, cause the Funds/SMAs to experience significant trading losses, effect trades in a manner which it otherwise would not have done, or miss opportunities for profitable trading. For example, the receipt of inaccurate market data may cause RGNCM to establish (or exit) a position which it otherwise would have established (or exited), and any subsequent correction of such inaccurate data may cause RGNCM to reverse such action or inaction, all of which may ultimately be to the detriment of the Funds/SMAs.

**Item 9: Disciplinary Information**

There are no legal or disciplinary events to disclose.

**Item 10: Other Financial Industry Activities and Affiliations**

RGNCM has been registered as a commodity pool operator and commodity trading advisor with the CFTC since 1993. RGNCM serves as the investment manager of each Fund. RGNCM serves as the investment manager or trading advisor of the SMAs.

RGNCM serves as general partner of Smart Alpha Fund Onshore. As of the date hereof, RGNCM has an investment in Smart Alpha Fund Onshore.

RGNCM holds one or more Profit Allocation shares in each Master Fund.

Roy G. Niederhoffer is the founder, sole owner and sole director of RGNCM.

As of the date hereof, Roy G. Niederhoffer has an investment Smart Alpha Fund Onshore.

Certain employees of RGNCM may have investments in the Feeder Funds.



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

### Code of Ethics

RGNCM has adopted a Code of Ethics based on the principle that employees of RGNCM owe a fiduciary duty to its Advisory Clients. Accordingly, employees (including full and part-time employees and both paid and unpaid interns) must avoid activities, interests and relationships that might interfere or even appear to interfere with making decisions in the best interests of the Advisory Clients. Each employee is under a duty to exercise his or her authority and responsibility for the benefit of RGNCM and the Advisory Clients and may not participate in any activities that may conflict with the interests of RGNCM or the Advisory Clients. If an event occurs or is anticipated to occur which represents a conflict or could cause harm to RGNCM's reputation, the employee must immediately disclose this circumstance to RGNCM's Chief Compliance Officer. In all circumstances, each employee must comply with all federal securities rules (including rules regarding insider trading) and all policies found in the RGNCM compliance manual, a copy of which is supplied to all employees.

The Code of Ethics requires that employees:

1. Place the interests of Advisory Clients first. As an employee and a fiduciary, employees must avoid serving their own personal interests ahead of the interests of Advisory Clients. Employees may not cause an Advisory Client to take action or not take action for the employee's benefit rather than the benefit of the Advisory Client.
2. Avoid taking inappropriate advantage of RGNCM employment. Employees may not take inappropriate advantage of their positions with RGNCM. The receipt of investment opportunities, perquisites, or gifts from persons seeking business with the Advisory Clients or with RGNCM could call into question the exercise of the employee's independent judgment. Accordingly, employees may accept such items only in accordance with the limitations of the Code of Ethics. In addition, employees may not use the knowledge of Advisory Client portfolio transactions to profit by the market effect of those transactions.
3. Conduct all personal securities transactions in full compliance with the Code of Ethics, including all pre-authorization, reporting and minimum holding period requirements.
4. Comply fully with RGNCM's policies and procedures regarding inside information.
5. Maintain the confidentiality of (i) the identity of the securities holdings of RGNCM and its Advisory Clients and (ii) the financial circumstances of Advisory Clients.

Each employee must acknowledge the terms of the Code of Ethics.

A copy of the Code of Ethics is available to any investor or prospective investor by calling RGNCM's Chief Compliance Officer at 212-245-0400, or by emailing [compliance@niederhoffer.com](mailto:compliance@niederhoffer.com).

## Conflicts of Interest

Offerings of shares or interests in the Feeder Funds are made pursuant to private placement memoranda, which all investors in the Feeder Funds receive prior to making their initial investments. Such private placement memoranda contain a more complete description of the conflicts of interests associated with an investment in the Funds.

RGNCM and its employees have investments in certain of the Funds. Therefore, RGNCM and its employees may be considered to participate, indirectly, in transactions effected for the Funds.

RGNCM, its officers and its employees may have investments in securities or other investments in which the Funds/SMAs invest. Further, the purchase or sale of these investments may take place at or about the same time as the purchase or sales by the Funds/SMAs. RGNCM believes that its Code of Ethics minimizes any conflicts of interest that may result.

As general partner and/or investment manager, RGNCM solicits investments into the Feeder Funds by investors.

RGNCM, as principal, does not buy investments from or sell investments to the Funds/SMAs or investors in the Funds/SMAs. RGNCM does not cross trades between the Funds, between the SMAs or between the Funds and the SMAs.

Funds typically trade in the same investments as other Funds and the SMAs. Such trading is performed consistent with RGNCM's obligation of best execution, and where appropriate, is done on an aggregated basis. See Item 12 for a more detailed description of RGNCM's allocation policy.

## **Item 12: Brokerage Practices**

The securities transactions of the Funds/SMAs generate a substantial amount of brokerage commissions and other transaction-based compensation, all of which are paid by the Funds/SMAs. In addition to paying commissions to brokers acting as agents, the Funds/SMAs may buy or sell securities directly from or to dealers acting as principals at prices that include dealer markups or markdowns.

RGNCM has complete discretion in deciding what brokers and dealers the Master Fund will use and in negotiating the rates of compensation paid.

For the UCIT Fund, the brokers and dealers that may be used are subject to agreement between RGNCM and the investment manager of the UCIT Fund. For the SMAs, the brokers and dealers that may be used are subject to agreement between RGNCM and the institutions that established the SMAs. Subject to these agreements, RGNCM has discretion in deciding what brokers and dealers to use for any particular transaction. The rates of compensation paid to such brokers and dealers are set by such establishing institutions.

In selecting brokers to effect transactions for the Funds/SMAs, we consider such factors as:

- Overall economic result to the Funds/SMAs (price of commissions or dealer spreads, plus other costs;
- Efficiency and quality of the transaction;
- Difficulty of the transaction;
- Size of the order, ability of the broker or dealer to effect the transaction if a large block is involved;
- Risk the broker or dealer has accepted in the transaction;
- Financial strength and stability of the broker or dealer, including any legal considerations;
- Confidentiality of trading;
- Operational capabilities and facilities of the broker or dealer; and
- Economies of scale created by trading higher volumes with fewer brokers or dealers.

RGNCM ensures that brokers and dealers provide the best qualitative execution, not simply the lowest commission prices. We don't necessarily solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Accordingly, in any transaction or series of transactions, our Funds/SMAs may pay commissions to a broker in an amount greater than the amount another broker might charge.

RGNCM's Chief Compliance Officer meets with the Head Trader to ensure that the brokers and dealers utilized by RGNCM are providing best execution. RGNCM keeps records of its best execution meetings.

### Soft Dollars

The following discussion regarding soft dollars is not currently applicable to the Funds or the SMAs, because the Funds and SMAs do not currently trade equities.

Under Section 28(e) of the Securities Exchange Act of 1934, an investment adviser is generally deemed to have acted lawfully and in a manner consistent with its fiduciary duties under federal and state law, if the investment adviser determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker. For

purposes of Section 28(e), research products or services provided by a broker may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, and other products and services providing lawful and appropriate assistance to the investment adviser in the performance of its investment decision making responsibilities, without regard to whether the research products or services benefit the account bearing the commission charge.

Certain brokers may provide RGNCM with soft dollar credits which RGNCM uses to purchase certain brokerage and research services. These credits are generated by commissions charged by these brokers to the Funds. RGNCM intends that all soft dollar expenditures fall within Section 28(e). RGNCM makes a good faith determination that the value of research and brokerage services is reasonable in relation to the amount of commissions being paid. RGNCM keeps adequate books and records in order to establish the required good faith. When there is mixed use of such services, RGNCM makes a reasonable allocation of the cost of the product according to its use. The portion that is used by RGNCM in a non-research/ non-brokerage capacity is outside Section 28(e) and is paid for by RGNCM. Soft Dollar commissions are generated on an approximate pro-rata basis across the Funds.

To the extent RGNCM utilizes commissions to obtain items that would otherwise be an expense of RGNCM, such use of commissions could be viewed as additional compensation. As a result of receiving such items, RGNCM has an incentive to use, and to continue to use, such brokers to effect transactions for the accounts over which RGNCM or its affiliates exercise trading discretion so long as such brokers continue to provide such soft dollar credits. The Chief Compliance Officer and the Operations Department track soft dollar expenses and the generation of soft dollar credits across the Advisory Clients. All on-going vendor relationships are revisited on to ensure that they are still in use and still valid under the provisions for soft dollar expenditures above.

Our soft dollar arrangements with brokers may condition payment of expenses upon placement of specified levels of brokerage transactions with that broker, and we may allocate a corresponding level of trades to that broker, subject to our obligation to obtain best execution (taking into account the value of the soft dollar goods and services provided).

RGNCM ensures that at all times its brokers provide service and order executions that meet its high standards. Best Execution is considered in light of the overall service provided. Soft Dollar relationships are initiated only with brokers that have proven able to provide Best Execution in the past.

RGNCM may also receive investor referrals or introductions from brokers that provide brokerage execution services to the Funds/SMAs. Such referrals or introductions may be direct or via opportunities for RGNCM to present at conferences and programs where brokers have invited potential investors. Provision of such referrals and introductions could provide RGNCM with an incentive to select the respective broker for transactions without regard to best execution. We endeavor not to allocate brokerage transactions to a provider of such services as compensation for investor referrals or other services or otherwise in violation of our duties to our clients.

#### Allocation of Trades

In allocating trades among the Funds/SMAs, RGNCM does not knowingly or deliberately favor one Fund/SMA over another on an overall basis. However, because of price volatility, occasional variations in liquidity and differences in order execution, it is impossible for RGNCM to obtain identical trade execution for each Fund/SMA on every particular trade. However, RGNCM allocate trades in a systematic

manner without giving preference to any Fund/SMA. Such allocation of executed trades occurs via one of the two methods.

For trades executed by RGNCM's proprietary electronic execution platform on behalf of multiple Funds/SMAs, trade orders are placed and filled in a consistent sequence. (To ensure randomization over time, the sequence for "buys" is the reverse of the order for "sells.") The identity of the applicable Fund is sent to the broker along with the order, and each applicable Fund receives its pre-determined allocation.

In contrast, for trades executed by one of RGNCM's traders, orders are aggregated and all applicable Funds/SMA receive an average price based on the pre-determined allocation. If an order is only partially filled, the fill will be applied pro-rata, according to the desired proportion of the trade of each Fund/SMA.

**Item 13: Review of Accounts**

The Head Trader monitors the portfolios of RGNCM's trading programs on a real-time basis, and periodic strategy/portfolio meetings are held to discuss risk. RGNCM allocates its trading to a mix of different computer models, each of which is a separate computer trading system made up of different types of rules. In addition to quantitative risk management, RGNCM uses human discretion to manage positions during periods of unusual market activity or when RGNCM believes portfolio risk to be heightened.

The underlying investors in each Fund/SMA receive monthly statements of account valuations directly from the administrator of such Fund/SMA. Additional communications, whether written or oral, with underlying investors in the Funds may take place as determined by RGNCM, and may include performance information which is offered on daily, weekly or monthly basis.

The financial statements of the Funds are audited annually by independent public accountants and are then distributed to investors in the Funds.

**Item 14: Client Referrals and Other Compensation**

RGNCM may receive investor referrals or introductions from brokers that provide brokerage execution services to the Funds/SMAs. Such referrals or introductions may be direct or via opportunities for RGNCM to present at conferences and programs where brokers have invited potential investors. Provision of such referrals and introductions could provide RGNCM with an incentive to select the respective broker for transactions without regard to best execution. We endeavor not to allocate brokerage transactions to a provider of such services as compensation for investor referrals or other services or otherwise in violation of our duties to our clients.

As discussed in Item 12, RGNCM has soft dollar arrangements with certain brokers. These arrangements can be deemed an economic benefit to RGNCM for providing investment advice to the Funds/SMAs.

From time to time, RGNCM may utilize third-party solicitors that refer investors to the Funds. Currently, RGNCM utilizes no such solicitor.

Such solicitors receive compensation borne by RGNCM, which may be paid at the time of a subscription by the investor or on an ongoing basis. In any such case, RGNCM requires that the solicitor inform the applicable investor of such arrangement prior to subscription. Compensation paid to solicitors that refer investors to the Funds will not be borne by the investors or the Funds.

**Item 15: Custody**

RGNCM has custody (as defined by the SEC under Rule 206(4)-2) of Fund assets. Physical custody of assets of each private fund and the SMAs is held at qualified custodians.

The investors in each Fund receive monthly statements of account valuations directly from such Fund's administrator. RGNCM urges you to carefully review such statements.

For each private fund for which RGNCM has custody of Fund assets, RGNCM complies with the SEC's custody rule by requiring such Fund's administrator to distribute audited financial statements to the investors in such Fund within 120 days of the end of the fiscal year of such Fund.

RGNCM does not have custody of the SMAs' assets.

**Item 16: Investment Discretion**

Pursuant to investment management agreements, limited partnership agreements or trading advisory agreements, the Funds/SMAs have granted RGNCM discretionary authority to manage the accounts of the Funds/SMAs. Each investor in a Fund agrees to this authority via the completion and execution of a subscription agreement.

The investment management agreements, limited partnership agreements and trading advisory agreements typically place little or no restrictions on RGNCM's authority. In addition, restrictions may be set out in a Feeder Fund's private placement memorandum or the UCIT Fund's prospectus and prospectus supplement.

**Item 17: Voting Client Securities**

RGNCM, in its capacity as investment manager to each of the Funds, has been appointed as agent to vote proxies and respond to other corporate actions.

RGNCM utilizes a short-term trading strategy that is based on algorithms that attempt to predict market behavior based primarily on technical analysis. RGNCM is not a “buy and hold” investor, and trading decisions are not derived from fundamentals-based valuations of individual stocks. Consequently, the worthiness or likelihood of success of a proxy proposal generally does not impact the decision to buy or sell a stock. Further, a Fund that is long a stock on the record date for the proxy is often not long the stock on the proxy voting deadline or even a few days after the record date. Nevertheless, in compliance with the SEC’s rules, RGNCM has written policies and procedures regarding the voting of proxies.

If a Fund continues to hold a security as the proxy voting deadline approaches, then RGNCM’s equity traders and/or Head Trader, together with the Chief Compliance Officer, determine how to vote such proxy. Proxies are voted with the intention of maximizing the Fund’s investment. The Chief Compliance Officer maintains the records of all proxies received and how they were voted.

From time to time, proxy proposals may present a conflict between the interests of RGNCM and the Fund. In such instances, the Chief Compliance Officer will determine how to best minimize such conflict.

A copy of our proxy voting policies and procedures and/or information regarding the votes cast by RGNCM with regard the Fund’s securities holdings is available upon request to our Investor Relations or Compliance departments at 1-212-245-0400 or [compliance@niederhoffer.com](mailto:compliance@niederhoffer.com).

For the SMAs, the institutions that established the accounts maintain the power to vote proxies.

Currently, neither the Funds nor the SMAs trade equities.

**Item 18: Financial Information**

RGNCM does not believe it has any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients

**Item 19: Requirements for State-Registered Advisers**

Not applicable.