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**PART 2A OF FORM ADV: FIRM BROCHURE**

**ALUA CAPITAL MANAGEMENT LP**

**February 2021**

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*This brochure (this "Brochure") provides information about the qualifications and business practices of Alua Capital Management LP (the "Investment Adviser," "we," "us," and similar terms). If you have any questions about the contents of this Brochure, please contact us at (212) 905-8685. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

## **ITEM 2**

### **MATERIAL CHANGES**

We initially filed this Brochure on September 17, 2020 and have not made any prior updates to it since that date.

While this update to our Brochure contains changes and updates to certain information, we feel that the following are the only material changes since we filed our initial Brochure:

- Our original filing was made in reliance on the “newly-formed adviser” exemption from the prohibition on SEC registration available under SEC Rule 203A-2(c). This updated Brochure is filed as part of an overall amendment of our Form ADV confirming that we are eligible for SEC registration because we now qualify as a “large advisory firm” with more than \$100 million of regulatory assets under management.
- Our advisory business activities are more developed than was the case at the time we filed our initial Brochure. These changes and developments are largely reflected in Items 4, 5, 8 and 11 of this update. These changes reflect and relate to, among other things, the fact that the private funds we advise are now operating and have received investments from unaffiliated third parties.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

##### **1. *Alua Capital Management LP***

Alua Capital Management LP (the "Investment Adviser" "we," and "us"), is a Delaware limited partnership that was formed in 2020.

We only have one office, which is located in New York City.

We are controlled by our principal owners, Thomas W. Purcell, Jr. and Marco A. Tablada (the "Principal Owners"), who act as the co-managing members of our general partner, Alua Capital GP LLC, a Delaware limited liability company (the "Investment Adviser General Partner"). The Investment Adviser General Partner has ultimate responsibility for our management, operations and investment decisions.

##### **2. *Alua Capital Advisors LLC***

Our registration on Form ADV also covers Alua Capital Advisors LLC (the "Fund General Partner"), a limited liability company organized under the laws of the state of Delaware. The Fund General Partner is an affiliate of the Investment Adviser and it serves as the general partner of Funds (as defined below) that are U.S. or offshore partnerships. The Fund General Partner's facilities and personnel are provided by the Investment Adviser.

The Principal Owners are the principal owners and the managing members of, and control, the Fund General Partner.

#### **B. Description of Advisory Services.**

This Brochure generally includes information about us and our relationships with our clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

##### **1. *Advisory Services.***

We serve as the investment adviser, with discretionary trading authority, to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "Fund" and collectively, the "Funds"). The Funds include:

- Alua Partners LP, a Delaware limited partnership (the "Domestic Fund");
- Alua Offshore Fund Ltd., a Cayman Islands exempted company (the "Offshore Fund", and together with the Domestic Fund, the "Feeder Funds");
- Alua Intermediate Fund LP, a Cayman Islands exempted limited partnership (the "Intermediate Fund"; and

- Alua Master Fund LP, a Cayman Islands exempted limited partnership (the “Master Fund”), which serves as the master fund into which the Domestic Fund the Offshore Fund (indirectly through the Intermediate Fund) invest all of their investible assets through a “master feeder” structure.

The Fund General Partner serves as the general partner of the Domestic Fund, the Master Fund, the Intermediate Fund.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Regulation D, "qualified purchasers" as defined in the Investment Company Act, or non-"U.S. Persons" as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

## *2. Investment Strategies and Types of Investments.*

We primarily seek to invest, on a global basis, in publicly-traded equities and equity-related securities (including options, futures, swaps and other equity-related derivatives); however, we continually seek the best risk-adjusted opportunities for the Funds, and may occasionally invest in fixed income products, commodity interests or currencies, as well as any other derivatives and financial instruments as we deem appropriate. We seek to accomplish the Funds' investment objectives by investing in companies across a diversified range of sectors including, without limitation, in technology, media, telecommunications, financial services, industrials, business services and consumer-related investments.

The descriptions set forth in this Brochure of specific advisory services that we offer to the Funds, and investment strategies pursued and investments made by us on behalf of the Funds, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Fund's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. The Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

### C. Availability of Customized Services for Individual Clients.

Our investment decisions and advice with respect to each Fund will be subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents.

### D. Wrap Fee Programs.

We do not currently participate in any Wrap Fee Programs.

E. Assets Under Management.

We manage, on a discretionary basis, approximately \$2,164 million of client assets (rounded to the nearest \$100,000), determined as of December 31, 2020.

## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation.

The fees applicable to each Fund will be set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

#### 1. *Domestic Fund*

##### (a) Management Fee

Generally, the Domestic Fund pays the Investment Adviser a fee for investment management services (the “**Management Fee**”) for each fiscal quarter equal to 0.375% (1.5% per annum) of the beginning balance of each capital account of an investor for such fiscal quarter, before taking into account any estimated accrued Incentive Allocation (as described below) and considerations with respect to certain investments. Payment of the Management Fee will be made within 15 days of the first day of each fiscal quarter, or as soon as reasonably practicable thereafter.

The Management Fee will be prorated for partial quarters, and a pro rata portion of any Management Fee paid in advance will be distributed by the Domestic Fund to any investors permitted to withdraw all or a portion of their interests from the Fund prior to the end of a fiscal quarter. In the event that an investor makes a capital contribution other than as of the first day of a fiscal quarter, a pro rata portion of the Management Fee, based on the actual number of months remaining in such fiscal quarter, will be paid to the Investment Adviser. In the sole discretion of the Investment Adviser, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

##### (b) Incentive Allocation

Generally, at the end of each fiscal year, the Fund General Partner is entitled to an incentive allocation (the “**Incentive Allocation**”) in an amount equal to 30% for net capital returns in excess of 5% but less than or equal to 15%, and a rate of 20% for net capital returns over 15%. The rate is 0% for net capital returns between 0% and 5%.

In the event that the Domestic Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the Fund General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

#### 2. *Offshore Fund*

##### (a) Management Fee

Generally, the Offshore Fund pays the Investment Adviser a Management Fee for each fiscal quarter equal to 0.375% (1.5% per annum) of the net asset value of each series of shares as of the beginning of such fiscal quarter, before taking into account any estimated accrued Offshore Incentive Allocation (as described below) and considerations with respect to certain



investments. Payment of the Management Fee will be made within 15 days of the first day of each fiscal quarter, or as soon as reasonably practicable thereafter.

The Management Fee will be prorated for partial quarters, and a pro rata portion of any Management Fee paid in advance will be distributed by the Offshore Fund to any shareholders permitted to withdraw all or a portion of their shares from the Offshore Fund prior to the end of a fiscal quarter. In the event that a shareholder makes a subscription for shares other than as of the first day of a fiscal quarter, a pro rata portion of the Management Fee, based on the actual number of months remaining in such fiscal quarter, will be paid to the Investment Adviser. In the sole discretion of the Investment Adviser, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

#### (b) Offshore Incentive Allocation

Generally, at the end of each fiscal year, the Fund General Partner is entitled to an incentive allocation (allocated at the level of the Intermediate Fund) (the “**Offshore Incentive Allocation**”), and together with the Incentive Allocation, the “**Performance Compensation**”) in an amount equal to 30% for net capital returns in excess of 5% but less than or equal to 15%, and a rate of 20% for net capital returns over 15%. The rate is 0% for net capital returns between 0% and 5%.

In the event that shares are redeemed other than at the end of a fiscal year, the Offshore Incentive Allocation will be determined solely with respect to the shares so redeemed as of the redemption date. In the sole discretion of the Fund General Partner, the Offshore Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

#### B. Payment of Fees.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds will generally be deducted from the assets of such Funds.

#### C. Additional Fees and Expenses.

The Feeder Funds will bear their own expenses and, as applicable, their *pro rata* share of the Intermediate Fund's and the Master Fund's expenses and any trading subsidiary or special purpose vehicle's expenses, including, without limitation, the following: (i) the Management Fee; (ii) expenses related to the research, due diligence, financing, monitoring and disposition of actual and prospective investments, whether or not the investment is consummated, including, without limitation, the following: third-party investment sourcing fees (including, without limitation, performance-based fees); fees and expenses related to obtaining research and market data (including, without limitation, any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data, and including fees and expenses related to obtaining, processing and analyzing research or market data); due diligence expenses including, without limitation, consulting and appraisal fees; brokerage, prime brokerage and futures commission merchant fees, commissions and expenses, including fees, commissions and expenses paid or reimbursed to an External Trading Desk; expenses relating to block trades; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting and class action-related services; and fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; (iii) organizational and

reorganizational expenses of the Funds and, as applicable, the *pro rata* share of such expenses of the Master Fund; (iv) direct or indirect *pro rata* share of any compensation payable in connection with the management of any special investment by an unaffiliated third party or management team, which may include both asset-based fees and performance-based fees or allocations (which, for the avoidance of doubt, will not offset the Management Fee or Incentive Allocation); (v) fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations and/or facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations), facilitate and manage the order execution of investments or otherwise manage the Funds or any trading subsidiary or special purpose vehicle, portfolio management systems, risk management systems and order management systems; and fees and expenses of third-party risk management products, models and services; (vi) fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, valuation service providers, attorneys, accountants and third-party administrative fees and expenses and including, without limitation, the costs of engaging or appointing a money laundering reporting officer; (vii) fees, expenses and operating costs of the Advisory Committee; (viii) the costs of any litigation or investigation involving activities of the Funds or any trading subsidiary or special purpose vehicle; (ix) taxes and third-party audit and tax preparation expenses; (x) 80% of insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance covering the Fund General Partner, the Investment Adviser and the members, partners, officers, employees and agents of any of them; (xi) costs of preparing and distributing reports and notices (including, without limitation, all costs incurred to audit such reports, provide access to a database or other internet forum and any other operational, legal, secretarial or postage expenses associated with distribution of the same); (xii) expenses incurred in connection with negotiating and complying with provisions of any Side Letters and expenses incurred in connection with any Transfers of Interests or a Limited Partner's admission or withdrawal, unless otherwise charged to or borne by the applicable transferee or Limited Partner; (xiii) fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of the Funds or any trading subsidiary or special purpose vehicle, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings); (xiv) expenses incurred in connection with the offering and sale of the Interests and other similar expenses related to the Fund (excluding fees payable to any placement agent); (xv) expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of the Funds or any trading subsidiary or special purpose vehicle (other than any such amendments, modifications, revisions or restatements solely to benefit the Fund General Partner, the Investment Adviser and their respective partners or members); (xvi) extraordinary expenses related to the Fund, including, without limitation, indemnification expenses and fees and expenses incurred in connection with any tax audit by any tax authority, including, without limitation, any related administrative settlement and judicial review; and (xvii) fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of the Funds or any trading subsidiary or special purpose vehicle.

D. Prepayment of Fees.

Generally, each client pays the Investment Adviser a fee for investment management services quarterly in advance based on the net asset value of each client's investment. The Management Fee will be prorated for partial quarters, and a pro rata portion of any Management Fee paid in advance will be distributed by a Fund to any investor permitted to withdraw all or a portion of its interest from such Fund prior to the end of a fiscal quarter.

E. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accept compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

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

We and our affiliates accept performance-based compensation from every Fund (other than Funds that are not assessed performance-based compensation because it is assessed through another entity in a single master-feeder or similar structure). As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some Funds, but not from other Funds.

**ITEM 7**  
**TYPES OF CLIENTS**

We provide investment advice to the Funds, as described above.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **A. Methods of Analysis and Investment Strategies.**

The descriptions set forth in this Brochure of specific advisory services that we offer to the Funds, and investment strategies pursued and investments made by us on behalf of the Funds, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Fund's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Investors in the Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

The Investment Adviser seeks to generate superior, risk-adjusted returns measured over multiple years. The Investment Adviser seeks to primarily invest capital on a global basis, in publicly-traded equities and equity-related securities (including options, futures, swaps and other equity-related derivatives); however, the Investment Adviser continually seeks the best risk-adjusted opportunities for its clients, and may occasionally invest in fixed income products, commodity interests or currencies, as well as any other derivatives and financial instruments as deemed appropriate by the Investment Adviser.

The Investment Adviser seeks to invest in companies across a diversified range of sectors including, without limitation, in technology, media, telecommunications, financial services, industrials, business services and consumer-related investments. The Investment Adviser may at times utilize equity index options and futures on the S&P, NASDAQ and other indices; however, the investment goal is to generate alpha through stock selection (long and short).

The Investment Adviser has a one-team collaborative approach to conducting research and analysis for both public and private investments. This process utilizes a "bottom-up" stock selection approach based on fundamental analysis. The Investment Adviser's fundamental analysis utilizes the investment experience of Thomas W. Purcell, Jr. and Marco A. Tablada and the Investment Adviser's team of analysts, and investment decisions are based on in-depth fundamental research. Such bottom-up analysis is combined with a thematic or "top down" view of opportunities across the various sectors and seeks to identify the best long and short opportunities globally. The top-down view also focuses on overall portfolio composition in attempting to minimize areas where a portfolio may have an unintended exposure in a particular sector, country or macro-economic variable such as interest rates or foreign exchange rates. The expected holding period of both long and short investments is typically measured in years, generally ranging from two to five years.

The Investment Adviser's initial due diligence generally includes gathering and assessing publicly available information on potential investment opportunities, including industry and company-specific data. This data may include regulatory filings, research reports, earnings information, discussions with management, and analyst commentary. After evaluating such information, the Investment Adviser generally develops financial models to determine its estimate of the company's intrinsic value and key potential drivers that could impact future value. For core investment ideas, the Investment Adviser may also require a more formal research write-up. In addition to the analyses set forth above, the Investment Adviser also

seeks to meet and maintain relationships with company management in order to develop a more informed investment perspective.

Prior to initiating an investment, the Investment Adviser may establish investment targets for the investment, including price targets, investment horizon, and potential catalysts for generating positive performance. These targets will be reviewed and may be updated on a periodic basis.

Finally, a core part of the Investment Adviser's investment process is ongoing monitoring of investments in a portfolio. This ongoing analysis may include, without limitation, the following:

- an assessment of the extent to which a particular investment is correlated to other investments in the portfolio;
- measuring the risk/reward potential of a particular investment;
- a reassessment of the investment targets discussed above and potential entry/exit points;
- an evaluation of position sizing based on the Investment Adviser conviction regarding the investment thesis and to avoid potential "thesis drift";
- any potential changes to hedging strategies; and
- a review of potential catalysts to drive value.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies.**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

**Outsourced Trading.** The Investment Adviser has in the past engaged (and may in the future engage), on behalf of the Funds, certain third party service providers to execute and/or direct substantially all of the Funds' trades on an outsourced basis (the "External Trading Desk"). Though the Investment Adviser views the engagement as inuring to the benefit of investors in the Funds by providing access to such External Trading Desk's knowledge and experience, connectivity to execution venues, proprietary and third-party trading technology and other services and is consistent with the discharge of the Investment Adviser's best execution obligations, particularly during the Investment Adviser's launch, currently, the Investment Adviser relies primarily on its internal personnel to execute the trading function. Please refer to Item 12 for further information regarding our brokerage practices.

**Risks of Investments Generally.** An investment in the Fund involves significant risks, including the risk that the entire amount invested may be lost. The Funds primarily invest, on a global basis, in publicly-traded equities and equity-related securities (including options, futures, swaps and other equity-related derivatives) using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets and the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the Funds' investment objective will be achieved.

**Investment and Due Diligence Process.** Before making investments, the Investment Adviser conducts due diligence that it deems reasonable and appropriate based on the facts and

circumstances applicable to each investment. When conducting due diligence, the Investment Adviser may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Adviser relies on the resources reasonably available to it, which in some circumstances whether or not known to the Investment Adviser at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment. The Investment Adviser may make investment decisions based on incomplete or limited information and based on assumptions that may not be accurate.

**Information Sources.** The Investment Adviser selects positions for the Funds in part based on information filed by the issuers of securities with the SEC and other regulatory authorities, or made available to the Investment Adviser by the issuers or by others. The Investment Adviser cannot confirm the completeness, genuineness or accuracy of such information, and, in some cases, complete and accurate information is not readily available.

**Alternative Data.** The Investment Adviser obtains and uses alternative data in its investment process. Alternative data may consist of datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as "big data" or "alternative data"). The Investment Adviser intends to apply this alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes. The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are borne by the Funds. No assurance can be given that the Investment Adviser will be successful in utilizing alternative data in its investment process. Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for the Investment Adviser and/or the Funds in numerous jurisdictions. The Investment Adviser cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to the Investment Adviser and/or to the Funds. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of the Funds.

**Fundamental Analysis.** A core tenant to the Investment Adviser's investment strategy is grounded in a stock selection approach based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Funds' trading strategies, the Funds may not be able to realize their investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Adviser misinterprets the meaning of certain data, the Funds may incur losses.

**Long/Short.** The success of the Funds' long/short investment strategy depends upon the Investment Adviser's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of the Funds' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or



acquired. In the event that the perceived opportunities underlying the Funds' positions were to fail to converge toward, or were to diverge further from values expected by the Investment Adviser, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Funds to close out one or more positions. Furthermore, the financial and valuation models and assumptions used to determine whether a position presents an attractive opportunity consistent with the Investment Adviser's long/short strategies may become outdated and inaccurate as market conditions change.

**Short Selling.** The Funds engage in short selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds may engage in short sales will depend upon the Investment Adviser's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short and the cost of borrowing securities sold short may be significant. In such cases, the Funds can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Funds secure a "good borrow" of the securities sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

**Undervalued Securities.** The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed.

**Long-Term Strategy.** The success of the Funds' long-term investment strategy depends upon the Investment Adviser's ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis (*i.e.*, the expected holding period of the Funds' long and short investments is typically measured in years, generally ranging from two to five years). In pursuing any long-term strategy, the Funds may forgo value in short term or temporary investments in order to be able to avail the Funds of additional and/or longer-term opportunities in the future. Consequently, the Funds may not capture maximum available value in the short term, which may be disadvantageous, for

example, for investors who withdraw all or a portion of their interests before such long-term value may be realized by the Funds.

**Diversification and Concentration.** As described above, it is anticipated that the long portfolio of the Funds will be relatively concentrated with exposure across the top five positions typically making up greater than 50% of total net asset value of the total portfolio at any given time. The Funds' portfolio may be significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

**Hedging Transactions.** The Investment Adviser is not required to hedge market risks or other risks inherent in the Funds' positions, including investments for which there may not be a readily assessable market value. In addition, the Investment Adviser may not anticipate a particular risk so as to hedge against it.

The Funds, however, may utilize a variety of financial instruments (including options, futures, swaps and other equity-related derivatives), both for investment purposes and (to the extent desired) for risk management purposes in order to, among other things: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (vii) for any other reason that the Investment Adviser deems appropriate.

The success of the Investment Adviser's hedging is subject to the Investment Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used to hedge and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Investment Adviser hedges portfolio positions in the Fund is also subject to the Investment Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions. For a variety of reasons, the Investment Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. Hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings and there can be no guarantee that the Investment Adviser's hedging transactions, if any, will be successful.

**Leverage; Margin.** The use of leverage has attendant risks and can substantially increase the adverse impact to which the Funds' investment portfolio may be subject. While the Investment Adviser does not expect to utilize leverage often in the long portfolio of the Funds, the use of leverage will allow the Funds to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital.

However, leverage will also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged. In addition, any leverage used by the Funds is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, any use by the Funds of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call", pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

To the extent the Funds purchase an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

**Lack of Control.** The Funds invest in securities of companies that they do not control, which the Funds may acquire through market transactions or through purchases of securities directly from the issuer. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Funds do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Funds' interests.

**Restricted Investments.** The Funds may invest in securities which are, or may become, subject to legal or other restrictions on transfer. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

**Exposure to Material Non-Public Information.** From time to time, the Investment Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. These restrictions will limit the Investment Adviser's flexibility to manage the Funds' investments and could result in significant losses.

**Necessity for Counterparty Trading Relationships; Counterparty Risk.** The Funds have relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Funds will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit the Funds' trading activities, and could create losses, preclude the Funds from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Funds establish additional relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

Some of the markets in which the Funds may effect transactions are not "exchange-based", including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated its transactions with a single or small group of counterparties. Generally, the Funds are not restricted from dealing with any particular counterparties. The Investment Adviser's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

**Execution of Orders.** The Funds' investment strategies and trading strategies depend on their ability to establish and maintain an overall market position in a combination of financial instruments selected by the Investment Adviser. The Funds' trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures attributable to the Funds, the Investment Adviser, the Funds' counterparties, brokers, dealers, agents or other service providers. In such event, the Funds might only be able to acquire or dispose of some, but not all, of the components of such position, or if the overall position were to need adjustment, the Funds might not be able to make such adjustment. As a result, the Funds would not be able to achieve the market position selected by the Investment Adviser, which may result in a loss. In addition, the Funds rely heavily on electronic execution systems (and may rely on new systems and technology in the future), and such systems may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by the Funds.

**Counterparty Fraud.** Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. The Investment Adviser relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Counterparty Insolvency.** The Funds' assets may be held in one or more accounts maintained for the Funds' by counterparties, including their prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of the Funds' counterparties is likely to impair the operational capabilities or the assets of the Funds. Although the Investment Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of the Funds' counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Funds may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Funds and their assets. Investors should assume that the insolvency of any Fund counterparty would result in a loss to the Fund, which could be material.

**Litigation.** With regard to certain of the Funds' investments, it is a possibility that the Investment Adviser and/or the Funds may be plaintiffs or defendants in civil proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Funds and would reduce net assets or may, pursuant to applicable law, require shareholders to return to the Funds distributed capital and earnings.

**Currency Exchange Exposure.** The Funds may and often do invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Funds, however, value their securities in U.S. dollars. The Funds may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in losses to the Funds.

Furthermore, the Funds may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Funds at one rate, while offering a lesser rate of exchange should the Funds desire immediately to resell that currency to the dealer. The Funds will conduct their currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. Most of the Funds' currency exchange

transactions occur at the time non-U.S. investments are purchased and are executed through the local broker or custodian acting for the Funds.

**Non-U.S. Investments.** The Funds invest in companies outside the United States. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, gross sale or disposition proceeds or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. There is also less regulation, generally, of the securities markets in such countries than there is in the United States. As a result, the Funds may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission, or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

**Co-Investments with Third Parties.** The Funds may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Funds or is in a position to take (or block) action in a manner contrary to the Funds' investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

**Discretion to Employ New Strategies and Techniques.** The Investment Adviser has considerable discretion in the types of financial instruments which the Funds may trade and has the right to modify the trading strategies or techniques of the Funds without the consent of the investors. Any of these new trading strategies or techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Funds. In addition, any new trading strategy or technique developed by the Funds may be more speculative than earlier techniques and may increase the risk of an investment in the Funds.

**Governmental Interventions.** Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency"

basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Funds' strategies.

**Potential Interest Rate Increases.** The United States has experienced a sustained period of historically low interest rate levels. In recent years, however, short-term and long-term interest rates have risen. The uncertainty of the U.S. and global economy, changes in U.S. government policy, and changes in the federal funds rate increase the risk that interest rates will remain volatile in the future. Sustained future interest rate volatility may cause the value of the fixed income securities held by the Funds to decrease, which may result in substantial withdrawals from the Funds that, in turn, force the Funds to liquidate such securities at disadvantageous prices negatively impacting the performance of the Funds.

**Discontinuation of LIBOR.** It is expected that the London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "**Reference Rate**"), will not be published after the year 2021. In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Funds are parties. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including the Funds and their counterparties. The impact of the discontinuation of LIBOR on financial markets generally may adversely affect the performance of the Funds.

**Brexit.** The United Kingdom formally withdrew from the European Union on January 31, 2020. The ongoing withdrawal process could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on the Funds or the Investment Adviser from an economic, financial or regulatory perspective but any such impact could have material negative consequences for the Funds.

**MiFID II.** The package of European Union market infrastructure reforms known as "**MiFID II**". MiFID II increased regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments over time, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including regulatory position limits and position management powers could, over time, similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

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

### C. Risks Associated With Particular Types of Securities.

We do not recommend a particular type of investment instrument to the Funds, but rather, we recommend and invest in multiple investment instruments. Given the broad discretion we have in managing the Funds, any one or more of the risks listed in the previous section may be incurred by our clients.

However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within the Funds' portfolios:

**Equity Securities.** The Funds' investment portfolios include equity and equity-related securities of U.S. and non-U.S. companies in primarily the technology, media, telecommunications, financial services, industrials, business services and consumer sectors. The value of equity securities of public companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move.

**Preferred Stock.** Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

**Initial Public Offerings.** The Funds invest in initial public offerings. Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. 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



revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Interests.

**Risks of Illiquid Investments.** The Funds' investments will also include privately-held securities or other financial instruments which are generally less liquid than publicly traded securities. These investments will include companies that are expected to be illiquid for a significant period and will generally be designated as special investments (certain investments for which there may not be a readily assessable market value), along with other Fund investments outside of special investments which the Investment Adviser believes are more likely to become liquid (*e.g.*, through an initial public offering, direct listing or readily available secondary market trading) in the nearer term. Special investments and such other Fund investments outside of special investments will be in companies prior to their initial public offering, and in securities that are subject to lock-up periods or other restrictions on disposition. All privately-held investments may require a significant amount of time from the date of initial investment before disposition and any investments in such privately-held securities are not subject to voluntary redemption. To the extent valuations are obtained for privately-held securities or other less liquid financial instruments, there can be no assurance that the valuations assigned to such instruments will ever be realized. In addition, such privately-held securities may be of companies with little or no profit or significant losses which create substantial uncertainties with regards to the performance of such securities.

**Derivative Instruments Generally.** Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Funds.

**Options.** There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money. Additionally, there are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the

opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds are also subject to the Investment Adviser's ability to correctly predict movements in the direction of the market.

Futures Contracts. The Funds may invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated;

there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.

Swap Agreements. The Funds may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the Funds' exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement if consistent with their investment objective. Whether the Funds' use of swap agreements will be successful depends on the Investment Adviser's ability to select appropriate transactions for the Funds. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolio. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Other Derivative Instruments. The Funds may enter into swaps and other derivative instruments. It may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Funds and believed by the Investment Adviser to be legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

High Volatility. The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which the Funds' portfolios' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds' portfolio is also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

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

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

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

Many of these requirements were implemented under legislation intended to reform the U.S. financial regulatory system, the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or "EMIR"), and similar regulations globally. In the United States, the regulatory responsibility for derivatives is divided between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over "security-based swaps" and the CFTC has regulatory authority over "swaps". EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to

security-based swaps, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on the Funds:

Reporting. Most swap transactions have become subject to anonymous "real time reporting" requirements, meaning that information relating to transactions entered into by the Funds will become visible to the market in ways that may impair the Funds' ability to enter into additional transactions at comparable prices or could enable competitors to "front run" or replicate the Funds' strategies.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives, including EMIR, are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing mandates affect certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Funds in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Funds would be exposed under non-cleared derivatives), the Funds could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, the Funds may not be able to hedge their risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. The Funds may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that the Funds may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Funds' FCM (if any) and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Funds to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Funds. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Funds to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Funds. In addition, clearinghouses may not allow the Funds to portfolio-margin its positions, which may increase the Funds' costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which the Funds would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Funds' FCM, subjecting the Funds to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

**Swap Execution Facilities.** In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms such as swap execution facilities ("SEFs"), which require the Funds to subject themselves to regulation by these venues and subject the Funds to the jurisdiction of the CFTC. CFTC rules governing the operation of SEFs continue to evolve; the SEC has yet to finalize rules related to security-based SEFs.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of MiFID II (as defined below). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Funds to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

**Margin Requirements for Non-Cleared Swaps.** Rules issued by U.S., EU and other regulators globally (the "Margin Rules") impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Funds will be required to post to swap counterparties may increase by a material amount, and as a result the Funds may not be able to deploy capital as effectively. Additionally, to the extent the Funds are required to segregate initial margin with a third party custodian, additional costs will be incurred by the Funds.

**Fixed Income Instruments.** The Funds may invest in fixed income instruments (including debt, bonds, notes and credit-related derivatives). The value of fixed income instruments in which the Funds may invest will change in response to fluctuations in interest rates. Increases in interest rates may cause the value of the Funds' debt investments to decline. The Funds may experience increased interest rate risk to the extent it invests in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments. Except to the extent that values are independently affected by currency

exchange rate fluctuations, when interest rates decline, the value of fixed income instruments generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income instruments generally can be expected to decline. In addition, the value of certain fixed income instruments can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Valuations of other fixed income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows.

**Commodities.** The values of commodities that underlie commodity futures contracts and other types of financial instruments in which the Funds may invest generally are affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Investment Adviser has no control over the factors that affect the price of commodities. Accordingly, the value of the Funds' investments could change substantially and in a rapid and unpredictable manner.

**Currencies.** The Funds may enter into spot and forward currency contracts or invest in currency futures contracts and options on currencies and futures to hedge currency risk by shifting exposure to foreign currency fluctuations from one currency to another with respect to the Funds. Currency transactions made on a spot (*i.e.*, cash) basis are at the spot rate prevailing in the currency exchange market. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Funds' exposure with respect to its investment to changes in the value of the currency it will deliver and increases the Funds' exposure to changes in the value of the currency it will receive for the duration of the contract.

Currency trading is subject to risks different from those of other securities transactions. Because exchange rate control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to the Funds if it is unable to deliver or receive currency or funds in settlement of obligations. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation. The ability to establish and close out options on currency futures is subject to the maintenance of a liquid market, which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

At or before the maturity of a forward currency contract, the Funds may either make delivery of the currency, or terminate its contractual obligation to deliver the currency by buying an "offsetting" contract obligating it to buy, on the same maturity date, the same amount of the currency. If the Funds engage in an offsetting transaction, they may later enter into a new forward

currency contract to sell the currency. If the Funds engage in an offsetting transaction, they will incur a gain or loss to the extent that there has been movement in forward currency contract prices. If forward prices go down during the period between the date the Funds enter into a forward currency contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Funds will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to buy. If forward prices go up, the Funds will suffer a loss to the extent the price of the currency it has agreed to buy exceeds the price of the currency it has agreed to sell.

**Exchange Traded Funds.** Exchange-traded funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF investors are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each investor of an ETF bears a *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (*e.g.*, Management Fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

**Risks of Sector-Specific Investments.** The Funds generally invest in the following sectors and subsectors of the equities markets: technology, media, telecommunications, financial services, industrials, business services and consumer. The industry-specific risk factors below are intended to provide a non-exclusive summary of certain risks attendant to certain industries in which the Funds generally invest. The Funds may invest in sectors and sub-sectors other than those listed below; furthermore, the Funds may invest in companies in the sectors listed below that are subject to additional risks not described below. These investments may represent core positions of the Funds, the profit or loss from which may have a material impact on the Funds' performance.

**Investing in Technology Companies.** Investing in securities and other instruments of technology companies involves substantial risks. These risks include: the fact that certain companies in the portfolio of the Funds may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investor sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the stock markets affecting the prices of technology company securities, which may cause the performance of the Funds to experience substantial volatility. The Funds may also invest in the securities of issuers in the business services sector (such as providers of credit risk analysis and reporting, educators, payroll providers, merchant processors and staffing providers, among others), which investments generally involve a number of the risks associated with the technology sector.



**Investing in Media and Telecommunications Companies.** The Funds may invest in media companies (which may engage in the production or distribution of television, film, radio, internet and other content) and telecommunications companies (which may provide traditional and wireless telephone services, paging, data transmission services, equipment retailing and internet services). Whereas traditionally media and telecommunications companies were considered to be in different sectors, these sectors have increasingly converged and oftentimes overlap in the services they provide. Companies in the media and telecommunications sector may encounter distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology. In addition, media and telecommunications companies may be subject to greater price volatility than the overall market due to a variety of factors, including: changing government regulations, changing consumer tastes, intense competition, and strong market reactions to technological developments throughout the industry.

**Investing in Financial Institutions.** The Funds may invest in financial instruments issued by financial institutions, such as investment and commercial banks, insurance companies, savings and loan associations, mortgage originators and other companies engaged in the financial services industry (collectively, "**financial institutions**"). In addition, financial institutions will act as counterparties to the Funds in connection with the Funds' investment activities, and will provide prime brokerage, custodial and ISDA services to the Funds. The Funds may also gain exposure to these entities through derivative transactions. In the course of conducting their business operations, financial institutions are exposed to a variety of risks that are inherent to the financial services industry, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads caused by global and local market and economic conditions; credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations; the potential inability to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations; operational failures or unfavorable external events; potential changes to the established rules and policies of various U.S. and non-U.S. legislative bodies and regulatory and exchange authorities, such as federal and state securities, bank regulators and industry participants; risks associated with litigation, investigations and/or proceedings by private claimants and governmental and self-regulatory agencies arising in connection with a financial institution's activities; and its continuing ability to compete effectively in the market. Over the past few years, many financial institutions have announced writedowns and losses relating to their exposures to the U.S. subprime market. Other areas of financial institutions' businesses that have not yet been adversely affected by the illiquidity in mortgage and lending markets could be adversely affected if current conditions in the credit market spread to other sectors. While financial institutions seek to manage these and other risks through risk management policies and procedures, there can be no assurance that such any financial institution's risk management practices will be effective.

**Investing in the Industrials Sector.** The Funds may invest in companies in the industrials sector, such as those involved in construction and manufacturing, transportation, industrial machinery and equipment, materials, metals and mining, and aerospace and defense. The industrials sector can be significantly affected by general economic trends, including employment, economic growth, and interest rates; changes in consumer sentiment and spending; the supply of and demand for specific industrial and energy products or services; government regulation and spending; and global competition. For example, adverse changes in the prices of certain commodities and unit volume reductions resulting from an oversupply of materials used in industrials and energy equipment and services industries can adversely

affect those industries. Furthermore, a company in the industrials sector can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

**Investing in Consumer Companies.** The Funds may invest in companies in the consumer sector. The success of consumer product manufacturers and retailers is tied closely to the performance of the overall domestic and global economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and consumer spending. Also, companies in the consumer discretionary sector may be subject to severe competition, which may have an adverse impact on their respective profitability. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products and services in the marketplace.

**Coronavirus Risks.** In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. The short-term and long-term impact of COVID-19 on the operations of the Investment Adviser and the performance of the Fund is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Funds.

**Systemic Risk.** Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Funds interact, as well as the Funds, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Funds and on the markets for the securities in which the Funds seek to invest.

**General Economic and Market Conditions.** The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **A. Broker-Dealer Registration Status.**

We and our management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

#### **B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.**

We and our management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

#### **C. Material Relationships or Arrangements with Industry Participants.**

We and our affiliates operate within the same office space as Lake Trail Capital LP ("Lake Trail") and Wiborg Capital LLC ("Wiborg"), which manage the capital of the Principal Owners and their families. Several of the Investment Adviser's administrative employees perform administrative and accounting functions for those entities.

These activities could be viewed as creating a conflict of interest in that the time and effort of the Principal Owners and the Investment Adviser's officers and employees will not be devoted exclusively to the business of its clients but will be allocated between the business of its clients and other businesses of the Principal Owners and the Investment Adviser's officers and employees. A conflict also arises to the extent that the Principal Owners or the Investment Adviser's employees utilize products or services that are directly or indirectly paid for by clients in a manner that does not benefit those clients. In an effort to mitigate any such financial conflict, the Investment Adviser intends to reimburse its clients for an appropriate portion of any related fees or expenses.

The fact that Lake Trail and Wiborg are active investors presents other conflicts of interest, which the Investment Adviser has sought to mitigate by taking several steps: (i) investment mandate conflicts are reduced because Lake Trail and Wiborg generally limit their investments to those in private funds, small private equity opportunities and cash management assets; (ii) Lake Trail and Wiborg trading is subject to the Investment Adviser's Code of Ethics (including its pre-clearance of transactions requirements); and (iii) no investment professionals, other than the Principal Owners, will perform services for the benefit of Lake Trail, Wiborg or the investment vehicles they advise. To the extent that a private equity opportunity overlaps with a client's investment mandate, Lake Trail and Wiborg will only be permitted to participate if the size of the opportunity is deemed not to be material to a client.

We do not have any other material relationships or arrangements with industry participants.

#### **D. Material Conflicts of Interest Relating to Other Investment Advisers.**

We do not recommend or select other investment advisers for the Funds.

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

A. Code of Ethics.

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must place the interests of clients first;
- personal securities transactions must be conducted in a manner consistent with the Code and any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

The Code also places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions, including transactions in, among other things: private placements; initial public offerings; certain ETFs, ETNs, and mutual funds; single name securities; and commodity futures and related options .

Clients may request access to the Code by contacting us at the address or telephone number listed on the first page of this document.

B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.

1. *Cross Trades*

We may determine that it would be in the best interests of certain Funds to transfer a security from one Fund to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Funds, or to reduce transaction costs that may arise in an open market transaction. If we decide to engage in a Cross Trade, we will determine that the trade is in the best interests of each Fund involved in it and take steps to ensure that the transaction is made consistent with the duty to obtain best execution for each of those Funds.

A Cross Trade between two Funds may occur with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction or as an "internal cross", where we instruct the custodian for the Funds to book

the transaction at the price determined in accordance with our valuation policy. If we effect an internal cross, we will not receive any fee in connection with the completion of the transaction.

## *2. Principal Transactions*

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Fund by the Investment Adviser or its personnel, we will comply with the requirements of Section 206(3) of the Advisers Act.

### C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions.

We, our affiliates and our employees may give advice or take action for our own accounts that may differ from, conflict with or be adverse to advice given or action taken for Funds. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds. Potential conflicts also may arise due to the fact that the Investment Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

We have established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner we deem fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as Fund trades. Such transactions shall generally be restricted.

### D. Conflicts of Interest Created by Contemporaneous Trading.

We may manage investments on behalf of a number of Funds. Certain Funds may have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is our policy to allocate investment opportunities among all Funds fairly, to the extent practical and in accordance with each Fund's applicable investment strategies, over a period of time. We will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Fund solely because we purchase or sell the same security for, enter into a transaction on behalf of, or provide an opportunity to any Fund if, in our reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the Fund at the time of the transaction.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

As noted previously, we will have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Our authority is limited by our own internal policies and procedures and each Fund's investment guidelines.

As described in Item 8, in the past we have outsourced our trading functions to an External Trading Desk to execute and/or direct substantially all of the Funds' trades on an outsourced basis. The use of an External Trading Desk can result in commissions or other charges being incurred for the account of the Funds that are higher than what would be case if we maintained and utilized a trading desk staffed by our personnel (as we currently do). While we will only maintain any such arrangement for so long as we remain satisfied that such arrangement is consistent with the our best execution obligations, we are and will be economically incentivized to use such arrangements or enter into similar alternative arrangements even if we have the capacity to provide the same services in-house at a comparable level, since we and not the Funds would bear the cost of compensation and other benefits payable to internal trading desk staff.

Portfolio transactions for each Fund will be allocated to brokers and dealers on the basis of numerous factors and not necessarily just based on lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain Funds, but not necessarily beneficial to all Funds. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

To address these and other potential conflicts, we will – on a periodic basis – review the trading activity conducted ourselves (or by an External Trading Desk, as applicable) for

the Funds to ensure that we are fulfilling our duty to seek best execution for the Funds' accounts, considering, among other things, the factors described above.

### *1. Research and Other Soft Dollar Benefits*

We believe it is important to our investment decision-making processes to have access to independent research. As described above, we may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. We will effect such transactions, and we will receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e).

Also, consistent with Section 28(e), we may use research products or services obtained with “soft dollars” generated by one or more clients to service one or more other clients, including clients that may not have paid for the soft dollar benefits. We do not seek to allocate soft dollar benefits among client accounts in proportion to the soft dollar credits the client accounts generate to each client. Where a product or service obtained with soft dollars provides both research and non-research assistance to us (i.e., a “mixed use” item), we will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of our allocation of the costs of such benefits and services between those that primarily benefit us and those that primarily benefit the Funds.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for such products or services. We may have an incentive to select or recommend a broker-dealer based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution.

At least quarterly, we will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempt to allocate a portion of the brokerage business of the Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage will be allocated on the basis of all of the considerations described above. In no case will we make binding commitments as to the level of brokerage commissions we will allocate to a broker-dealer, nor will we commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### *2. Brokerage for Client Referrals*

Neither we nor any of our related persons receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, we may



consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

### 3. *Directed Brokerage*

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

#### B. Order Aggregation.

If we determine that the purchase or sale of a security is appropriate with regard to multiple clients, we may, but are not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. If any order is not filled at the same price, orders may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which we consider equitable.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

We perform various daily, weekly, monthly, quarterly and periodic reviews of each Fund's portfolio. Such reviews are overseen by senior management.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a Fund account may be triggered by any unusual activity, special circumstances or changing market conditions.

C. Content and Frequency of Account Reports to Clients.

We generally provide annual audited financial statements to our Fund investors within 120 days of the applicable Fund's fiscal year end.

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

A. Economic Benefits for Providing Services to Clients.

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15**

### **CUSTODY**

We are deemed to have custody of client funds and securities because we have the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. We are subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). However, we are not required to comply (or will be deemed to have complied) with certain requirements of the Custody Rule with respect to the Funds because we will comply with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

We serve as the management company with discretionary trading authority to each Fund.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

We or one of our affiliates have entered into an investment management agreement, or similar agreement, with each Fund pursuant to which we or one of our affiliates has been granted discretionary trading authority.

## ITEM 17

### VOTING CLIENT SECURITIES

#### A. Policies and Procedures Relating to Voting Client Securities.

In compliance with Advisers Act Rule 206(4)-6, we have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable Fund's best interests and is in line with each Fund's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Fund and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, we may refrain from voting Proxies where we believe that not voting would be in the applicable client's best interest, taking into consideration the cost of voting the Proxies and the anticipated benefit to the Funds. Generally, the Funds or investors in the Funds may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of the Funds on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients and investors may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

**ITEM 18**  
**FINANCIAL INFORMATION**

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to the Funds, and have not been the subject of a bankruptcy petition at any time during the past ten years.