

Part 2A of Form ADV: Firm Brochure

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This firm brochure (the “**Brochure**”) provides information about the qualifications and business practices of Logica Capital Advisers, LLC. If you have any questions about the contents of this Brochure, please contact us at (424) 652-9500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

This Brochure does not constitute an offer to sell or a solicitation of any offer to invest in any security. Additional information about Logica Capital Advisers, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

Since our last update in May 2020, the following material changes have been made to this Brochure:

- **Item 1:** This has been changed to reflect that Logica Capital Advisers, LLC (“**LCA**” or the “**Adviser**”) is registering as an investment adviser with the SEC and ceasing to be registered as an investment adviser with the State of California. Numerous other small changes have been made across the various Items as a result of this.
- **Item 4:** This has been changed to reflect that LCA has regulatory assets under management of approximately \$101million.

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#### ITEM 4: ADVISORY BUSINESS

Logica Capital Advisers, LLC (“**LCA**” or the “**Adviser**”) was formed on October 28, 2011 under the laws of the State of Delaware and was registered to do business in the State of California on June 4, 2012. LCA and its affiliates and subsidiaries (collectively “**Logica**”) operate from its Los Angeles, California headquarters. LCA is a privately held alternative asset manager that provides discretionary investment advisory services to Clients. As of December 1, 2020, regulatory assets under management totaled approximately \$95,000,000, all of which is managed on a discretionary basis.

Our principal beneficial owner is Wayne Himelsein, President and Chief Investment Officer, who founded Logica in 2011. Mr. Himelsein leads LCA and is responsible for the research and development directives and investment activities of LCA. Wayne also oversees the management of LCA’s general business operations and strategy.

LCA provides discretionary investment management services to clients (“**Clients**”), using a quantitative approach based on advanced mathematical and statistical techniques. The portfolios of individual Clients are held in separately managed accounts (each, an “**Account**” and together, the “**Accounts**”). LCA is also the investment advisor to the Logica Absolute Return Fund, LP (the “**Fund**” or the “**US Master Fund**”), and Logica Absolute Return Offshore Ltd., a Cayman Islands exempted company (the “**Offshore Feeder Fund**”) that invests all or substantially all of its investable assets in the U.S. Master Fund. LCA’s advisory services are tailored to the investment objectives and guidelines set forth in an Investment Advisory Agreement (“**IAA**”) for each individual Client and as set forth in the Offering Documents for the Fund, as a co-mingled Client, including through the Private Placement Memorandum and Limited Partnership Agreement (“**Offering Documents**”).

In managing Client assets, LCA follows an overall market agnostic investment strategy, and strategically allocates Client assets among a number of complimentary investment strategies that are quantitative in nature and focus on macroeconomic exposures, equity market behavior, and volatility as an asset class, utilizing varying approaches in seeking to generate returns and manage risk. LCA applies a top down oversight that infuses its investment philosophy and risk management principles.

For the purposes of this Brochure the LCA internally developed strategies are referred to as the “**Logica Strategies**”.

The descriptions of LCA’s Clients and the Logica Strategies in this Brochure, including the type of investments made, strategies used, fees and expenses charged, risk factors, conflicts of interests that may arise and related party transactions that may occur in LCA’s management of such Client(s) and investments are qualified in their entirety by reference to each Client’s relevant investment management agreement or subscription agreements with LCA.

Logica Capital Management, LLC, a Delaware limited liability company (the “**General Partner**”) formed on January 3, 2011, acts as the general partner of the Fund. The General Partner has appointed LCA as the investment adviser to the Fund and assists LCA by providing certain administrative services to such Clients, including managing the day-to-day administrative and business affairs of the Fund. The General Partner has delegated exclusive responsibility for the management of the Fund’s assets and investment program to LCA. Logica Capital Management, LLC is a “*Relying Adviser*” of LCA, and therefore not required to register as an investment adviser, in reliance on the position expressed in the January 18, 2012 SEC’s no action letter addressed to the American Bar Association’s Subcommittee on Hedge Funds. As of the date hereof the General Partner is owned, directly and indirectly through one or more entities and/or trusts, by Wayne Himelsein, David Taylor, Patrick Rentz, Steven Greenblatt, and Michael Green.

The ownership of the General Partner is subject to change, in the sole and absolute discretion of the General Partner.

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

### ***Management Fee***

For investment management services that LCA renders to the Clients, LCA generally receives a management fee of 1.5% per annum payable monthly in arrears at the rate of 1/12 of Client net asset value, and calculated as of the last day of each month, unless such Management Fee is subsequently waived, reduced or modified, at the Adviser's sole and absolute discretion.

The Adviser may, in its sole and absolute discretion, waive or reduce the Management Fee charged with respect to one or more Clients for any period of time, or agree to apply a different Management Fee for that Client, without obtaining the consent of other Clients.

### ***Additional Fees and Expenses***

In addition to management and performance fees, the Client will also bear its operating and other expenses including securities brokerage commissions and related transaction costs, data and research costs, expenses related to short sales, clearing and settlement charges, custodial fees, bank service fees, interest expenses, borrowing costs, and other operating expenses as detailed in the Offering Documents or IAA, as applicable. Please see Item 12 below concerning our brokerage practices.

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

Each Client is subject to certain performance-based incentive fees which are paid by the Client, as applicable, directly to the affiliated Adviser or General Partner, as applicable (i.e. the Adviser Incentive Allocation for an IAA, or General Partner Incentive Allocation for the Fund). Currently, LCA charges a 15% (fifteen percent) performance fee with a High Water Mark. Performance-based fees are calculated based on a share of profits on Client assets, net of any costs or expenses, as detailed in the respective IAA or Offering Documents.

The Adviser may, in its sole and absolute discretion, waive or reduce the performance-based fee charged with respect to one or more Clients for any period of time, or agree to apply a different performance-based fee for that Client, without obtaining the consent of other Clients.

Performance based fees that are charged by LCA, may under some circumstances, create an incentive to cause the Client to make investments that are riskier or more speculative than would be the case if the compensation were not performance based, particularly in any period after losses have been suffered. Nonetheless, each Client has found the compensation scheme generally effective over time in providing trading incentives that correspond appropriately to Client goals. Also, LCA's senior management has a material investment in the Fund, which earns a return (or suffers losses) identical to the return (or loss) of independent Limited Partners that are invested in the Fund Client, such that LCA's interests are fully aligned with the interests of its Client.

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

LCA's currently provides investment advisory services via separately managed accounts or via the Funds to high net-worth individuals, investment funds, and private companies.

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

### METHOD OF ANALYSIS

#### *Technical & Statistical Quantitative Analysis*

LCA uses quantitative and/or statistical models to construct our investment portfolios, identify, and transact in securities. The Investment Adviser will seek to achieve Client investment objective by strategically allocating Client capital among the Logica Strategies using a proprietary optimization process which explicitly includes constraints on market risk factors, position limits, volatility limits and sector and portfolio exposures, while taking transaction costs into account.

#### *Risks of Quantitative Analysis*

Our analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information. While we continuously review and refine, if necessary, our investment approach, there may be market conditions where the quantitative investment approach performs poorly. Despite the proprietary nature of quantitative equity models, their effectiveness can dissipate over time as a result of the independent discovery of similar strategies by academics and practitioners and as the market becomes more efficiently priced. Technological advances in computing and the Internet have made the processing and dissemination of vast amounts of financial data much easier. As a result, the proprietary components of any model are constantly threatened with discovery and publication, which will cause their investment value to be potentially arbitrated away. Consequently, dedication to constant innovation is an integral component of any quantitative investment management process.

### INVESTMENT STRATEGIES

The Adviser seeks to achieve superior risk adjusted returns across a wide range of market conditions and economic cycles through its broad investment approach and primary focus on volatility as an asset class, which includes but is not limited to, proprietary trading strategies, risk mitigation techniques, and allocation formulas that generally seeks a balanced portfolio, with calculated use of leverage, and which collectively, accept a reasonable level of risk consistent with generating excess returns alongside the primary goal of preservation of capital, and minimal correlation to equity markets. The Adviser is primarily focused on volatility, expressed through ETF, equity, and options strategies that take a quantitative and/or systematic approach in seeking to extract alpha out of the market.

In seeking to achieve this, the Adviser allocates and optimizes Client portfolios across select systematic strategies that generally pursue a long volatility thesis, and which the Adviser has determined are complementary to one another. The Adviser primarily develops, evaluates, manages and executes proprietary investment strategies (collectively, the “**Logica Strategies**” and each a “**Logica Strategy**”). Each Logica Strategy generally trades securities that provide daily liquidity, including, without limitation, ETF and equity option exposure, proprietary trading, hedging, options trading, index and macro-economic asset exposure, short selling exposure, statistical arbitrage, dispersion trading, and volatility trading, amongst others. The Adviser’s proprietary capital allocation process seeks to enhance return - and further mitigate risk - by strategically and precisely balancing the various Logica Strategies across the portfolio; where calibration metrics between and amongst them include, but are not limited to, volatility exposure, directional exposure, and numerous components and aspects of market behavior. Consistent with this approach, the Adviser does not establish fixed guidelines or limitations regarding diversification of and/or

allocation to Logica Strategies, or the underlying positions within each Logica Strategy. At any given time, the Client assets could be concentrated in securities or asset classes that the Adviser believes offer an optimal opportunity for appreciation relative to their risk profile. However, by virtue of the portfolio construction, in which assets are strategically allocated among a number of Logica Strategies to pursue a long volatility investment approach, as well as the application of the Adviser's general risk management principles, which apply firm-wide oversight, Client assets will usually be employed amongst a balanced and diversified set of Logica Strategies that aim to be complementary in achieving these goals. Each Logica Strategy will be managed separately by the Adviser, and within the Client's prime brokerage account. If Client assets are not allocated pursuant to the Adviser's investment strategy, it may make direct investments in U.S. government obligations, money market accounts and/or other short-term debt securities. In managing the Client assets, the Adviser generally follows an overall investment strategy that is quantitative with respect to investments and strategies selected, and broadly diversified and macroeconomic in scope.

### ***Frequent Trading***

The Logica Strategies may generally trade securities with the intent to buy or sell them quickly, in an attempt to take advantage of short-term price inefficiencies in equity markets. Because Logica Strategies involve more frequent trading than does a longer-term strategy, there will generally be increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains. Because of these costs, frequent trading can affect overall investment performance.

### ***Options***

There are risks associated with long volatility investing, primarily achieved through the purchase of call or put options. The buyer of a call/put options assume the risk of a change in the market price of the underlying security away from the exercise price of the option, as well as the advance of time. Options can lose money if the underlying security stays the same, but as time moves forward. The buyer of a put or call option assumes the risk of losing its entire investment of the option purchase price, or the premium outlay.

### ***Leverage***

At LCA's discretion, we employ leverage. This practice may significantly increase a strategy's market exposure and its risk. When a portfolio has borrowed money for leverage and its investments increase or decrease in value, the portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed by the portfolio at such time) than if it had not borrowed money. In addition, the interest the portfolio must pay on borrowed money will reduce the amount of any potential gains or increase any losses.

## **MATERIAL RISKS**

Some of the risks associated with the Adviser's strategies, and the securities and other assets utilized to implement those strategies, including without limitation, the quantitative and statistical methods of analysis used by LCA. Please consult the Offering Documents for a more complete description of risk factors specific to an investment in the Fund. There is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results and different periods and market conditions may result in significantly different outcomes.

***Investment and Trading Risks in General.*** Inherent in any investment in securities is the risk of losing the invested capital. LCA believes that the investment programs of the Fund and the Accounts and LCA's research techniques moderate this risk through a careful selection of securities and investment



opportunities, as well as through the application of LCA's ongoing qualitative and quantitative risk assessment and management program. However, no guarantee or representation is made that a Client's investment program will be successful or profitable, and investment results may vary substantially over time. The investment programs of the Fund and the Accounts will utilize investment techniques such as option and derivative transactions, limited diversification, margin transactions, short sales, and futures and forward contracts, which can, in certain circumstances, maximize the adverse impact of any loss or adverse event to which the Fund and the Accounts may be subject. LCA does not, in general, attempt to measure or hedge all market or other risks inherent in the Fund's or an Account's portfolio, and seek to measure and hedge certain risks, if at all, only partially. Specifically, we may choose not, or may determine that it is economically unattractive, to hedge certain risks, instead relying on diversification in an attempt to mitigate the risks.

**General Market and Economic Risk.** Most trading strategies utilized by LCA involve some, and occasionally a significant degree of, market risk. The profitability of the Fund and the Accounts depends, in significant part, upon LCA correctly assessing future price movements of securities and other financial instruments. LCA cannot assure any Client that LCA will accurately predict these price movements. Additionally, unanticipated illiquidity in a market could lead to substantial losses or mean that the Fund or an Account is unable to close out certain positions when it wishes. The success of the Fund's and the Accounts' activities also will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of investments) or regulations (or their interpretation), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors will affect the level and volatility of the prices of securities, commodities and other financial instruments and the liquidity of the Fund's and the Accounts' investments. Illiquidity or significant changes in volatility could impair profitability or result in losses. The Fund and the Accounts invest in the U.S. and a number of other countries. The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, relative currency appreciation or depreciation, asset reinvestment opportunities, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation than others.

**Public Health Risk.** The Fund and the Accounts could be materially adversely affected by the widespread outbreak of infectious disease or other public health crises, including the current COVID-19 pandemic. As further described below, public health crises such as the COVID-19 pandemic, together with any containment or other remedial measures undertaken or imposed, could have a material and adverse effect on the Fund and the Accounts and their investments, including by disrupting or otherwise materially adversely affecting the human capital, business operations or financial resources of LCA, the Fund's Administrator and/or other service providers and counterparties as well as exchanges, clearinghouses and other market participants and severely disrupting global, national and/or regional economies and financial markets and precipitating an economic downturn or recession that could materially adversely affect the value and performance of the Fund and its investments. For example, the COVID-19 pandemic has already led to extreme volatility in the financial markets (including several brief automatic trading halts on U.S. stock exchanges). Public health crises and efforts to address them may result in any or all of the following (and, in the case of the COVID-19 pandemic, has resulted in certain of the following): (i) the closure of LCA's offices or other businesses, including office buildings, factories, retail stores, distribution channels and other commercial venues, (ii) workforce, trade or travel disruptions or restrictions (including related cybersecurity incidents) negatively impacting LCA's operations, (iii) the institution of short sale bans in a

number of markets or the closure of certain exchanges or trading venues or (vi) a reduction in the availability and/or adverse changes in the terms of capital or leverage. Any of the foregoing could have a material adverse impact on the Fund, the Fund's investments, the Accounts, the Accounts' investments and LCA's ability to continue to operate certain investment strategies. In addition, public health crises such as the COVID-19 pandemic and containment efforts may adversely affect the ability, or the willingness, of a party to perform its obligations under its contracts and lead to uncertainty over whether such failure to perform (or delay in performing) might be excused under so called "*material adverse change*," force majeure and similar provisions in such contracts. As a result, (i) counterparties and service providers to the Fund, the Accounts or LCA may fail to perform (or delay the performance of) their obligations, (ii) pending transactions may not close or settle on time or at all, (iii) the Fund, an Account or LCA may be forced to breach (or may determine not to perform obligations under) certain agreements, and (iv) related litigation may ensue. Any of these occurrences could have a material adverse effect on the Fund and its investments. The extent of the impact of COVID-19 on the Fund, the Accounts and their investments will depend largely on future developments, including the severity, duration and spread of the outbreak throughout the world and the effect on the global economy and the markets in which the Fund and the Accounts invest, all of which are highly uncertain and cannot be predicted, but the impact is likely to be material.

***Potential Interest Rate Increases.*** The U.S. 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 Fund or an Account to decrease, which may result in substantial withdrawals or redemptions from the Fund or such Account that, in turn, force the Fund or such Account to liquidate such securities at disadvantageous prices negatively impacting the performance of the Fund or such Account.

***Extraordinary Market Conditions and Governmental Actions.*** Unpredictable or unstable market conditions may result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from the Fund's existing investments. An example of this sort of instability started in 2007, when markets experienced significant losses arising largely because global credit spreads widened materially, equity index levels declined, and many funds liquidated assets. In reaction to the extreme losses and volatility in commodities and securities markets and the failure of credit markets to function normally, regulators in several countries undertook extraordinary regulatory actions in 2008, including, but not limited to, short-selling restrictions. Regulators and central banks in the U.S. and other countries continue to consider and implement measures intended to stabilize and encourage growth in U.S. and global financial markets. LCA believes that the Clients may be materially and adversely affected by similar or other events in the future. For example, markets may experience extreme volatility and losses and the Clients may be unable to hedge, or effectively hedge, certain material risks. In the long term, there may be significant new regulations that could limit the Clients' activities and investment opportunities or change the functioning of capital markets. Consequently, the Clients may not be capable of, or successful at, preserving the value of their assets, generating positive investment returns or effectively managing its risks. It is important to understand that the Clients can incur material losses even if they react quickly to difficult market conditions and there can be no assurance that the Fund will not suffer material adverse effects from broad and rapid changes in market conditions and related regulatory actions.

***Regulatory Changes for Hedge Funds.*** The legal, tax and regulatory environment worldwide for private funds (such as the Fund) and accounts utilizing hedge fund strategies (each, an "**Account**" and together, "**Accounts**"), their managers and advisers is evolving, and changes in the regulation of private funds, accounts utilizing hedge fund strategies, their managers and advisers, and their trading and investing activities may have a material adverse effect on the ability of the Clients to pursue their investment program and the value of investments held by the Clients. There has been an increase in scrutiny of the alternative

investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Clients to pursue their investment programs or conduct business with brokers and other counterparties could have a material adverse effect on the Clients. Such laws and regulations may also materially increase the costs of operating the Fund or an Account and the costs of executing and financing certain strategies utilized by the Clients, which costs are borne by each Client. In addition, LCA may, in its sole discretion, cause a Client to be subject to certain laws and regulations if we believe that to be in the Client's interest, even if such laws and regulations may have a detrimental effect on one or more investors.

***Dodd-Frank Act.*** The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) was enacted in July 2010. The Dodd-Frank Act has resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Additionally, under the Dodd-Frank Act, the SEC and the U.S. Commodity Futures Trading Commission (the “**CFTC**”) have mandated (and will mandate) recordkeeping, reporting, central clearing and mandatory trading on electronic facilities requirements for investment advisers, which add costs to LCA's and the Fund's and the Accounts' legal, operational and compliance obligations and increase the amount of time that LCA spends on non-investment-related activities. The Dodd-Frank Act affects a broad range of market participants with whom the Fund and the Accounts interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker-dealers, and may change the way in which LCA conducts business with its brokers and other counterparties.

***Regulation in the Derivatives Industry.*** The Dodd-Frank Act has had a significant impact on the derivatives industry. The Dodd-Frank Act divides the regulatory responsibility for derivatives in the United States between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The CFTC has regulatory authority over “*swaps*” and the SEC has regulatory authority over “*security-based swaps*.” As a result of this bifurcation and the different pace at which the agencies have promulgated necessary regulations, different transactions are subject to different levels of regulation in the U.S. Though many rules and regulations have been finalized, there are others that are still in the proposal stage and more that will be introduced. In addition, there has been and will be extensive rulemaking related to derivative products by non-U.S. regulatory authorities. Differences between regulatory regimes may make it more difficult or costly for dealers, prime brokers, futures commission merchants (“**FCMs**”), custodians, exchanges, clearinghouses and other entities, such as the Fund, to comply with and follow various regulatory regimes. There are significant legal, operational, technological and trading implications that result from the Dodd-Frank Act and related rules and regulations that may make it difficult or impossible for the Fund or the Accounts to enter into otherwise beneficial transactions.

***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 Fund and the Accounts interact, as well as the Fund and the Accounts, are all subject to systemic risk. A systemic failure could have material adverse consequences on a Fund and on the markets for the securities in which the Fund and the Accounts seek to invest.

***Assumption of Business, Terrorism and Catastrophe Risks.*** The Fund and the Accounts may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Fund and its investors' investments therein.

**Trade Error Risk.** Occasionally, transactions may be executed erroneously on terms other than those intended by LCA. For example, a transaction may be executed in the wrong asset, for the wrong quantity or price, to buy when the LCA meant to sell, to sell when LCA meant to buy or by reason of a programming error in a trading program. Programming errors could also lead to the submission of repetitive orders or orders otherwise made in excess of any intention, or could cause an algorithm-driven program to bypass risk management or other controls. Except to the extent otherwise required by law, the Fund will bear the losses or costs of any such errors. Given the potentially large volume of transactions executed on behalf of the Fund and the Accounts, investors should expect that trade errors will occur from time to time.

**Trade Execution Risk.** Many of the investment techniques used by the Fund and the Accounts require the rapid and efficient execution of transactions, or the ability of the Fund or an Account to accumulate or liquidate large positions. Inefficient execution can impair realization of the market opportunities sought with the techniques.

**Model-based Strategies.** Certain investment strategies utilized by the Fund and the Accounts are based on models of the behavior of financial instruments, market conditions or certain market participants and use formulas or algorithms to make trading decisions by reviewing a variety of inputs, comparing the information against historical and current data, and predicting price movements. These models are developed by LCA or third parties. Models generally must be updated in order to remain effective. There can be no assurance that LCA will be able to continue to develop, update or acquire effective models and any changes that are made in an attempt to respond to perceived changes in market conditions may be unsuccessful. Additionally, virtually all computer programs contain some errors or “bugs” and it is impractical to eliminate 100% of the bugs in the programming process (although programs generally are tested before they are put into use, in an attempt to eliminate errors that would be likely to have significant consequences). As a result, while LCA expects that its personnel will endeavor to minimize the effect of programming errors, LCA cannot provide any assurance that all programs will in all instances operate in the intended manner, and there may be remaining programming errors which could have substantial adverse consequences.

**Statistical Arbitrage Strategies.** The success of the Fund’s or an Account’s statistical arbitrage or quantitative strategies depends on the market values of various financial instruments moving towards their theoretical values (or relative values) as predicted by statistical modeling. In the event of market disruptions generally or specific events that cause deviations from historical relationships between certain financial instruments and other instruments or data points used to predict value, significant losses could be incurred.

**Regulatory Risks Applicable to Algorithmic Trading Strategies.** A recent increase in governmental and regulatory scrutiny has focused on investment funds that operate automated or computer-based trading. Such scrutiny has led and can in the future lead to costly investigations, litigation, legislative testimony, loss of reputation, fines and settlements, and could also result in additional severe consequences. The SEC approved a two-year pilot program that began in May 2016 that will allow equity securities of certain, small-cap companies with a market capitalization of \$3 billion or less, among other factors, to trade in five-cent increments. This may have the effect of increasing the cost of trading by market participants, including the Fund. The SEC has considered the imposition of additional mechanisms to eliminate “quote stuffing,” whereby large numbers of stock orders are placed and canceled almost immediately, such as by setting minimum amounts of time for which stock quotes must remain active. The implementation of new trading “circuit breakers” and additional trading limitations are also being considered by the SEC. These mechanisms would restrict programmatic trading in the event that a market moved up or down by more than a predetermined number of points on any trading day. The CFTC proposed Regulation Automated Trading (“**Regulation AT**”) in November 2015, which would impose potentially burdensome risk and compliance controls on any person engaged in “algorithmic trading” on any U.S. designated contract market, including among other things, certain pre-trade risk controls, and policies addressing controls

around model development, testing and monitoring and algorithmic-focused training. The MiFID II Proposals in the European Union also introduce rules on algorithmic trading in financial instruments. In the event of their implementation, compliance with any one or more of the abovementioned proposed regulations may negatively impact the ability of LCA and the Fund and Accounts to effect certain trading strategies, and may in turn have a negative effect on the Fund's and the Accounts' investments. Regulation of algorithmic trading is also being considered by other global securities regulators.

***Quantitative Analysis.*** LCA's risk management systems rely heavily on quantitative models and information and data that is supplied or acquired rather than developed by trade-by-trade analysis and discretion. Models are used to construct sets of transactions and investments, to value investments or potential investments for trading purposes, to provide risk management insights, and to assist in hedging the Fund's investments. When models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Fund and the Accounts to potential risks. For example, by relying on models and data, LCA may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. A significant number of the models are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such models may produce unexpected results, which can result in losses for the Fund. Furthermore, because predictive models are usually constructed based on historical data supplied or acquired, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data. While such data regarding historical market conditions, pricing and other information is believed to be accurate, such data will not necessarily be independently verified in each instance. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. In addition, given that the systems can execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred.

***Data Feed Failure.*** Certain of LCA's models utilize data feeds from a number of sources. If such data feeds become corrupted, compromised, limited or discontinued, or become undeliverable or inaccessible in a timely manner, the models may not be properly formulated. The failure to receive the data feeds or receive the data feeds in a timely manner may leave LCA or the Fund and Accounts unable to trade, and may expose the Fund and the Accounts to risk of loss or loss of opportunities, especially if the loss of the data feed coincides with turbulent market conditions. If the data feeds are discontinued, compromised in any material respect or not deliverable or accessible in a timely manner, it may result in a material loss to the Fund and the Accounts.

***Use of Simulations.*** Certain of LCA's investment processes will involve the construction of investment strategies based on a combination of trading signals and the simulated back-testing of such trading signals and investment strategies against historical market conditions, pricing and other information over chosen historical time periods. Simulations generated by LCA for the purpose of constructing the Fund's and the Accounts' portfolios involve numerous methodologies and assumptions, certain of which are highly subjective in nature. There can be no guarantee that the predictive results of any simulation will be accurate. For example, a simulation may not reflect the impact that material economic and market conditions may have had on the LCA's decision making if the simulation had been reflective of actual trading by LCA. Methodologies and assumptions used to generate simulations are subjective in nature and modifications in the methodologies used and assumptions made could materially impact the results of a simulation and associated investment activity.

***Crowding/Convergence.*** There is significant competition among quantitatively focused managers and the ability of applicable portfolio managers to deliver returns that have a low correlation with global aggregate equity markets, and to achieve their intended results generally, may be dependent on their ability to employ models that are simultaneously profitable and differentiated from those employed by other similar managers. To the extent that LCA is not able to develop sufficiently differentiated models, and maintain the differentiating factors, LCA's intended investment objective may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that LCA's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect a Fund is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

***Unauthorized Access Risk.*** The ability of LCA to achieve its investment goals for the Fund and the Accounts is dependent in large part on LCA's ability to develop and protect such models and proprietary research. The models and proprietary research and the models and data are largely protected by us through the use of policies, procedures, agreements, surveillance and other measures designed to create and enforce confidentiality, non-disclosure and similar safeguards. There can be no assurance, however, that such safeguards will be successful, and unauthorized access to such information could lead to opportunities for third-parties to reverse-engineer LCA's models and thereby impair the performance of the Fund and the Accounts.

***Market Data.*** LCA, like many financial institutions, uses a wide variety and large quantity of market data procured from a host of different suppliers, including multiple exchanges. Notwithstanding LCA's reliance on large quantities of market data, sources of market data may decline over time, which could adversely impact the investment program of the Fund. In addition, market data contract pricing and terms are complex and subject to change without prior notice in many cases; increases in market data contract pricing could make the acquisition of certain data significantly more expensive, which would negatively impact the Fund's and the Accounts' net performance by reducing returns or making it cost-prohibitive to acquire or retain certain data sources.

***Risks Inherent in Computer-Driven and Technological Systems.*** LCA relies extensively on a wide range of technological systems, including computer hardware and software systems and telecommunications systems, in all phases of daily operations, including research, valuation, trade identification and construction, trade execution, clearing, risk management, back office functions and reporting. Such systems are subject to a number of inherent and unpredictable risks. For example, there may be materially adverse undiscovered errors in software programs; costs of procurement of such technology may increase; claims related to intellectual property infringement may be brought against users of technology, including the Fund and the Accounts; software and/or hardware may malfunction and/or degrade; electronic and telecommunications delivery may fail; security breaches may lead to unauthorized trades or stolen intellectual property; services provided by third-party vendors to support the intellectual property systems may be interrupted; and computer-driven trading errors may occur.

***Stock Market Risk.*** The Fund's and the Accounts' long positions may decline in value at the same time that the value of the securities sold short by the Fund and the Accounts increase in value, thereby increasing the potential for loss to the Fund and its investors and to the Accounts. It is also possible that LCA may misjudge the effect a particular security or securities will have on the Fund's and Accounts' exposure to market risk or that LCA may misjudge the effect that a particular combination of securities that may be held long or sold short will have on the Fund or an Account, and this may result in the LCA's failure to insulate the Fund or an Account from general equity market risk.

***Large-cap stock risk.*** The chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than the stock

market in general. These periods have, in the past, lasted for as long as several years which is the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

***Hedging Strategies.*** There can be no assurances that a particular hedging strategy implemented by LCA is appropriate, or that certain risk is measured properly. Further, while LCA may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and/or increased (rather than reduced) risk for the investment portfolios than if LCA did not engage in any such hedging transactions.

***Short sale risk.*** Short sales lose when the stock price rises. As such, the market risk is unlimited in that the increase in the market price of the security sold short is unlimited. In addition, the amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium, dividends, interest or expenses the Fund or an Account may be required to pay in connection with a short sale.

***Borrowing and Leverage.*** The Fund and the Accounts may invest in securities subject to indebtedness. This practice, depending upon the extent to which it is employed, may significantly increase the Fund's and the Accounts' market exposure and risk. When the Fund or an Account has borrowed money for leverage and its investments increase or decrease in value, its portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed by the Fund or Account at such time) than if it had not borrowed money. In addition, the interest the Fund and the Accounts must pay on borrowed money will reduce the amount of any potential gains or increase any losses. The extent to which the Fund and the Accounts portfolio will borrow money, and the amount they may borrow, will depend on market conditions and interest rates.

***Economic Risk.*** Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of a strategy.

***Investment Competition.*** The market for some types of securities is highly competitive. The Fund and the Accounts will be competing for investment opportunities with a significant number of financial institutions, other private clients as well as various institutional investors. Many of these competitors are larger and have greater financial, human and other resources than LCA has and may in certain circumstances have a competitive advantage over the Fund and the Accounts. As a result of this competition, there may be fewer attractively priced investment opportunities, which could have an adverse impact on LCA's ability to meet the Fund or an Account's investment objective or the length of time that is required for the Fund or an Account to become fully invested.

***Counterparty Creditworthiness.*** The Fund and the Accounts may trade securities on a principal basis in the over-the-counter market and, therefore, may be subject to the risk of insolvency, bankruptcy or delivery failure of the transactions counterparty.

***Institutional Risk and Custodial Risks.*** The institutions, including brokerage firms and banks, with which the Fund and the Accounts (directly or indirectly) do business, or to which securities have been entrusted for custodial and prime brokerage purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Fund or an Account. Brokers may trade with an exchange as a principal on behalf of an account, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to assets of the account (for example, the transactions which the broker has entered into on behalf of the account as principal as well as the margin payments which the account provides). In the event of such

broker's insolvency, the transactions which the broker has entered into as principal could default and the account's assets could become part of the insolvent broker's estate, to the detriment of the Fund or an Account. In this regard, Fund or Account assets may be held in "*street name*" such that a default by the broker may cause the Fund's or Account's rights to be limited to that of an unsecured creditor.

**Foreign Securities.** The Fund and the Accounts may invest in American Depositary Receipts ("ADRs"), which are U.S. dollar denominated equity and debt securities of foreign issuers or directly in foreign securities. Interest or dividend payments on such securities may be subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general.

**Portfolio Turnover.** LCA implements strategies that may frequently invest on the basis of short-term market considerations. The turnover rate of the Fund's and the Accounts' positions may therefore be significant, potentially involving substantial brokerage commissions and fees.

**Model and Data Risk.** Given the complexity of LCA's investment strategies, LCA must rely heavily on quantitative models and information and data supplied by third parties ("**Models and Data**") rather than granting trade-by-trade discretion to LCA's investment professionals. Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of an account), to provide risk management insights, and to assist in hedging LCA's investments. When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Fund and the Accounts to potential risks. For example, by relying on Models and Data, LCA may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Furthermore, when determining the net asset value of the Fund's or an Account's portfolio, any valuations of the Fund's or such Account's portfolio's investments that are based on valuation models may prove to be incorrect. Some of the models used by LCA are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind; for instance, major earthquakes or terrorist attacks), such models may produce unexpected results, which can result in losses to the Fund's or an Account's portfolio. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data. That said, LCA employs steps to use the best service providers for historical data to mitigate this risk. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, "*model prices*" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities.

**Obsolescence Risk.** LCA's strategies are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is possible that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and LCA does not successfully address such omission through its testing and evaluation and modify the models accordingly, losses may result. LCA will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. There can be no assurance as to the effects (positive or negative) of any modification on the Fund's or an Account's portfolio.



***Risk of Programming and Modeling Errors.*** LCA's research and modeling process is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although LCA seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of such errors could adversely affect the Fund's portfolio and likely would not constitute a trade error under LCA's policies.

***Technology and Computer Infrastructure.*** The computer infrastructure of LCA, and its respective affiliates and subsidiaries (as applicable) may be vulnerable to security breaches. Any such problems could jeopardize confidential information transmitted over the internet, cause interruptions in LCA's operations or give rise to liabilities to third parties. Concerns over the security of internet transactions and the safeguarding of confidential information could also inhibit the use of LCA's systems to conduct transactions over the internet. To the extent that investment activities involve the storage and transmission of proprietary information and trading information, security breaches could expose us to a risk of financial loss, litigation and other liabilities. LCA's control policies may not protect us against all of such losses and liabilities. Any of these events, could have a material adverse effect on the portfolios and result in operational losses or lack of functionality to conduct business.

***Performance-Based Compensation, in General.*** The Fund's General Partner and/or LCA will receive certain performance-based compensation in the form of performance fees and/or incentive allocations, based on the performance of the Fund and the Accounts. A common concern for investors and regulators is the fact that the right to receive performance-based fees/incentive allocations may create an incentive for the General Partner and/or LCA to make investments that are riskier or more speculative than those that might have been made in the absence of such performance-based compensation arrangements in order to maximize their own compensation at the risk or to the detriment of the Fund and its investors and the Accounts. In addition, because such performance-based fees/incentive allocations are generally calculated on a basis that includes realized and unrealized appreciation of the Fund's and the Accounts' assets, the allocation may be greater than if it were based solely on realized gains. Further, because such performance-based fees/incentive allocations are not subject to clawback after they are crystalized at the close of the fiscal year, there is the possibility that any performance-based compensation that the General Partner and/or LCA earns will be theirs, at a cost to investors, even though the Fund and its investors and the Accounts may sustain losses in future years and therefore never surpass the high-water mark at the time the last earned fees were crystalized. All of these dynamics create a potentially significant conflict of interest inherent in the traditional fee structures associated with investments in hedge funds and other private investment funds. As a result, investors in the Fund and the Accounts must be prepared and able to assume these conflicts of interest and corresponding risks associated with this type of fee structure.

***Long Volatility Investing and Long Volatility Instruments.*** LCA's investment objective primarily focuses on long volatility investing, which is primarily carried out through long volatility instruments, such as equity or index options. By its very nature, there is a cost to owning the right to benefit from volatility. Without any trading, the mere ownership of a long volatility instrument, such as a put or call option, results in a slow loss of capital, oftentimes referred to in the financial industry as "*bleed*". Analogous to purchasing insurance, and paying ongoing premiums, a long volatility instrument generally carries a cost of ownership, calculated daily, such that if naively held until expiration, the value would decay, over the time held, to reach zero. Given the risk of a worthless expiration, and the steady decay in value as it approaches expiration, the mere act of giving an investment the time it may need to succeed, embeds a cost, and associated loss, to the Fund and the Accounts. By investing in long volatility, LCA believes that its investment strategy can not only derive profits on its own merit, but has the ability to generate enough profit

to surpass the fixed cost of ownership, or value decay, associated with the mere ownership of such assets. If LCA is wrong in its judgement or forecasts, the Fund and the Accounts will not only lose on the incorrect forecast, but also on the “*bleed*” suffered during the time they held.

***Options and Other Derivative Instruments.*** The Fund and the Accounts may invest in derivative instruments. The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depends upon the price of the securities, currencies or other assets underlying them. The Fund and the Accounts are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments. Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by the Fund or an Account were permitted to expire without being sold or exercised, the Fund or such Account would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Fund or such Account at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Fund or such Account at a lower price than its current market value. Purchasing and writing put and call options and, in particular, writing “*uncovered*” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase, except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Fund or an Account of all or a substantial portion of its assets. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

***Counterparty Risks.*** The Fund and the Accounts may enter into many transactions, including derivative and other over-the-counter transactions, with or through third parties in which the failure of the third party to perform its obligations could have a material adverse effect on the Fund or an Account. The counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund or an Account has concentrated its transactions with a single or small group of counterparties. The assets of the Fund and the Accounts generally are held in accounts maintained for them by their prime brokers or in accounts with other market participants, including non-U.S. sub-custodians

selected by the prime brokers. These accounts generally are not segregated, bankruptcy-remote accounts titled in the owner's name and, therefore, a failure of any broker or market participant is likely to have a greater adverse impact than if the assets, or the accounts in which they are held, were registered in the name of the Fund or an Account. In addition, because the Fund's and Accounts' securities generally are held in margin accounts, and the prime brokers have the ability to loan those securities to other persons, the Fund's ability to recover all of its assets in the context of a bankruptcy or other failure of a prime broker may be further limited. The Fund and the Accounts may transact with counterparties (including prime brokers) located in various jurisdictions outside the U.S. The local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Fund's or the Accounts' 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 Fund, the Accounts and their assets. Investors should assume that the insolvency of any significant counterparty would result in a loss to the Fund or an Account, which could be material. If any counterparties of the Fund or an Account were to become insolvent or the subject of liquidation proceedings, there exists the risk that the recovery of the Fund's or such Account's securities and other assets from the 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 the prime broker or broker-dealer. Additionally, there is a risk that positions that are reasonably hedged may become "*unhedged*" as a result of the effect of insolvency proceedings.

**Position Limits.** "*Position limits*" imposed by various regulators or self-regulatory organizations and exchanges may also limit the Fund's or an Account's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Fund or an Account does not intend to exceed applicable position limits, it is possible that another fund or account managed by LCA may be aggregated. To the extent that the Fund's position limits were aggregated with another fund's or an affiliate's position limits, the effect on the Fund and resulting restriction on its investment activities may be significant. If at any time, positions managed by LCA were to exceed applicable position limits, we would be required to liquidate positions, which might include positions of the Fund or an Account, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Fund and the Accounts might have to forego or modify certain of its contemplated trades.

**Option-Volatility Trading.** Option-volatility trading is a derivatives-based strategy that seeks to profit from market turbulence (or the lack thereof), as reflected in movements in option prices that result from market fluctuations. The goal of employing this strategy is to buy inexpensively priced (*i.e.*, cheap implied volatility) options whose underlying instruments are expected to be more volatile, and sell expensively priced (*i.e.*, rich implied volatility) options whose underlying instruments are expected to be less volatile. The strategy may be implemented through options on equities and equity indices, or in other asset classes such as foreign exchange and fixed income. Such option combinations include spreads (buying an option to buy or sell an asset while simultaneously selling an option to buy or sell the same asset with a different expiration date or strike price) or straddles (option combinations that will profit from movement in the level of the value of an asset outside of certain bands, or the lack of such movement, without regard to whether the movement is upward or downward). Option-volatility trading may also involve trades in which futures (or other derivatives) are used to create a position that synthetically resembles an option or option combination, or in which options are purchased or sold versus an offsetting position in the underlying market (such as a basket of stocks). The decision process is dependent on fundamental and technical analysis of the underlying instruments and computer models are often used to enhance the execution of various hedges. Option-volatility trading is a complex financial strategy and requires significant resources

and capabilities. The pricing of options, VIX futures, volatility swaps, variance swaps and other related products (together, “**volatility derivatives**”) involves a wide variety of factors—including prices of the underlying assets, implied volatility surfaces, interest rate yield curves, and time to expiry. Not only will different traders differ among themselves concerning the correct theoretical value for a given volatility derivative, but actual and theoretical values may diverge for extended periods of time. There can be no assurance LCA will correctly identify volatility derivative positions that are mispriced relative to the underlying or relative to another volatility derivative or that the market will, in fact, regress to theoretical values. In addition, when trading options on equity indices, the Fund and the Accounts could suffer losses from increased diversification in the index even when individual equities are more volatile than expected, resulting in less than expected movement in the index. As a consequence of the foregoing factors, substantial losses could be incurred by the Fund and the Accounts.

**Short Positions.** The Fund and the Accounts routinely take short positions in a wide range of assets, typically as part of a hedged strategy intended to reduce the risk of investing. A short sale of an asset exposes the seller to the risk of an increase in the market price of that asset with a theoretically unlimited risk of loss. Purchasing assets to close out a short position can itself cause their market price to rise further, increasing losses on the short position. Furthermore, the Fund or an Account may prematurely be forced to close out a short position if a lender demands the return of the asset borrowed (and sold short) and an alternative source of borrowing that asset is not available. Certain market regulators have imposed restrictions (including required reporting) or bans on the ability of market participants to take short positions and the frequency with which such restrictions are imposed has increased in recent years. Among other things, such restrictions make hedging practices more difficult and expose the Fund and the Accounts to greater risk.

**Changes in Derivatives Regulations.** The regulatory environment for derivatives is evolving, and changes in such regulation could restrict, make costlier, or otherwise adversely affect the Fund’s and the Accounts’ ability to pursue their investment strategies.

**Future Regulatory Change is Impossible to Predict.** The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Fund and the Accounts is impossible to predict, but could be substantial and adverse.

**Risk of Loss.** The performance of the Fund and the Accounts can be highly volatile. The Fund and the Accounts may lose capital through (i) investment losses, (ii) withdrawals of capital to fund expenses or in connection with equity withdrawals and redemptions by investors or (iii) a combination of investments losses and such withdrawals of capital. Investment losses may give rise to requests for equity withdrawals and redemptions, but withdrawals and redemptions may occur irrespective of performance, and perhaps for reasons wholly unrelated to the Fund or Account.

## **ITEM 9: DISCIPLINARY INFORMATION**

There are currently no reportable legal or disciplinary events that are material to a Client or to the Fund, prospective clients or their evaluation of LCA’s advisory business or the integrity of LCA’s management.

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

Neither LCA, nor any of its management persons, are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. LCA has filed an exemption with the National Futures Association as a commodity pool operator under Section 4.13(a)(3) and as a commodity trading adviser under Section 4.14(a)(8) of the Commodity Exchange Act.

Logica Absolute Return Fund, LP, a Delaware Limited Partnership (the “**Fund**” or the “**U.S. Master Fund**”), is a new affiliate of the Adviser, launched on April 1, 2020. The Fund will sell limited partnership interests to clients. LCA will act as the adviser to the Fund, and LCM will serve as its General Partner.

Logica Absolute Return Offshore Ltd., a Cayman Islands exempted company (the “**Offshore Feeder Fund**”) was incorporated under the laws of the Cayman Islands on September 21, 2020 and launched on November 1, 2020, to facilitate indirect investments by investors in the U.S. Master Fund. The Offshore Feeder Fund will invest all or substantially all of its investable assets in the U.S. Master Fund which, in turn, will invest its assets in accordance with the investment program of the U.S. Master Fund set forth in the U.S. Master Fund Offering Documents. LCA will act as the investment manager to the Offshore Feeder Fund. The affairs of the Offshore Feeder Fund are managed by its directors, Wayne Himelsein, Karl O’Reilly and James Macfee (collectively the “**Directors**”). The Directors have delegated the day-to-day operation of the Offshore Feeder Fund to service providers including the LCA, the Offshore Fund’s administrator and NAV calculation agent. The services of Karl O’Reilly and James Macfee, as Directors of the Fund, are provided by International Management Services Ltd. (“**IMS**”).

Logica Capital Management, LLC (“**LCM**”), a Delaware limited liability company, is an affiliate to the Adviser, and would classify as a Relying Adviser. LCM aids and assists LCA by providing certain administrative services, including managing certain aspects of the day-to-day administrative and business affairs, as well as now serves as General Partner to the Fund. Responsibility for the management of Client assets and investment program are with LCA and LCM. Wayne Himelsein is the principal member, manager and controlling person of both the LCA and LCM. In addition, LCA executive officers and management personnel all hold the same membership interests in LCM.

Random Holdings, LLC, and its wholly owned subsidiaries (“**RH**”), a Delaware limited liability company, are a related entity to the Adviser with common ownership interest and control. RH provides investment capital with which the Adviser builds and trades its strategies, including those it offers to its Clients, as well as those in the process of research and development. Exclusive responsibility for the management of Client assets and investment program are with LCA. Wayne Himelsein is the principal member, manager and controlling person of LCA (and LCM), and is also the Investment Manager and a controlling person of RH. In addition, RH holds membership interests in LCA and LCM, as well as invests as a Limited Partner in the Fund.

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

### ***Description of Our Code of Ethics***

LCA aims to comply with all applicable laws and regulations governing LCA’s practices and activities. Accordingly, LCA’s Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. LCA’s goal is to protect its Client’s interests at all times and to demonstrate LCA’s commitment to its fiduciary duties of honesty, good faith, and fair dealing with our Clients. All of LCA’s Associated Persons are expected to adhere strictly to these guidelines. Persons associated with LCA are also required to report any violations of our Code of Ethics. Additionally, LCA maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about investors or their account holdings by persons associated with LCA. Clients or prospective clients

may obtain a copy of the Code of Ethics by contacting LCA at the telephone number on the cover page of this Brochure.

### ***Participation or Interest in Client Transactions***

Neither LCA nor any of LCA's Associated Persons has any material financial interest in Client transactions beyond the provision of investment advisory services as disclosed in this Brochure; provided, however, LCA will of course have a material financial interest with any Client who is specifically a related party and/or if its capital is directly provided by an LCA Associated Person.

### ***Personal Trading Practices***

LCA or an LCA Associated Person will buy or sell securities for Clients before LCA or LCA Associated Persons buy or sell such securities for their own account. Please refer to the "*Brokerage Practices*" section in this Brochure for information on LCA's block trading practices.

A conflict of interest may exist in such cases because LCA has the ability to trade ahead of its Clients and potentially receive more favorable prices than its Clients will receive. To eliminate this conflict of interest, it is LCA's policy that neither LCA nor LCA Associated Persons shall have priority over Client accounts in the purchase or sale of securities. It is also LCA's goal to trade at very different times and in highly liquid markets and instruments such that any risk of potential conflict(s) is minimized.

## **ITEM 12: BROKERAGE PRACTICES**

### ***Selection of Broker –Dealers***

LCA's objective in selecting broker-dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant.

These factors include, but are not limited to, LCA's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and other brokers or dealers considered; LCA's knowledge of actual or apparent operational problems of any broker or dealer; the broker's or dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of spreads or commissions; and the research services and products furnished by the broker-dealer, if any.

Although LCA generally seeks competitive commission rates and dealer spreads, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

### ***Research and Other Soft-Dollar Benefits***

LCA does not utilize nor receive any soft dollar benefits, nor does it take soft dollars into consideration when executing trades. From time to time, we may receive unsolicited research from brokers. We do not

use any unsolicited research, and receipt of such research does not influence our decision to use the broker providing it.

### ***Brokerage for Client Referrals***

Representatives of LCA may from time to time speak at conferences and programs sponsored by brokers or dealers that are directed at investors interested in investing in alternative investment Clients. LCA may also utilize third party marketing firms affiliated with a broker-dealer. These conferences and programs and marketers may be a means by which LCA can be introduced to Clients or prospective investors. In addition, brokers or dealers may refer Clients to, or arrange for meetings with, potential investors who are also clients of such broker dealers. While these conferences, programs, references and meetings (collectively, a “**Capital Introduction Programs**”) may be arranged by brokers or dealers, there is no guarantee that any Client or potential investor participating in a Capital Introduction Program will invest. Generally, other than the standard commission rates and customary brokerage fees paid by an account (which would be paid solely for trade execution and/or brokerage services), the brokers or dealers do not receive any compensation, directly or indirectly, for such participation in a Capital Introduction Program or any subsequent investments which may result from such participation, unless negotiated upfront and made wholly transparent to the Client, and at the full discretion of a potential Client. Furthermore, participation in a Capital Introduction Program is not a consideration for LCA in selecting or retaining brokers or executing trades.

### ***Aggregation of Purchases and Sales of Securities***

When possible, trade orders are combined or “*batched*” to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commissions or spreads. These batched orders are then generally allocated on a pro-rata basis, at the same average price, among each client participating in that specific trade, including all Clients, subject to certain investment considerations. In instances where aggregation is not practical or possible, our investment professionals seek to follow our best execution policies, whereby we believe the costs of not aggregating client orders are either immaterial or marginal. See below for a discussion of LCA’s allocation guidelines.

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

### ***Account and Portfolio Review***

LCA is continually reviewing and revising its portfolio models and their suitability for Clients. This is an ongoing effort. LCA continuously reviews and monitors the Client portfolio accounts along with the specific portions of the Client portfolio allocated among the various internal Logica Strategies. Such review includes performance analysis and adherence to Client investment guidelines and objectives. Additional reviews may be triggered by, among other factors, changing market conditions, news concerning specific holdings, or at the specific request of a Client.

### ***Reporting***

The custodian, Interactive Brokers, provides each Client financial statements at any frequency they prefer, whether daily, monthly or quarterly, which are prepared and delivered by Interactive Brokers. The IAA Client also has the ability to login and view their account online, and all of its positions and associated transactions and reports, in real-time. Separately, the third party Administrator, NAV Consulting, provides monthly statements and related industry standard reporting to Limited Partners of the Fund.

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

LCA does not receive an economic benefit from anyone other than the Client for providing investment advice or other advisory services to the Client.

### ***Client Investment Referrals***

LCA may enter into certain agreements with registered broker-dealers or other appropriately licensed or registered (to the extent legally required) persons providing for payment of a portion of the investment amount or ongoing payments based on a percentage of the fees and compensation LCA earns from the Client that are attributable to the invested amount of the Client introduced by such persons. These fees will be paid by LCA and not the Client.

An LCA Client or prospective Limited Partner of the Fund may also enter into arrangements with placement agents and/or Financial Industry Regulatory Authority (“**FINRA**”) registered broker-dealers to solicit investors in the Fund or for an IAA, and such arrangements may provide for the compensation of such placement agents and/or broker-dealers for their services at LCA’s expense on a fully-disclosed basis. A prospective investor solicited by a placement agent and/or broker-dealer will be advised, and asked to acknowledge its understanding, of such arrangement in writing.

Additionally, in connection with the offer and sale of the Interests, LCA may, in its discretion, permit commissions or other compensation for sales of the Interests sold by Financial Industry Regulatory Authority (“**FINRA**”) registered broker-dealers to be paid to such broker-dealer in connection with the sale of Interests to the broker-dealer’s clients (“**Broker Commissions**”). However, any such Broker Commissions will be paid and deducted from the applicable investor’s subscription amount to purchase Client Interests, on a fully disclosed basis, with the express written consent of the investor, as permitted by law. In these instances, the Client will permit the investor to pay such Broker Commissions pursuant to written agreements with the broker-dealer and the investor, up to the maximum amount permitted by applicable law and FINRA rules. Any Broker Commissions paid by the Client on behalf of an investor who becomes a Client in the Client will be amortized within such Client’s capital account and debited against such Client’s capital account in accordance with the Offering Documents, including the Partnership Agreement. In the event any such Client withdraws capital from the Client prior to the full amortization of the Broker Compensation, the Client’s capital account will be debited for the remaining portion of the unreimbursed Broker Compensation.

### **ITEM 15: CUSTODY**

It is LCA’s general policy not to have physical custody of any Client assets. However, LCA may be deemed to have custody of the assets of the Client due to the nature of its advisory business and having an affiliate of the Adviser (LCM) as General Partner of the Fund it manages. As such, LCA seeks to comply with Rule 206(4)-2 under the Advisers Act as follows:

- LCA maintains all Client assets in a qualified custodian account(s) in the name of the Client, or in the case of the comingled vehicle, in the name of the Fund.
- LCA provides the SMA Clients with real-time account access, showing all available transparency, including (1) the opening and closing balance of the Client, all trading profits/losses and all associated costs and expenses; (2) a list of investment holdings and their Net Asset Value with mark-to-market pricing; and (3) a list of the additions and withdrawals from the Client.
- LCA provides Limited Partners of the Fund with third party administration, who sees and confirms all transactions, and provide regular transparency.



LCA urges all Clients to carefully review and compare the reports they view and the statements they receive from the custodian, and that any issues or discrepancies are communicated to LCA promptly. Similarly, LCA urges all Limited Partners in the Fund to carefully review and compare the reports they view and the statements they receive from the independent administrator, NAV Consulting, and that any issues or discrepancies are promptly communicated to LCA and/or its administrator.

#### **ITEM 16: INVESTMENT DISCRETION**

LCA, in its capacity as investment adviser to Clients, has discretionary authority to allocate assets pursuant to Client preferred investment strategies, and in the case of the Fund, pursuant to the terms of the Offering Documents. Discretionary authority is provided in the applicable governing documents, including Advisory agreements or investment management agreement or Offering Documents, as applicable. LCA will only purchase and sell securities and other instruments for the Client on a discretionary basis in a manner with Client stated investment objectives and restrictions, or in the manner described in the Offering Documents. Various securities and/or tax issues as well as LCA's internal compliance policies may impose additional restrictions on the instruments and securities that may be bought and sold on behalf of the Client.

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

By virtue of the power of attorney granted to it in its investment management agreements with the Clients, the Adviser has the ability to vote proxies in any proxy solicitations that may occur with respect to the issuers of portfolio securities that the Clients hold. The Adviser has adopted a proxy voting policy, as required by Rule 206(4)-6 of the Advisers Act, which requires investment advisers to describe their voting policy and to act in their clients' best interest in voting proxies (or in declining to vote). For purposes of the Adviser's proxy policy, a "*proxy*" includes the submission of a shareholder's vote by proxy instrument, in person at a meeting of shareholders or by written consent. The Adviser does not consider proxies to include routine corporate action elections that the Adviser processes with the Clients' brokers on a day-to-day basis. (Corporate actions are expected to be frequent, given the expected size and volume of transactions in a Client investment portfolio.)

As a systematic investment manager mainly trading on a short term basis, and through a study of price and volume behavior of securities, the Adviser's main goal is to enhance performance returns for its Clients through quantitative methods, and as such, the Adviser is not in a position to express an opinion on company management or its policies. Accordingly, the Adviser believes that it is in the Clients' best interest that the Adviser not vote or advise on corporate governance matters (e.g., the election of directors, passing on shareholder proposals, or any other similar matter put to a general shareholder vote), and the Adviser's general policy is to decline to vote all proxies on behalf of Clients. Investors cannot request that the Adviser vote in a particular way on any specific proxy proposal. For more information regarding this policy, please contact Wayne Himelsein, at (424) 652-9500 or [wayne@logicafoods.com](mailto:wayne@logicafoods.com)

#### **ITEM 18: FINANCIAL INFORMATION**

LCA does not require or solicit prepayment of Client fees. LCA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.