

**Part 2A of Form ADV: Firm Brochure**  
**Item 1 – Cover Page**

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**Applied Derivative Research, LLC**

**January 15, 2021**

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This brochure (this "Brochure") provides information about the qualifications and business practices of Applied Derivative Research, LLC ("Applied Derivative Research", "Investment Adviser", "we", "us", the "Firm", and similar terms). If you have any questions about the contents of this Brochure, please contact [csing@appliedderivativeresearch.com](mailto:csing@appliedderivativeresearch.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Applied Derivative Research is a registered investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

## **Item 2 – Material Changes**

Applied Derivative Research reviews all policies and procedures on a regular basis to evaluate their continuing effectiveness. As a result of that process or due to changes in the firm and business, the Firm may amend policies and procedures and/or this document from time to time. The Firm will describe material changes in this space.

There have been no material changes.

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## Item 4 – Advisory Business

### A. Description of the Advisor Firm

Founded in 2020, Applied Derivative Research, LLC (“Applied Derivative Research”, “Investment Adviser”, “we”, “us”, the “Firm”, and similar terms) is a Limited Liability Company organized in the State of Maryland. The Firm is controlled by principal owner, Chung Hei Sing (the “Principal Owner”).

### B. Types of Advisory Services

#### 1. Advisory Services

Applied Derivative Research generally provides investment advisory services to, among other types, qualified individuals, banking or thrift institutions, investment companies and pooled investment vehicles, pension and profit-sharing plans, charitable organizations, state and municipal government entities, sovereign wealth funds and foreign official institutions, corporations, non-U.S. pension funds (each referred to as a “client”).

Applied Derivative Research offers discretionary and non-discretionary investment management services primarily through separately managed accounts.

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

##### Investment Philosophy and Approach

The objective of Applied Derivative Research, generally is to generate repeatable, sustainable, impact-oriented, risk-adjusted returns for clients measured over multiple years through fundamental proprietary research, bottom-up and top-down analysis. We seek to provide long-term, financial and impact growth through security selection (long and short) by investing in companies positioned to thrive as we transition to a more sustainable and impact-oriented economy. The category of sustainability and impact is broadly defined as it relates to socially responsible investing, environmental, social and corporate governance (“ESG”), sustainable development goals (“SDG”) as defined by the United Nations (“UN”), among other issue areas at large.

Our investment process utilizes a “bottom-up” stock selection process based on fundamental analysis. Our fundamental analysis is driven by experienced analysts, and investment decisions are based on in-depth fundamental research. Such bottom-up analysis is combined with a thematic or “top-down” view of opportunities across the various sectors, regions and seeks to identify the best opportunities globally. The top-down view also focuses on the overall composition of the portfolio in attempting to minimize areas where the portfolio may have an unintended exposure in a particular sector, country or macro-economic variable such as interest rates, foreign exchange rates or other factors as determined by our investment team. As a part of our bottom-up and top-down analysis, we perform both quantitative and qualitative assessments of potential investments with a particular focus on opportunities upon which we can gain insights and discover value in the continuously changing world. We believe that fundamental research, persistence and patience allows us to be a long-term investor where we can support positive change.

##### Types of Markets and Investment Opportunities

Applied Derivative Research seeks to accomplish its investment objectives by recommending and investing in equity and debt securities of companies across a diversified range of sectors. However, in order to continually seek the best risk-adjusted opportunities for clients, and this may occasionally cause us to invest in a wide range of securities and

other financial instruments including, without limitation: share capital; common and preferred stock (privately-placed and exchange-traded); shares of beneficial interest; partnership interests and similar financial instruments; bonds, notes, debentures and other debt instruments (whether subordinated, convertible, or otherwise); structured instruments, equity index options, exchange traded funds, open and closed-end investment companies; commodities; currencies; interest rate, currency, commodity, equity, debt, and other derivative products (including, without limitation, (i) futures contracts (and options on futures contracts) relating to stock indices, currencies, other financial instruments, and all other commodities, (ii) swaps, options, warrants, caps, collars, floors, and forward rate agreements, (iii) spot and forward currency transactions, and (iv) agreements relating to or securing such transactions); equipment lease certificates; equipment trust certificates; loans; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; structured securities; repurchase agreements; obligations of governments and instrumentalities; commercial paper; certificates of deposit; bankers' acceptances; trust receipts; choses in action; real estate, including fee interests, leaseholds, mortgages, or other real estate assets; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government, or other entity whatsoever, whether or not publicly traded or readily marketable. Some investments that HCA makes for client accounts may have no readily available market.

Applied Derivative Research invests client assets in a wide range of countries, markets and exchanges in United States ("U.S."), Asia and throughout the world, including, without limitation, markets in the PRC, Hong Kong, the United Kingdom, Australia, Singapore, Taiwan, Korea, Japan, Indonesia, India, Vietnam, Malaysia, Thailand, and elsewhere. Clients may also face indirect exposure to all of the instruments and investments listed above through investment in special purpose vehicles and similar entities.

#### Investment Strategies

Global Active – The Global Active strategy seeks to provide long-term investment growth through an active investment approach.

Global Passive – The Global Passive strategy seeks to provide long-term investment growth through a passive investment approach.

#### Limitations

The descriptions set forth in this Brochure of specific advisory services that are offer to clients, investment strategies pursued and investments made by the Firm on behalf of its clients, should not be understood to limit in any way our investment activities. Applied Derivative Research may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Firm consider appropriate, subject to each client's investment objectives and guidelines.

Applied Derivative Research is not registered as a commodity pool operator or commodity trading advisor pursuant to the exemptions set forth, respectively in Regulations §§4.13(a)(3) and 4.14(a)(8) promulgated under the Commodity Exchange Act.

### **C. Client Tailored Services and Client Imposed Restrictions**

Applied Derivative Research provides its clients with a wide range of client tailored investment advisory services (discretionary and non-discretionary) designed to maximize outcomes within the context of the client's existing governance framework.

For clients seeking to delegate portfolio responsibilities, we offer customized discretionary services as an investment manager. For clients who seek a similar level of support but wish to retain approval rights, we offer customized non-discretionary services. These services can be provided for specific asset classes or for a total portfolio.

For clients with an existing investment office, we offer customized extension services, typically non-discretionary, in order to complement their in-house resources. This includes, among other functions, acting as an expert advisor or sounding board as well as providing alternative asset-expertise and manager due diligence and tools.

For clients seeking specialized advice and guidance, we typically offer services tailored to the client and most often include strategic and tactical asset allocation advice. This may also include, among other functions, participation in committee meetings, investment selection, or manager selection.

For clients seeking specialized services relating to impact investing, socially responsible investing, ESG and other impact-related functions, we offer services to help clients align their investing with their missions. This includes, among other functions, serving as an advisor or sounding board, impact evaluation and impact measurement advice.

#### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. Applied Derivative Research does not participate in any wrap fee programs.

#### **E. Assets Under Management**

As of January 15, 2021, Applied Derivative Research has \$0.0 million of discretionary assets under management and \$0.0 million of non-discretionary assets under management.

### **Item 5 – Fees and Compensation**

#### **A. Fees for Advisory Services**

##### Asset-based Compensation

Applied Derivative Research generally earns investment management fees for providing investment management services. The investment management fees are calculated as a percentage of the account's assets under management for separately managed accounts based upon standard fee schedules shown below. We negotiate these fees with clients, and not all clients pay the fee listed in the schedules below. Generally, at the end of each calendar year, a performance-based fee is received. Please see the section below on *Performance Allocation* and *Item 6 – Performance-Based Fees and Side-By-Side Management* for additional information on performance-based fee arrangements. For our standard discretionary investment management services, the investment management fee schedules are as follows:

Global Active

<b>Assets Under Management</b>	<b>Annualized Fee</b>
\$1,000,000 to \$5,000,000	2.00%

\$5,000,000 and up	1.75%
\$10,000,000 and up	1.50%

#### Global Passive

<b>Assets Under Management</b>	<b>Annualized Fee</b>
\$1,000,000 to \$5,000,000	1.50%
\$5,000,000 and up	1.25%
\$10,000,000 and up	1.00%

For client-tailored services (discretionary and non-discretionary), the investment management fees vary based on the investment strategy being employed, a particular client's profile, or as otherwise negotiated with the client or its intermediaries. These differences depend on various factors such as, among other things, the type of client, the client's asset levels, the existence of an intermediary relationship, a pre-existing relationship, the amount of servicing required for the client's account, and the inception date of an account, among other things., and they are negotiated on a case-by-case basis.

Similar client accounts have different fee schedules based on the historical nature of the accounts or through negotiation with the client. Fee arrangements include performance-based fees. From time to time, and under agreed-upon specific situations, we may waive, reduce, and/or rebate all or a portion of a client's advisory fee on a case-by-case basis for any period of time. Additionally, Applied Derivative Research, for fee calculation purposes, has agreed to aggregate the assets of related accounts that are being managed for the same client or in connection with a common third-party relationship. In such circumstances, the aggregated accounts will receive the benefit of a lower effective fee due to the total amount of assets being managed. Any such negotiated fee arrangement is done at the sole discretion of Applied Derivative Research and is entered into generally without notice to, or consent from, any other client.

If authorized, advisory fees will be deducted directly from a client's account, but only if such account is held with a "qualified custodian" as defined under the Advisers Act. A statement will be sent to the client or its financial intermediary detailing the portfolio's value on which the fee is based, the agreed-upon percentage(s), the calculation of the fee, and the amount due. The accuracy of this information may or may not be verified by the client's custodian. If direct debiting is not selected, an invoice is either sent directly to the client or to its custodian or consultant.

When Applied Derivative Research's personnel or affiliates invest in Applied Derivative Research, an investment vehicle managed by the Firm, or a Firm's affiliates, they generally will not be subject to a management fee or incentive allocation (or are subject to a reduced fee/allocation), at Applied Derivative Research's or its affiliate's discretion.

#### Performance Allocation

Applied Derivative Research is generally entitled to be allocated from each capital account that relates to an annual performance allocation equal to 20% of the increase in the net asset value (after reduction for the management fee), if any, of such capital account (adjusted for redemptions). The performance allocation will take into account the hurdle rate and high-water mark (as defined below).

The hurdle rate is intended to be an annual return of 5% on the value of an investor's investment, calculated as of the beginning of each year. To the extent that the hurdle rate and/or high-water

mark are not achieved in any calendar year, Applied Derivative Research will not receive a performance allocation.

The high-water mark will be the highest value of the client's account within the past 10 years (known as a 10 year "look back period"), after accounting for the client's deposits or withdrawals for each billing period. Performance allocations may be made at any time, in the sole discretion of Applied Derivative Research, for a client who makes a partial or complete withdrawal.

Profit is calculated by the amount increase (whether realized or unrealized), if any, in the net market value of the account in the preceding year, after deduction of all related expenses and commissions paid, including transactional costs (i.e. brokerage and custodial fees), legal, accounting, administration, auditing and other professional expenses. The Performance Allocation is calculated with respect to each investor's capital account and is assessed and deducted from each investor's capital account at the end of each calendar year.

For client-tailored services and non-discretionary services, the performance allocation varies based on the investment strategy being employed, a particular client's profile, or as otherwise negotiated with the client or its intermediaries. These differences depend on various factors such as, among other things, the type of client, the client's asset levels, the existence of an intermediary relationship, a pre-existing relationship, the amount of servicing required for the client's account, and the inception date of an account, among other things., and they are negotiated on a case-by-case basis.

## **B. Payment of Fees**

### Investment Advisory Services – Management Fee

Asset-based investment advisory fees are withdrawn directly from the client's accounts with client's written authorization. Management Fees are calculated as a percentage of a client's assets under management. These fees are billed on a monthly basis in advance generally without taking into consideration deposits or withdrawals during the month.

If a client terminates within five business days after signing a contract, Applied Derivative Research will fully refund all prepaid fees.

### Investment Advisory Services – Performance Fee

Where applicable, performance allocations are withdrawn directly from the client's accounts with client's written authorization, at the end of each calendar year, as described in Item 5A.

### Client Tailored Services

Depending on the agreement, invoices will be sent to clients monthly, up-front or according to an agreed upon schedule depending on the scope of services provided and whether fees are value-based or fixed. When applicable, out-of-pocket reimbursable expenses such as our expenses (at cost) for travel, printing, postage and delivery of documents are billed monthly.

## **C. Client Responsibility for Third Party Fees and Expenses**

In addition to advisory fees and performance-based compensation, depending on their specific arrangements, clients pay other fees and expenses such as, custody fees, administration and sub-administration expenses, exchange-traded, mutual and UCITS fund expenses, and financial adviser/consulting fees. Furthermore, brokerage commissions, commission equivalents, markups, markdowns, any other brokerage costs, third party execution costs (if any), transaction fees, and other similar charges that are incurred in connection with transactions placed in a client's account will be paid out of the account's assets and are in addition to the management fee and performance allocation paid to Applied Derivative Research.



For more information, please see Brokerage practices.

**D. Prepayment of Fees and Termination Provisions**

Generally, each client pays the fee for their service in advance. In the event, a client initiates a termination, Applied Derivative Research will pay such client an amount equal to the unearned *pro rata* of the fee paid in advance.

**E. Compensation for the Sale of Securities to Clients**

Neither Applied Derivative Research nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

At times, clients negotiate a performance-based fee. Any performance-based fee arrangements will be consistent with the requirements of applicable law, including the Investment Advisers Act of 1940 and, if applicable, the Employee Retirement Income Security Act of 1974.

The existence of a performance-based fee arrangement creates an incentive for Applied Derivative Research to make more speculative investments and/or pursue riskier strategies than it would otherwise do in the absence of performance-based compensation. Clients with similar investment results pay different fees due to their unique performance-based fee arrangement. This is a conflict of interest as Applied Derivative Research has an incentive to favor those accounts for which Applied Derivative Research receives a performance-based fee. Applied Derivative Research has designed and implemented policies and procedures that seek to ensure that all clients are treated fairly and equally to prevent this conflict from influencing the allocation of investment opportunities among clients. Applied Derivative Research does not consider individual client fee structures when allocating trades or investment opportunities. Please see *Item 12 – Brokerage Practices* for additional information. Additionally, Applied Derivative Research reviews performance of similarly managed accounts to monitor for performance outliers which can indicate favoritism and monitor trading activity and portfolio holdings of accounts to ensure that accounts within each strategy are managed similarly.

**Item 7 – Types of Clients**

Applied Derivative Research provides investment advisory services to a variety of clients. Clients can include, among other types, Qualified Individuals (as defined in *Item 7* below), banking or thrift institutions, investment companies and pooled investment vehicles, pension and profit-sharing plans, charitable organizations, state and municipal government entities, sovereign wealth funds and foreign official institutions, corporations, non-U.S. pension funds.

To invest with Applied Derivative Research, the required minimum is \$1,000,000, which may be waived by the Firm in its discretion.

In general, Qualified Individuals is defined as:

1. A natural person or company who at the time of entering into such agreement has at least \$1,000,000 under the management of the investment adviser;

2. A natural person or company who the investment adviser reasonably believes at the time of entering into the contract: (A) has a net worth of jointly with his or her spouse of more than \$2,100,000 excluding the value of the client's primary residence; or (B) is a qualified purchaser as defined in the Investment Company Act of 1940; or
3. A natural person who at the time of entering into the contract is: (A) An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or (B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser), who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar function or duties for or on behalf of another company for at least 12 months.

All clients must enter into a written investment management, advisory, or similar agreement before establishing an advisory relationship with Applied Derivative Research. We may not assign such agreements without client consent.

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

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

Applied Derivative Research employs a broad range of equity, fixed income, alternative, and multi-asset investment approaches to our clients. Although the following section is divided into several categories, it is important to recognize that as the capital markets continuously evolve and the lines between and among these categories may be blurred, as such, we continue to adapt to the changing environment in order to fulfill the objectives of our strategy.

#### **1. Methods of Analysis**

The methods of analysis we employ can be generally described as fundamental and technical research. Research information includes, but is not limited to, financial news and data providers, inspections of corporate activities, road shows and other meetings with company representatives, third-party research materials, annual reports, prospectuses, filings with the local regulatory authorities, and company press releases. We conduct continual review of markets and other conditions within the global markets. Using the results of such reviews, we select those target markets and sectors that it judges to be more favorable environments to find prospective investments. We maintain a short list of focus countries, the composition of which will change from time to time as market conditions vary. Notwithstanding the maintenance of our focus list of countries, we frequently identify investment ideas in non-target markets. Such ideas arise due to the broad scope of our work and our sector research. Any investment idea consistent with our strategy may be considered, regardless of whether the investment originates from a current target market. Additional information on methods analysis is provided below as it relates to each investment approach.

#### **2. Investment Approaches**

##### General Strategy

Applied Derivative Research's investment decisions are based on bottom-up analysis, top-down analysis and research. We generally focus on publicly-listed (or similarly liquid) investment opportunities across multiple industries, but we may also participate in private (or otherwise less liquid) investment opportunities. We invest primarily in reasonably

priced companies that provide substantial long-term growth prospects. Although we monitor macro-economic factors and market trends, we generally avoid market-timing strategies and focus primarily on bottom-up opportunities. Applied Derivative Research invests globally with a particular focus on companies or assets having substantial relations with growing markets. We focus on understanding fundamental risks, uncovering long-term growth potential, and targeting industries that we understand and can monitor.

#### Equity

We manage a broad range of equity investment approaches, including growth, core and value, as well as approaches designed to be “style-neutral.” Some approaches focus on specific capitalization ranges, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Others look for investment opportunities in more than one capitalization category or across all capitalization levels. In addition, we manage approaches that are global, multinational or focused on particular geographic regions or specific countries. We manage diversified approaches invested across industry sectors, as well as sector approaches that concentrate on specific industries, such as health care, technology or finance. Our equity approaches may be based on fundamental research, may instead rely primarily on quantitative tools and techniques, technical analytical methods and strategies, or a combination of these approaches.

#### Short Strategy and Hedging

From time to time, we utilize short sales and maintain short positions in order to hedge risks that are present in or that could affect a client portfolio, to generate returns for a client account, or to structure and manage risks in an investment strategy. We are cognizant of the risks of trading short and monitors exposure carefully.

#### Fixed Income

We invest in fixed income instruments across the duration (from money market and short bond to intermediate to long bond) and credit (from investment grade to high yield) spectrums. Some approaches seek investment opportunities across various sectors, including government, mortgage, corporate, municipal and emerging market debt, while others are limited to one or more of those sectors. We also manage global, multiregional and multicurrency approaches. Our fixed income portfolio managers rely on fundamental research capabilities, as well as quantitative and technical analytical tools. Our investment approaches often utilize a combination of these capabilities and tools.

#### Multi-Asset

We advise some clients on the allocation of assets among various asset classes and investment styles. These services range from the provision of strategic allocation studies that recommend adjustments to a client’s existing asset allocations, to active (or tactical) management of the asset allocation exposures within an account, to full discretion over both strategic and active asset allocation decisions for a client’s portfolio. Some active multi-asset portfolios include diversified exposure to a range of asset classes, while other portfolios are concentrated on specific sectors of the global capital markets.

Active asset allocation decisions can be based on fundamental research, quantitative and/or technical analytical tools. Allocation decisions and recommendations will vary based on the relevant portfolio manager’s or strategist’s views and evaluations of a client’s specific objectives and requirements.

Multi-asset accounts can invest in desired asset classes or sectors in a number of ways. A portfolio manager may allocate a multi-asset account among various investment approaches that we manage, invest the account's assets directly or use a combination of these methods to gain the desired exposures.

### **3. Impact and ESG**

For us, the category of impact and factors that contribute towards it ("Impact Factors") is broadly defined as it relates to socially responsible investing, environmental, social and corporate governance ("ESG"), sustainable development goals ("SDG") as defined by the United Nations ("UN"), among other issue areas at large.

We consider impact and environmental, social and corporate governance ("ESG") factors to be one of many sets of factors that should be weighed appropriately to inform investment decision making. As such, we perform impact analysis (including analysis of practices and the impact practices may have on political actions, media coverage and reputations of companies) and make information about Impact Factors available to all investment personnel. The portfolio manager and analyst make their own decisions with respect to how much emphasis, if any, to place on Impact Factors. Impact Factors may be the main reasons to forego or to purchase certain securities in a given portfolio. Impact Factor-related restrictions are systematically applied where a portfolio manager has incorporated these restrictions into their investment decision-making process and/or where clients have required them.

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

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

### Risks of Investments Generally

Investing in securities involves risk of loss that clients should be prepared to bear. There may be loss or depreciation of the value of any investment due to the fluctuation of market values. The selection and execution of any investment strategy is inherently subject to a variety of risks beyond our control, including but, not limited to, risks associated with general economic conditions, the adequacy and timeliness of disclosures by issuers of securities, and market risks.

### No Assurance of Investment Return

An investment in Applied Derivative Research requires a long-term commitment with no certainty of return. The Firm's task of identifying and evaluating investment opportunities, managing such investments and realizing a significant return for investors is difficult. There is no assurance that we will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. An investment in the Firm should only be considered by persons who can afford a loss of their entire investment. Any past performance of persons or investment entities associated with the Firm and its affiliates is not necessarily indicative of the Firm's future results and should not be construed as an indication of future results of an investment in the Firm. Although the equity investments that we make and the investment strategy that we pursue are similar in respect to the investments previously made by members of our Firm and the investment strategies they have previously pursued. There can be no assurance that our clients' investment objectives, projected or targeted returns will be achieved.

### General Economic and Market Conditions

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

#### Assumption of Catastrophe Risks

Our clients may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; terrorism; and public health crises, including the occurrence of a contagious disease. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which our clients participate (or has a material effect on locations in which we operate) the risks of loss can be substantial and could have a material adverse effect on our clients.

#### Risk of Infectious Diseases and Pandemics

Any spread of an infectious illness, public health threat, or similar issue could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and generally have a significant impact on the economies of the affected country and other countries with which it does business, which in turn could adversely affect clients' investments in that country and other affected countries.

In December 2019, a novel strain of coronavirus (known as COVID-19) surfaced in Wuhan, China, which has resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China and South Korea, among other affected countries. These closures have caused the disruption of manufacturing supply chains and local and global economies, the duration of which remains uncertain. As of January 2021, COVID-19 has spread across the world and continue to result in additional market disruptions. The extent to which COVID-19 may negatively affect our operations and the performance of our clients is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by authorities and other entities to contain COVID-19 or treat its impact. These potential impacts, while uncertain, could adversely affect the performance of our clients.

#### Potential Interest Rate Increases

Changes in U.S. government policy as well as changes in the federal funds rate increase the risk that interest rates will remain volatile in the future. Sustained interest rate volatility may cause the value of the fixed income securities held by our clients to decrease, which may result in substantial redemptions from our clients that, in turn, force our clients to liquidate such securities at disadvantageous prices negatively impacting the performance of our clients.

#### Legal, Tax, and Regulatory Risks

Legal, tax, and regulatory changes and developments may adversely affect our strategies. New or modified laws, regulations, rules, legislation or similar guidance may be issued by U.S. or foreign regulators, other government authorities or self-regulatory organizations that oversee the financial markets. Such new or modified laws, regulations, rules or similar guidance may have an adverse effect on the investment strategy and the performance of the securities.

### Discontinuation of LIBOR

It is expected that the London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate"), will not be published after the year 2021. In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including our clients and their counterparties. With respect to financial contracts to which our clients are parties, any such contract that has a maturity that extends beyond 2021 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume our clients' resources and may result in disputes with counterparties, the result of which may be adverse to our clients. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which our clients our parties may adversely affect the performance of our clients.

### Investment and Due Diligence Process

Before causing our clients to make investments, we will conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment we will rely on the resources reasonably available to us, which in some circumstances, whether or not known to us at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

### Investment Strategy

The success of our investment strategy depends upon our ability to identify and cause our clients to purchase securities that are undervalued and identify and sell short securities are overvalued. The identification of investment opportunities in the implementation of our investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying our clients' positions were to fail to converge toward, or were to diverge further from values we expect, our clients may incur losses. In the event of market disruptions, significant losses can be incurred which may force our clients to close out one or more positions. Furthermore, the financial and valuation models used to determine whether a position presents an attractive opportunity consistent with our investment strategy may become outdated and inaccurate as market conditions change.

### Impact and Environmental, Social, and Governance Policy Risk

Impact and ESG policies could cause an account to perform differently compared to similar portfolios that do not have such policies. The application of Impact and ESG factors may affect a portfolio's exposure to certain issuers, industries, sectors, and factors that may impact the relative financial performance of the portfolio – positively or negatively – depending on whether such investments are in or out of favor.

### Undervalued Securities

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

#### Short Selling

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

#### Leverage; Interest Rates; Margin

The use of leverage has attendant risks and can substantially increase the adverse impact to which our clients' investment portfolio may be subject. The use of leverage will allow us to cause our clients to make additional investments, thereby increasing our clients' exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of our clients' portfolios. The effect of our use of leverage on behalf of our clients in a market that moves adversely to their investments could result in substantial losses to our clients, which would be greater than if our clients were not leveraged. In addition, any leverage used by our clients is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results. In general, any use by our clients of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call", pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off their margin debt. In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward

contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor. To the extent that we cause our clients to purchase an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

#### Lending of Portfolio Securities

We may cause our clients to lend securities on a collateralized and an uncollateralized basis from their portfolios to creditworthy securities firms and financial institutions. While a securities loan is outstanding, our clients will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

#### Diversification and Concentration

We may select investments that are concentrated in a limited number or types of securities. In addition, our clients' portfolios may become concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose our clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

#### Lack of Control

We cause our clients to invest in securities of companies that neither they nor we control, which we may cause our clients to acquire through market transactions or through purchases of securities directly from the issuer. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which our clients do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve our clients' interests.

#### Hedging Transactions

We cause our clients to have both long and short positions and expect that each position will be evaluated as an independent profit generator. We are not required to, and may not attempt to, hedge market risks or other risks inherent in our clients' positions. In addition, we may not anticipate a particular risk so as to hedge against it. We may cause our clients, however, to utilize a variety of financial instruments (including options and derivatives), both for investment purposes and (to the extent desired) for risk management purposes in order to: (i) protect against possible changes in the market value of our clients' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of our clients' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in our clients' portfolios; (v) hedge the interest rate or currency exchange rate on any of our clients' liabilities or assets; (vi) protect against any increase in the price of any securities that we anticipate causing our clients to purchase at a later date; or (vii) for any other reason that we deem appropriate. The success of our hedging is subject to our ability to correctly assess the degree of correlation between the performance of the instruments used to hedge and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the



instances when we hedge portfolio positions for our clients is also subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While we may cause our clients to enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for our clients than if we had not caused them to engage in any such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent our clients from achieving the intended hedge or expose our clients to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of our clients' portfolio holdings.

#### Management and Operational Risk

We use internally developed investment techniques and risk analysis to make investment decisions for the various investment approaches we manage. Consistent with the investment objectives, investments may be made in a broad range of issuers, securities, financial instruments, and transactions. Within these broad parameters, we will make investment decisions for investment strategies as it deems appropriate in its sole discretion. The success of each strategy is dependent upon our ability to achieve the investment objective. An investor must rely upon the ability of Applied Derivative Research and Applied Derivative Research's investment professionals to identify and implement investment decisions consistent with applicable investment strategies, investment objectives, and policies. No assurance can be given that a client will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the investment strategy will be achieved. A risk exists that the investment techniques will fail, thus there is no guarantee that they will produce the results desired by Applied Derivative Research. Clients generally have no authority or power to take part in the management of the investment strategy. The investment performance of the investment strategy depends on the skill of key personnel and investment professionals of Applied Derivative Research. If key personnel, including key investment or key technical staff, were to leave our firm, we might not be able to find equally desirable replacements in a timely fashion and, as a result, the performance of the investment strategy could be adversely affected. In addition, the investment professionals of our firm who are involved with the investment strategy perform services for other clients and there is no requirement that these professionals devote any specific amount of their business time to the investment strategy.

#### Fundamental Analysis

Our investment process is based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to our clients' trading strategies, we may not be able to realize our clients' investment goals. In addition, fundamental market information is subject to interpretation. To the extent that we misinterpret the meaning of certain data, our clients may incur losses.

#### Analytical Model Risks

We cause our clients to employ certain strategies which depend upon the reliability, accuracy and analysis of our analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, our clients' investments may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon our judgment and the assumptions embedded in the models. To the extent that with respect to any investment, the judgment or assumptions are incorrect, our clients can suffer losses.

#### Market Capitalization Risk

Although we tend to invest in large companies seen as leaders in their respective business spaces, there is no limitation on the size or operating experience of the companies in which the investment strategies invest. Large-capitalization companies may lag the performance of smaller capitalization companies because large-capitalization companies may experience slower rates of growth and may not respond as quickly to market changes and opportunities. Smaller and mid-capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small- and mid-sized companies may pose additional risks, including liquidity risk, because they tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small- and mid-capitalization stocks may be more volatile than those of larger companies.

#### Necessity for Counterparty Trading Relationships; Counterparty Risk

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

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

#### Counterparty Fraud

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

#### Counterparty Insolvency

We may cause our clients' assets to be held in one or more accounts maintained for our clients by counterparties, including their prime brokers. There is a risk that any such counterparties could become insolvent. The insolvency of our clients' counterparties is likely to impair the operational

capabilities or the assets of our clients. Although we regularly monitor the financial condition of the counterparties our clients use, if one or more of our clients' counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of our clients' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, we may cause our clients to use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to our clients' 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 our clients and their assets. Investors should assume that the insolvency of any client counterparty would result in a loss to that client, which could be material.

#### Competition; Availability of Investments

Certain markets in which we cause our clients to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in such environments.

#### Significant Positions in Securities; Regulatory Requirements

In the event that we cause our clients to acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, our clients may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on both us and our clients. Any such requirements may impose additional costs on our clients and may delay the acquisition or disposition of the securities or our clients' abilities to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit our ability to effect desired trades on behalf of our clients. 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 issuer's securities. 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. To the extent that our clients' position limits were aggregated with an affiliate's position limits, the effect on our clients and resulting restriction on our investment activities on their behalf may be significant. If at any time positions managed by us were to exceed applicable position limits, we would be required to liquidate positions, which might include positions of our clients, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, we might have to cause our clients to forego or modify certain of their contemplated trades.

In addition, if we cause our clients, acting alone or as part of a group, to acquire beneficial ownership of more than 10% of a certain class of securities of a public company or place a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances our clients will be prohibited from entering into a short position in such issuer's securities, and therefore limited in their ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

#### Exposure to Material Non-Public Information

From time to time, we may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, our clients may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

#### Currency Exchange Exposure

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

Furthermore, we may cause our clients to incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to our clients at one rate, while offering a lesser rate of exchange should our clients desire immediately to resell that currency to the dealer. We will cause our clients to conduct their currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. It is anticipated that most of our clients' currency exchange transactions will occur at the time non-U.S. investments are purchased and will be executed through the local broker or custodian acting for our clients.

We may cause our clients to seek to protect the value of some portion or all of their portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. We may cause our clients to enter into forward contracts on currencies, as well as purchase put or call options on currencies, in U.S. or non-U.S. markets. There can be no guarantee that instruments suitable for hedging currency risk will be available at the time when our clients wish to use them or will be able to be liquidated when our clients wish to do so.

#### Initial Public Offerings

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of our clients' portfolios (and the interests of any investors in our clients, to the extent applicable).

### Restricted Investments

We may cause our clients to invest in securities which are subject to legal or other restrictions on transfer. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and we may not be able to cause our clients to sell them when we desire to do so or to realize what we perceive to be their fair value in the event of a sale. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

### Non-U.S. Investments

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

### Private Investment Assets, i.e. U.S. and International Private Equity Funds, Venture Capital Funds, Co-Investments, Private Credit, Secondaries, Real Estate, Energy and Natural Resources

Investment in private investments are highly illiquid and the underlying company investments of these funds are also generally illiquid. Generally, neither the interests in these funds nor their investment managers are registered with any state or federal regulators, and no readily available markets exist for interests in these funds. Clients should expect to hold such investments for the entire life of these funds.

A strategy that invests a higher percentage of its assets in any one issuer, such as one involving co-investments in individual issuers, could increase the risk of loss and volatility because the value of holdings would be more susceptible to adverse events affecting that issuer. In addition, the value of an investment in any particular issuer can be more volatile than the market as a whole and such investment can perform differently from the value of the market as a whole.

When conducting due diligence on co-investment opportunities, the co-investor may be required to rely on the limited resources available, and due to the timing constraints inherent to the co-investment process, the scope of due diligence performed in connection with a co-investment is typically narrower than the scope performed by a lead investor. There can be no assurance that due diligence investigations reveal all relevant information or result in a co-investment's success. In addition, to obtain access to due diligence prepared by third parties, a co-investor may be required

to agree to limit its rights to bring legal actions against such third parties relating to reliance on such due diligence. Therefore, if third party due diligence relied upon is inadequate, there may be no recourse against the provider of such due diligence.

In connection with the purchase of an interest in a private investment fund from an existing investor of the fund, where the seller previously received distributions from such fund and, subsequently, such fund recalls distributions, the purchaser may be obligated to return cash to the fund. While the purchaser may have a valid claim against the seller of such interest for any such returned amounts, there can be no assurances that the purchaser will be able to collect on such claim.

Historically returns have varied greatly over time depending on the conditions at the time investments were made and when investments were exited by funds. In addition, access to high-quality private investment opportunities may be limited and there is no assurance that such opportunities will be available during the desired investment period.

#### Hedge Funds, i.e. Absolute Return, Long/Short Equity, Distressed Funds, Global Macro and Risk Arbitrage Funds

The risks inherent in investing in hedge funds include limited regulatory oversight, illiquidity, use of possibly speculative trading techniques, use of leverage or derivatives, short selling and hedging techniques. Substantial risks are involved in investing in funds trading in equity securities, options and other derivatives. Despite the hedging tactics used by hedge fund managers to mitigate risk, investments held in hedge funds are susceptible to market movements that can be volatile and difficult to predict. The activities of governments can have an effect on interest rates which, in turn, affect securities, options and derivative prices as well as the liquidity of such markets.

Additionally, hedge funds are subject to limited withdrawal rights and early redemption fees. A fund may be unable to liquidate certain investments to pay withdrawals in a timely manner. Realization of value from the interests in a hedge fund may be difficult in the short-term, or may have to be made at a substantial discount compared to other freely tradable investments. Interests in these funds are not registered under the Securities Act of 1933 or any federal or state securities law, and certain hedge fund managers may not be registered with either a state or federal regulator. In the event of the early termination of a hedge fund as the result of certain events, the fund may distribute to the limited partners their interest in the assets of the fund. Certain assets held or distributed by the fund may be highly illiquid and may have little or no ascertainable market value.

#### Potential Conflict of Interest

As part of Applied Derivative Research's social commitment, representatives of our firm may advise and/or sit on the Boards of Directors of non-profits, impact-oriented and mission related organizations among other organizations focused on the cultivation and generation of impact. We will inform a client of any such relationship, if relevant, before investing the client's assets in instruments issued by an organization or company that has a representative from our firm on its Board or serving as an advisor.

#### Discretion to Employ New Strategies and Techniques

We have considerable discretion in the types of securities which our clients may invest and have the right to modify the investment strategies or techniques of our clients without the consent of the applicable client's investors. Any of these new investment strategies or techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to our clients. In addition, any new investment strategy or technique that we develop for our clients may be more

speculative than earlier techniques and may increase the risk of losses for our clients (and increases the risk of an investment in our clients, to the extent applicable).

#### Cybersecurity

We and our third-party service providers rely, in part, on technology to conduct our businesses. Certain technologies may, in some circumstances, be at risk of failure and/or cyberattacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data, or causing operational disruption. Cyberattacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. We maintain an information technology security policy and various technical and physical safeguards designed to protect the confidentiality of its data. Nevertheless, cyber incidents could potentially occur, and might in some circumstances result in service outages or limitations and/or unauthorized access to sensitive information about our firm and our clients.

### **C. Risks of Specific Securities Utilized**

We do not recommend a particular type of investment instrument to our clients, but rather, we recommend and invest in multiple investment instruments. Given the broad discretion we have in managing our clients' portfolios, any one or more of the risks listed in the previous section may be incurred by our clients. However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within our clients' portfolios:

#### Equity Securities

Our clients' investment portfolios include equity and equity-related securities of U.S. and non-U.S. companies. The value of equity securities of public companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, our clients may suffer losses if we cause them to invest in equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and we have not caused our clients to hedge against such a general move.

#### Preferred Stock

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

#### Derivative Instruments Generally

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which we may cause our clients to participate is

evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on our clients.

### Currencies

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

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

At or before the maturity of a forward currency contract, our clients may either make delivery of the currency, or terminate its contractual obligation to deliver the currency by buying an "offsetting" contract obligating it to buy, on the same maturity date, the same amount of the currency.

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

### Exchange Traded Funds

Exchange Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF



trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of our firm's expenses (i.e., Management Fees), investors may also indirectly bear similar expenses of an ETF.

#### Commodities

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

#### Fixed Income Securities

We may cause our clients to invest in fixed income securities. The value of fixed income securities in which our clients may invest will change in response to fluctuations in interest rates. Increases in interest rates may cause the value of our clients' debt investments to decline. Our clients may experience increased interest rate risk to the extent they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities generally can be expected to decline. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Valuations of other fixed income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows.

### **Item 9 – Disciplinary Information**

#### **A. Criminal or Civil Actions**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of Applied Derivative Research or the integrity of Applied Derivative Research's management.

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

#### **B. Administrative Proceedings**

Neither Applied Derivative Research nor any of our employees have had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign regulatory authority.

**C. Self-Regulatory Organization (SRO) Proceedings**

Neither Applied Derivative Research, nor any of our employees, have had any proceedings before a self-regulatory organization.

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

**A. Broker-Dealer Registration Status**

Neither Applied Derivative Research nor any of our representatives are registered as broker-dealers and none of us have any application pending to register with the SEC as a broker-dealer or a registered representative of a broker-dealer.

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

Neither Applied Derivative Research nor any of our representatives are registered as, and none of us have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

**C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither Applied Derivative Research nor any of our representatives are engaged in relationships material to this Advisory Business or have any other possible conflicts of interests.

**D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

Applied Derivative Research may provide investment advisory services that involves the selection of other investment advisers. Applied Derivative Research does not, however, receive compensation from other advisers that would create a material conflict of interest and does not have other business relationships with other advisers that create a material conflict of interest. Should a conflict of interest present itself, we will follow our conflicts of interest policy and make relevant disclosures.

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

**A. Code of Ethics**

We have adopted a Code of Ethics (“Code”), which addresses, among other matters, the securities-related conduct of our employees and representatives. It is our goal, through the establishment of such procedures and guidelines governing the conduct of our business, to eliminate actual or potential conflicts of interest with our clients, and to prevent violations of securities laws and a breach of the duties we owe to our clients.

While it is impossible to define all situations, which might pose a risk of securities laws violations or create conflicts, the Code is designed to address those circumstances where these concerns are most likely to arise. By complying with the guidelines below, Applied Derivative Research employees minimize their potential individual exposure, and our firm’s potential exposure, to violations of federal and state securities laws, prevent fraudulent activity and reinforce fiduciary principles.

Failure to comply with the provisions of our Code may result in some form of disciplinary action, including dismissal from Applied Derivative Research. Adherence to the Code is considered a condition of employment with Applied Derivative Research. Employees with concerns about the propriety of any activity are instructed to consult with our Chief Compliance Officer (“CCO”), Chung Hei Sing.

A copy of the Code and any amendments is provided to each Applied Derivative Research employee, whether or not such individual is a Supervised Person under the Adviser’s Act. Each person must acknowledge in writing the receipt of these materials. A “Supervised Person” is any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person, who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser. Each employee must certify annually that he or she has complied with the Code during that period. Existing and prospective clients may obtain a copy of the Applied Derivative Research Code by contacting Chung Hei Sing, at [csing@appliedderivativeresearch.com](mailto:csing@appliedderivativeresearch.com).

**B. Recommendations Involving Material Financial Interests**

Applied Derivative Research allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of clients. Applied Derivative Research does not act as principal in any transactions. In addition, Applied Derivative Research does not have a material interest in any securities traded in client accounts.

**C. Personal Trading in The Same Securities as Clients**

Applied Derivative Research allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of clients in order to invest alongside clients. Owning the same securities that are recommended (purchase or sell) to clients presents a conflict of interest that, as fiduciaries, must be disclosed to clients and mitigated through policies and procedures. As noted above, the Advisor has adopted a Code, which addresses insider trading (material non-public information controls) and personal securities reporting procedures. When trading for personal accounts, Supervised Persons of Applied Derivative Research have a conflict of interest if trading in the same securities. The fiduciary duty to act in the best interest of its clients can be violated if personal trades are made with more advantageous terms than client trades, or by trading based on material non-public information. This risk is mitigated by Applied Derivative Research requiring the reporting of personal securities trades by its Supervised Persons for review by the Chief Compliance Officer (“CCO”). The Advisor has also adopted written policies and procedures to detect the misuse of material, non-public information.

**D. Personal Trading at the Same Time as Clients**

Applied Derivative Research allows individual accounts (but is under no obligation) to purchase or sell the same securities that may be recommended to and purchased on behalf of clients, such trades are typically aggregated with client orders or traded afterward. In aggregate trading, Applied Derivative Research purchases and/or sells the same securities at the same time for many or all of our accounts when possible. If more than one price is paid for securities in an aggregated transaction, each client in the aggregated transaction will typically receive the average price paid for the securities in the same aggregate transaction on that day. If the brokerage is unable to fill an aggregated transaction completely, but receives a partial fill of the aggregated transaction, the brokerage will normally allocate the partially filled transaction to clients based on an equitable pro rata basis.

Securities purchased through the aggregate trading program may only be sold in a transaction executed through the aggregate trading program. At no time will Applied Derivative Research, or any Supervised Person of Applied Derivative Research, transact in any security to the detriment of any client.

## **Item 12 – Brokerage Practices**

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

In selecting broker-dealers and determining the reasonableness of their compensation, Applied Derivative Research seeks to obtain best execution under the circumstances, taking into consideration, among others, the broker-dealers' ability to effect prompt and reliable executions at favorable prices; operational efficiency with which transactions are effected taking into account the size of order and difficulty of execution; financial strength; integrity and stability; commitment of capital to facilitate transactions; quality, comprehensiveness and frequency of available research services considered to be of value; and competitiveness of commission rates and dealer spreads in comparison with other broker-dealers. Applied Derivative Research is not required to weigh any of these factors equally. Certain transactions involve specialized services on the part of a broker-dealer, which may justify higher commissions (and mark-ups or mark-downs) than would be the case for more routine services.

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

Applied Derivative Research has no formal soft dollars program in which soft dollars are used to pay for third party services. We may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). We may also enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended.

There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and Applied Derivative Research does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. The Firm benefits by not having to produce or pay for the research, products or services, and the Firm will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that Applied Derivative Research's acceptance of soft dollar benefits may result in higher commissions charged to the client.

#### **2. Brokerage for Client Referrals**

Neither Applied Derivative Research nor any of our related persons receives client referrals from any broker-dealer or third party. However, from time to time, brokers may assist the firm in raising funds from investors, and representatives of our firm may speak at conferences and meetings sponsored by such brokers. These conferences and meetings may serve to introduce our firm to potential investors. Currently, neither Applied Derivative Research nor any of our related persons compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events. The firm may accept subscriptions from investors who also provide services to the firm, including brokers and their affiliates. While such relationships may be viewed as potentially affecting our ability to see best execution, we conduct periodic best execution reviews in an effort to identify and mitigate such issues associated with our brokerage relationships.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do not require that a client direct us to execute transactions through a specified broker-dealer. To facilitate the ease of administration, Applied Derivative research will typically recommend clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

When Applied Derivative Research purchases or sells the same securities on behalf of multiple clients, it may choose to aggregate such securities in a single transaction (block trades) in order to seek lower brokerage commissions, favorable pricing, or more efficient execution, but is under no obligation to do so. In the case of block trades, Applied Derivative Research will place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. Applied Derivative Research will determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This will be done in a way that does not consistently advantage or disadvantage particular client accounts.

## **Item 13 – Review of Accounts**

#### **A. Frequency and Nature of Review of Client Accounts**

Applied Derivative Research, led by the Principal Owner, reviews each client's portfolio, where advisory services are provided on an ongoing basis, at least annually. Such reviews may include, among other things, investment policies, specific investment ideas, in-depth research, portfolio performance and exposures, liquidity and risk management.

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

A review of a client account may be triggered by any unusual activity or special circumstances.

#### **C. Content and Frequency of Account Reports to Clients**

Clients or their designated intermediaries receive a quarterly report detailing the client's account including each asset held, asset value, and calculation of fees from the custodian. The client may establish electronic access to the custodian's website to view these reports and their account activity on a more frequent basis.

## **Item 14 – Client Referrals and Other Compensation**

#### **A. Economic Benefits for Providing Services to Clients**

Applied Derivative Research does not receive economic benefits from non-clients for providing investment advice and other advisory services.

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

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

### **Item 15 – Custody**

All clients must place their assets with a “qualified custodian”. Clients are required to engage the custodian to retain their funds and securities and direct Applied Derivative Research to utilize that custodian for the client’s security transactions. When advisory fees are deducted directly from client accounts at the client’s custodian, Applied Derivative Research will be deemed to have limited custody of client’s assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

### **Item 16 – Investment Discretion**

Applied Derivative Research provides discretionary investment advisory services to clients and the Firm generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client. Where investment discretion has been granted, Applied Derivative Research generally manages the client’s account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. Certain purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Applied Derivative Research.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client’s execution of an investment advisory agreement containing all applicable limitations to such authority.

### **Item 17 – Voting Client Securities**

Applied Derivative Research does not accept proxy-voting responsibility for any client. Clients will receive proxy statements directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18 – Financial Information**

#### **A. Balance Sheet**

Applied Derivative Research neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Applied Derivative Research nor any of our management have any financial condition that is likely to reasonably impair our ability to meet contractual commitments to clients.

**C. Bankruptcy Petitions in Previous Ten Years**

Neither Applied Derivative Research nor any of our management have not been the subject of a bankruptcy petition in the last ten years.

**Part 2B of Form ADV: Brochure Supplement**  
**Item 1 – Cover Page**

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**Applied Derivative Research, LLC**

**January 15, 2021**

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Applied Derivative Research, LLC  
533 Casey Lane  
Rockville, MD 20850  
646.520.6882  
<https://www.appliedderivativeresearch.com>

This brochure (this "Brochure") provides information about the qualifications and business practices of Applied Derivative Research, LLC. If you have any questions about the contents of this Brochure, please contact [csing@appliedderivativeresearch.com](mailto:csing@appliedderivativeresearch.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

This brochure supplement provides information about Chung Hei Sing that supplements the Applied Derivative Research, LLC brochure. You should have received a copy of that brochure. Please contact us at [csing@appliedderivativeresearch.com](mailto:csing@appliedderivativeresearch.com) if you did not receive Applied Derivative Research, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Chung Hei Sing is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2 – Educational Background and Business Experience

Chung Hei Sing was born in 1991. Mr. Sing is a graduate of The George Washington University with a Bachelor of Business Administration (“BBA”) in Finance and International Business and a graduate of Harvard Business School’s Program for Leadership Development (“PLD”), an accelerated alternative to the executive MBA (“EMBA”). In addition to Mr. Sing’s business and finance education, Mr. Sing’s employment history relevant to business and investment is included below.

Title	Firm Name	Location	Year
Board Member	TEDCO	Maryland	2019 – Present
Advisor	AARP	Washington DC	2018 – Present
Senior Analyst and Head of Business Development	Arquitos Capital Management	New York	2016 – 2017
Chief Operating Officer	Hindsight Investments	New York	2015 – 2017
Investment Analyst	UNC Management Company	North Carolina	2014 – 2016
Analyst	Diamond Dragon Advisors	New York	2013 – 2013
Associate	Forest Hills Capital Management	New York	2012 – 2012
Analyst	Sagamore Capital Ventures	Washington DC	2011 – 2012

## Item 3 – Disciplinary Information

Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices.

There are no legal, civil or disciplinary events that are material to a client’s or prospective client’s evaluation of Mr. Sing. Mr. Sing has never been involved in any regulatory, civil or criminal action. There have been no client complaints, lawsuits, arbitration claims or administrative proceedings against Mr. Sing.

## Item 4 – Other Business Activities

Mr. Sing may make private investments that may not be managed directly by Applied Derivative Research which poses a conflict of interest. To address potential conflict of interests and to maintain a fiduciary duty to clients, Mr. Sing adheres to the firm’s code of ethics and compliance manual and will inform a client of any such relationship, if relevant.

## Item 5 – Additional Compensation

Mr. Sing does not receive any economic benefit from any person, company, or organization who is not a client for providing advisory services described in the arrangement as stated *Form ADV Part 2A: Firm Brochure*.

## Item 6 – Supervision

Chung Hei Sing, Chief Compliance Officer of Applied Derivative Research, LLC supervises all activities of the Firm. Mr. Sing adheres to applicable regulatory requirements, together with all policies and procedures outlined in the firm’s code of ethics and compliance manual.

Mr. Sing’s contact information is on the cover page of this disclosure document and can be reached at [csing@appliedderivativeresearch.com](mailto:csing@appliedderivativeresearch.com).