

**Lieblong & Associates, Inc.**  
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Investment Advisory Accounts  
Written Disclosure Document  
Form ADV Part 2  
Firm Brochure  
December 28, 2020

This brochure provides information about the qualifications and business practices of  
Lieblong & Associates, Inc.

If you have any questions about the contents of this brochure, please contact  
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The information in this brochure has not been approved or verified by the  
United States Securities and Exchange Commission or by any state securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an  
offer to buy any securities, investment products or investment advisory services. Such  
an offer may only be made to eligible persons by means of delivery of offering,  
governing and/or account documents that contain the material terms relating to such  
investments, products or services.

Additional information about Lieblong & Associates, Inc. also is available on the SEC's  
website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Being registered as an investment adviser does  
not imply a certain level of skill or training.

## **Material Changes**

The date of the last annual update to our firm brochure was December 29, 2019. The material change that has been made to our firm brochure since the date of our last annual update is as follows:

- We updated our regulatory assets under management as of September 30, 2020.
- We made various additions, revisions and updates to the risk factor disclosures.

The information set forth in this brochure is qualified in its entirety by the applicable offering, governing and/or account documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering, governing and/or account documents, such documents shall control.

We encourage all investors to carefully review this brochure in its entirety.

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## **Advisory Business**

### **FIRM DESCRIPTION**

Lieblong & Associates, Inc., an Arkansas corporation, ("Lieblong & Associates" or "we," "us," or "our") has been in business since 1997. We provide investment management and supervisory services to Key Colony Fund, L.P., a Delaware limited partnership (the "Fund") and to separately managed accounts of various clients. In addition, we are an independent full-service broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and an introducing broker clearing through Wells Fargo Clearing Services, LLC, formerly known as First Clearing Services, LLC, a division of Wells Fargo & Company. We are registered with the Securities and Exchange Commission as a broker/dealer and an investment advisor.

Our investment advice is provided in accordance with and subject to the investment objectives, strategies, guidelines, restrictions and limitations contained in the applicable offering, governing and/or account documents, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

We are wholly owned by Alex R. Lieblong.

### **TYPES OF ADVISORY SERVICES**

#### **The Fund**

We provide investment advisory services with respect to the Fund. Our affiliate, Key Colony Management, LLC, an Arkansas limited liability company, serves as general partner of the Fund (the "General Partner"). We are responsible for investing and re-investing the assets of the Fund in accordance with the investment objectives, policies and guidelines set forth in its offering and governing documents. Information about the Fund is set forth in its confidential memorandum and governing documents. **See "Methods of Analysis, Investment Strategies, and Risk of Loss" below.**

#### **Advisory Accounts**

We also provide investment advisory services to separately managed accounts ("Advisory Accounts") of various clients, including individuals and businesses. Our advice is not limited to a particular type of investment. We work with our Advisory Account clients to identify their investment objectives; then we develop asset allocation and risk management models to achieve those objectives using a variety of investment products. This method allows advisory services to be tailored to the individual needs of our Advisory Account clients.

Advisory Accounts are managed in accordance with the terms, conditions, guidelines and limitations set forth in the investment management agreement and/or other applicable contractual arrangement between us and each Advisory Account client.

## **INVESTMENT RESTRICTIONS**

### The Fund

We tailor our advisory services to the individual needs of the Fund, and investors in the Fund generally are not permitted to impose restrictions on investments in certain securities, financial instruments and/or other assets.

### Advisory Accounts

We provide and tailor our investment advice with respect to each Advisory Account based on the investment guidelines and objectives of the applicable Advisory Account client and the terms and conditions set forth in the applicable investment management agreement. Utilizing a method that is tailored to unique criteria set forth by each client, our Advisory Account clients are able to impose restrictions on investing in certain securities or types of securities if so desired.

## **ASSETS UNDER MANAGEMENT**

As of September 30, 2020, we had approximately \$133.1 million in regulatory assets under management, all of which were managed on a discretionary basis.

## **Fees and Compensation**

### **DESCRIPTION OF COMPENSATION AND FEE SCHEDULE**

In consideration of our advisory services, we or our affiliate generally is entitled to receive management fees and/or performance-based fees or allocations. While fees and allocations are described in detail in the applicable governing, account and/or offering documents, an overview of our basic fee schedule is summarized below.

### The Fund

With respect to the Fund, our affiliate is entitled to receive a management fee, payable with respect to each calendar quarter in arrears, equal to 0.5% (2.0% per annum) of the net asset value of the Fund.

In addition, realized net profits are allocated among the investors in the Fund and our affiliate in the following order and priority: (a) first, to each investor and our affiliate in

proportion to an amount equal to the aggregate losses and other items of deduction that have previously been allocated to such investor or our affiliate and not otherwise offset by previous allocations of realized net profits; (b) second, 20% of all remaining realized net profits to our affiliate; and (c) third, 80% of all remaining realized net profits to each investor and our affiliate.

Distributions that the General Partner is entitled to receive with respect to each investor pursuant to clause (b) above are referred to herein as "performance allocations."

Each investor in the Fund is generally required to represent that it is (among other things) a "qualified purchaser" as defined in Section 2(a)(51)(i)(A) of the Investment Company Act of 1940, as amended (the "Company Act").

Our fees with respect to the Fund and each investor therein generally are not negotiable. However, we have entered into, and may enter into in the future, side letters or similar arrangements with certain investors that grant different terms (including lower fees) to such investors than the terms generally applicable to other investors.

#### Advisory Accounts

With respect to each Advisory Account client, we generally receive management fees equal to a percentage of assets under management. These fees include both investment management and execution services and a separate brokerage commission is not charged. Management fees charged with respect to Advisory Account clients are negotiable based upon various factors, including, but not limited to, the size of the Advisory Account and the nature of the advisory services provided. The specific terms with respect to each Advisory Account client are fully disclosed in the applicable investment management agreement.

### **PAYMENT OF FEES**

#### The Fund

Management fees generally are payable quarterly, in arrears, on the fifteenth day of January, April, July and October of each year. Management fees are deducted directly from the capital account of each investor.

Performance allocations are calculated and re-allocated from each capital account of an investor to the capital account of our affiliate as of the end of each fiscal year (and at such other times as set forth in the partnership agreement). Performance allocations are allocated directly from each capital account of an investor to that of our affiliate.

### Advisory Accounts

Management fees generally are calculated quarterly in advance based on the agreed-upon percentage of assets under management and are deducted from the Advisory Account as of the beginning of each calendar quarter. By signing the agreement, the Advisory Account client agrees to the negotiated fees, which are deducted at the beginning of the quarter. The initial fee generally is due in full once the account is approved for the program and has obtained minimum opening size. Management fees are pro-rated for periods less than a full quarter. Additional assets received into the account will be charged a pro-rated fee based on the number of days remaining in the fee period. A pro-rated refund of cash fees paid in advance will be made if an investment advisory agreement is terminated by either party or if the Advisory Account client withdraws substantially all of its assets from their Advisory Account. Fees on assets held in securities such as CD's and money market instruments may be waived at the advisor's discretion. **No fee adjustment will be made for partial withdrawals or for account appreciation or depreciation within a billing period.** Clients may terminate their investment advisory agreement within five business days of execution and receive a full refund of management fees.

### **OTHER FEES AND EXPENSES**

#### The Fund

In addition to management fees and performance-based allocations, the Fund bears the actual and reasonable out-of-pocket expenses incurred in connection with the management of the business affairs of the Fund such as legal and accounting fees. The Fund is also responsible for any expenses incurred in connection with the offering of limited partnership interests.

### Advisory Accounts

In addition to management fees, each Advisory Account client generally bears all costs and expenses relating to the Advisory Account's investment activities, including but not limited to retirement or account fees, exchange fees, postage and handling charges, miscellaneous taxes, exchange and regulatory fees, and the expenses and fees of mutual funds. We also from time to time receive 12b-1 fees and/or underwriting commissions from mutual funds for the sale of interests in such mutual fund. This may create an incentive for us to recommend products based on revenues, instead of a client's best interest. To address this conflict, 100% of all anticipated 12b-1 fees received with respect to a client will be offset and refunded to the client. In addition, we attempt to address this conflict through full and fair disclosure in this brochure.

We generally act as broker-dealer to execute client transactions. Our management fees include the execution services, and a separate brokerage commission is not charged.

However, clients are generally responsible for and pay all other brokerage and custodial fees. See “**Brokerage Practices**”.

## **Performance-Based Fees and Side-by-Side Management**

### **Performance-Based Fees**

As noted above, our affiliate may receive performance-based allocations or fees from the Fund. Performance-based allocations or fees could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. In addition, because performance-based allocations or fees with respect to the Fund may be calculated on a basis that includes realized appreciation in portfolios based upon values assigned by us, we face a conflict of interest in valuing those portfolios. Certain of our individual employees and affiliates who are compensated to some extent based upon investment profits for which they are responsible face the same potential conflicts. We address these conflicts through our investment allocation policy and full and fair disclosure in the applicable governing, account and/or offering documents and/or this brochure.

### **Side-By-Side Management**

We manage accounts for which we are entitled to receive performance-based fees or allocations alongside accounts for which we are not entitled to receive any performance-based fees or allocations. Such side-by-side management could motivate us to favor accounts for which we or our employees or affiliates receive performance-based fees or allocations over the accounts and other clients for which such fees are not payable. We attempt to address this conflict by, among other things, adhering to objective allocation policies and procedures and full and fair disclosure in this brochure.

## **Types of Clients**

### **DESCRIPTION**

We currently provide investment advisory services with respect to various types of clients including a private pooled investment fund, individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. We may in the future provide investment advisory services to other types of clients.

### **ACCOUNT REQUIREMENTS**

#### **The Fund**

The minimum initial contribution routinely required for an investor in the Fund is



\$2,000,000; *provided, however*, capital contributions of lesser amounts may be accepted in the discretion of the General Partner.

To invest in the Fund, investors generally must be, among other things, “accredited investors” as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and “qualified purchasers” as such term is defined in Section 2(a)(51)(A) of the Company Act.

#### Advisory Accounts

Advisory Account clients are required to sign investment management agreements (and/or other contractual arrangements) that, among other things, set forth the nature and scope of our investment management authority and the investment objectives, guidelines and restrictions applicable to the management of the Advisory Accounts. In addition, Advisory Account clients generally must meet certain net worth, net asset and/or other eligibility requirements imposed by various securities laws.

### **Methods of Analysis, Investment Strategies, and Risk of Loss**

#### The Fund

The primary investment objective of the Fund is to generate a high total return of capital through investments in equity and debt securities of domestic and foreign issuers. To achieve the Fund’s investment objective, we select equity securities for the Fund based on a variety of factors, including the company’s managerial strength, prospects for growth and competitive position. In determining whether the Fund should invest in a particular debt security, we review the terms of the instrument and evaluate the creditworthiness of the issuer of the instrument, considering all factors which we deem relevant, including, as deemed applicable, a review of an issuer’s cash flow; level of short-term debt; leverage; capitalization; the quality and depth of management; profitability; return on assets; and economic factors relative to the issuer’s industry.

#### Advisory Accounts

In determining an Advisory Account client’s investment strategy, we consider many factors including age, net worth, risk aversion, family consideration, education, experience, health, and many other factors. However, the Advisory Accounts are managed in accordance with the terms, conditions, guidelines and limitations set forth in the applicable investment management agreements.

With respect to the Fund and each Advisory Account, we use a fundamental method of security analysis. The main sources used to complete security analysis include financial

newspapers and magazines, inspections of corporate activities, research material prepared by others, corporate rating services, annual reports, prospectuses, Securities and Exchange Commission ("SEC") filings and company press releases. The strategies used to implement advice include long and short term purchases, trading, short sales, margin transactions and option writing.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment strategies of the Fund, please see the governing and offering documents of the Fund.

## **CERTAIN RISK FACTORS**

*There can be no assurance that clients or investors will achieve their investment objectives or that investments will be successful. All investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our investment strategies are low risk or risk free. Prospective investors and clients should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with our investment strategies and processes and may not necessarily apply to each client or investor. Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. With respect to the Fund, the following risks are qualified in their entirety by the risks set forth in the applicable offering documents.*

*General Economic and Market Conditions.* The success of our activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, competition, industry conditions, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of our client's investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters, or security operations. These factors may affect the level and volatility of securities prices and the liquidity of our clients' investments. Volatility and/or illiquidity could impair our clients' profitability or result in losses. From time to time, including recently amidst the COVID-19 global pandemic and during 2008 and 2009, various markets around the world have experienced extreme periods of volatility, illiquidity, correlation with other markets, negative (or positive) performance and other disruptions and conditions that would previously have been viewed as extremely unlikely or even impossible. Such market developments have led to large losses and insolvencies at numerous investment funds soon thereafter. For example, during the second half of 2008, the state of the worldwide economy deteriorated into a severe recession. A similar or even more severe economic recession (or depression) could result or occur from the global response to, and as a result of, the COVID-19 global pandemic. If so, or if a similar economic situation were to occur in the future, we could experience a reduction in attractive investment opportunities and our

clients' investments could be materially impaired in many ways that cannot be predicted. Our clients could incur material losses even if we react quickly to difficult market or economic conditions, and there can be no assurance that our clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Clients should realize that markets for the financial instruments in which we seek to invest can correlate strongly with each other at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect our clients from significant losses under certain market conditions.

*Force Majeure Risks.* Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism, labor strikes, outbreaks of disease and potentially other events or occurrences. Force majeure events in the United States and elsewhere in the world may adversely affect our ability or the ability of parties with whom we do business to perform our or their respective obligations, under a contract or otherwise. In addition, dealing with any force majeure event will divert our time and effort, and the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. Force majeure events that are impossible or costly to cure may also have a permanent adverse effect on our clients or their investments, and our clients' potential returns would be diminished as a result.

*Potential for Fraud.* In spite of our desire to invest in reputable and trustworthy companies, there is a risk that we may invest in issuers that engage in fraud. To the extent that we invest in a company that engages in fraud, a client could lose all or a substantial portion of its investment in such company and it could have a material adverse effect on the client's financial condition and results of operations.

*Terrorist Attacks, War and Natural Disasters.* Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could us from meeting our respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and our clients for the short or long-term in ways that cannot presently be predicted.

*Investment and Trading Risks Generally.* All investments risk the loss of capital. No guarantee or representation is or can be made that our investment strategies will be

successful. Our investment program may involve, without limitation, risks associated with limited diversification, short-selling, leverage, micro and small cap companies, equity risks, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in our activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to our clients' investments may be subject. In addition, our clients' investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions.

Our methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

*Equity Risks.* The market price of securities owned by our clients may go up or down, sometimes rapidly or unpredictably. Equity securities in a client's portfolio may decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which we believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, a client may lose all or substantially all of its investment in any particular instance.

*Small and Medium Capitalization Companies.* We may invest client assets in the securities of companies with small to medium-sized market capitalizations. While we believe such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin

trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

*Short Selling.* Our clients' investment portfolios may include short positions. In a short sale, the seller sells a security that it does not own. Because the seller remains liable to return the underlying security that it borrowed, the seller must purchase the security prior to the date on which delivery is required. As a result, we will engage in short sales only where we believe the value of the security will decline between the date of the sale and the date our client is required to return the borrowed security. The making of short sales will expose our clients to the risk of liability for the market value of the security that is sold, which will be an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and our client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

*Corporate Debt.* We may periodically invest client assets in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. We may invest in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. Client investments may experience significant credit rating volatility, which may result in significant market value volatility and the potential for substantial loss. In addition, our clients may be paid interest in kind in connection with their investments in corporate debt and related financial instruments (e.g., the principal owed to a client in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, our clients may experience substantial losses.

*Call Options.* In certain circumstances, we might transact in call options. There are significant risks associated with the sale and purchase of call options. A call option is a financial contract that gives the buyer of the contract the right, but not the obligation,

to buy a security or other financial instrument from the seller (or “writer”) at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the call option. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* In certain circumstances, we might transact in put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Investment Strategy Risks.* Since long/short equity, long-biased and short-selling strategies generally involve identifying securities that are undervalued (and, in the case of short positions, overvalued) by the marketplace, the success of the strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur, or may occur over extended time frames that limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of a client’s portfolio.

*Investments in Distressed Issuers.* We may invest client assets in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and “below investment-grade” debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in

investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that we will analyze such investments correctly.

*Stressed Debt.* We might periodically invest client assets in debt obligations of stressed issuers. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of distressed and stressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

*Highly Volatile Markets.* The prices of financial instruments in which we may invest client assets can be volatile. Price movements of the financial instruments in which our client's assets may be invested will be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. Our clients will be subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses. In addition, governments from time to time intervene in certain markets, directly, by regulation and otherwise, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

*Stock Index Options.* In certain circumstances, we might purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio and managing its net exposure. A stock index or index option fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in our client's portfolio correlates with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a

particular stock, whether our client's investments realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use of options on stock indices will be subject to our ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

*Undervalued Securities.* We may invest client assets in securities of companies we believe to be undervalued. However, 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 a client's investments may not adequately compensate for the business and financial risks assumed.

*Illiquid Investments.* It is possible that some investments held by our clients may not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144 or another exemption under the Securities Act. Furthermore, because of the speculative and non-public nature of some investments, we may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions may prevent our clients from realizing as great an overall return on investment as may have been realized if such sales or dispositions had been made at a later date, which may adversely affect investment results of our clients.

Certain securities may be difficult or impossible to sell at the time and price that we desire. We may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on the performance of our client's investments. In addition, there may be severe limitations on our ability to sell certain securities at any price during a period of reduced credit market liquidity.

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



*Convertible Securities.* We might periodically invest client assets in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock.

If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium will decrease as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a client is called for redemption, we will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve our investment objective.

*Fixed Income Securities.* In addition to investment in public equity securities, we might periodically invest client assets in bonds or other fixed income securities of issuers including, without limitation, bonds, notes and debentures issued by corporations; debt securities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which we may invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

*Limited Diversification and Risk Management Failures.* Though we intend to diversify our clients' position, sector, and geographic exposure through use of certain position limits, at any given time, our clients' portfolios may not be diversified to any material extent and, as a result, our clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by our clients, decline. In addition, our clients' portfolios could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by a client. This limited diversity could expose our clients to losses disproportionate to market movements in general. Other investment funds pursue similar strategies, which creates the risk that many funds may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although we attempt to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in our risk management efforts could result in material losses for our clients.

*Litigation.* Our investment activities may subject our clients to the risks of becoming involved in litigation with third parties. The expense of defending against claims against our clients by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by our clients and reduce net assets. We and our affiliates will generally be indemnified by our clients in connection with any such litigation, subject to certain conditions.

*Trading Decisions.* Trading decisions will be based on fundamental and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that our strategies will be successful under all or any market conditions.

*Non-U.S. Investments.* We might periodically invest client assets in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United

States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively 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; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict our investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, we may be unable to structure transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce our rights in such markets. For example, financial instruments 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 securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

*Competition.* The markets in which we expect to participate are extremely competitive. There can be no assurance that we will be able to identify or successfully pursue attractive investment opportunities in this environment. Clients should expect that their investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past. We will compete with many firms, some of which may have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to us.

*Less Liquid Instruments.* We generally expect to invest client assets in publicly-traded equity securities that are believed to be relatively liquid. However, we may invest in the securities of companies with micro- and small-capitalizations, which may be thinly traded and otherwise illiquid. In addition, we may from time to time hold large positions with respect to a specific type of instrument, which may reduce liquidity. We may be unable to timely dispose of certain assets, which would adversely affect the ability to rebalance our clients' portfolio or to meet withdrawal requests. In addition, such circumstances may force us to dispose of assets at reduced prices, thereby adversely affecting clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if our clients incur substantial trading losses, the need for liquidity could rise sharply while access to liquidity could be

impaired. In conjunction with a market downturn, our clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing our clients' credit risk to them.

*Default and Credit Risks.* We may invest client assets in debt obligations of both government and corporate issuers. These financial instruments involve the risk that the obligor either cannot or will not fulfill its obligations under the terms of the financial instrument. Our clients also assume credit risk to their custodians and other counterparties in connection with derivatives and other contractual relationships. In evaluating credit risk, we are often dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on our clients.

*Interest Rate Risks.* We may invest client assets in debt obligations of both government and corporate issuers. These and various other assets, as well as our clients' borrowings, subject our clients to risks associated with movements in interest rates. For example, we may be required to manage both curve risk, which is the risk that the slope of the yield curve will vary from the slope assumed in our strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects our clients' portfolios.

*Mortgage-Related Securities.* Mortgage-related securities are a form of derivative collateralized by pools of commercial or residential mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations, stripped mortgage-backed securities, mortgage pass-through securities, interests in real estate mortgage investment conduits, adjustable rate mortgages, real estate investment trusts ("REITs"), including debt and preferred stock issued by REITs, as well as other real estate-related securities. The mortgage-related securities in which we may invest include those with fixed, floating or variable interest rates, those with interest rates that change based on multiples of changes in a specified index of interest rates and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest.

Mortgage-related securities are subject to credit risks associated with the performance of the underlying mortgage properties. Adverse changes in economic conditions and circumstances are more likely to have an adverse impact on mortgage-related securities secured by loans on certain types of commercial properties than on those secured by loans on residential properties. In addition, these securities are subject to prepayment risk, although commercial mortgages typically have shorter maturities than residential mortgages and prepayment protection features. In certain instances, the credit risk associated with mortgage-related securities can be reduced by third

party guarantees or other forms of credit support. Improved credit risk does not reduce prepayment risk which is unrelated to the rating assigned to the mortgage-related security. Prepayment risk can lead to fluctuations in the value of the mortgage-related security which may be pronounced. If a mortgage-related security is purchased at a premium, all or part of the premium may be lost if there is a decline in the market value of the security, whether resulting from changes in interest rates or prepayments on the underlying mortgage collateral. Certain mortgage-related securities that may be purchased by our clients, such as inverse floating rate collateralized mortgage obligations, have coupons that move inversely to a multiple of a specific index which may result in a form of leverage. As with other interest-bearing securities, the prices of certain mortgage-related securities are inversely affected by changes in interest rates.

However, although the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the security are more likely to be prepaid. For this and other reasons, a mortgage-related security's stated maturity may be shortened by unscheduled prepayments on the underlying mortgages, and, therefore, it is not possible to predict accurately the security's return to our clients. Moreover, with respect to certain stripped mortgage-backed securities, if the underlying mortgage securities experience greater than anticipated prepayments of principal, our clients may fail to fully recoup its initial investment even if the securities are rated in the highest rating category by a nationally recognized statistical rating organization. During periods of rapidly rising interest rates, prepayments of mortgage-related securities may occur at slower than expected rates. Slower prepayments effectively may lengthen a mortgage-related security's expected maturity which generally would cause the value of such security to fluctuate more widely in response to changes in interest rates.

*Cyber Security Breaches and Identity Theft.* We, our clients and our respective service providers depend on information technology systems and, notwithstanding the diligence that we may perform on such service providers, we may not be in a position to verify the risks or reliability of such information technology systems. We, our clients and our respective service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Our, our clients' and our service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we and our

affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we and/or our clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our and our clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our clients' reputations, subject any such entity and its respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to our clients or individual Investors by interfering with our or any affiliates' operations. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose one or more of our clients or us to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and clients may be required to indemnify us against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

*Brexit.* On June 23, 2016, the United Kingdom held a referendum and voted to withdraw as a member of the European Union ("EU") and a party to the Treaty on European Union and its successor treaties, and on March 29, 2017, the United Kingdom delivered a letter to the EU invoking the applicable withdrawal procedures. While the United Kingdom officially withdrew as a member of the EU as of January 31, 2020, the United Kingdom and the EU have agreed to a transition period until at least December 31, 2020, during which the United Kingdom generally will continue to operate under and pursuant to EU laws and rules while the United Kingdom and the EU continue to negotiate the terms of withdrawal and the ultimate outcome of the relationship between the EU and the United Kingdom (and the United Kingdom and the rest of the world). The negotiation process has been quite lengthy, complicated and contentious, and much uncertainty remains (especially with respect to the outcome of the relationship between the United Kingdom and the EU after the end of the transition period). The outcome of the referendum and the subsequent process and negotiation with respect to the United Kingdom's withdrawal have caused significant volatility in global financial markets and uncertainty about the integrity and functioning of the EU, both of which may persist for an extended period of time. Although we cannot predict the full effect and results of Brexit, it could have a significant adverse impact on United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the

Alternative Investment Fund Managers Directive and the European Union Markets in Financial Instruments Directive (“MiFID II”), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally and the global economic climate and may impact opportunities, pricing, availability and cost of financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the United Kingdom or the European Union. The volatility and uncertainty caused by Brexit may adversely affect the value of investments and our ability to achieve investment objectives.

Political parties in several other member states of the European Union have proposed that a referendum similar to that held in the United Kingdom be held on their country’s membership in the European Union. It is unclear whether any other member states of the European Union will hold such referendums, but if they do, further disruption can be expected.

*Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues.* Our operations and business activities as well as those of our clients could be materially adversely affected or impacted in the future by the continuation or worsening of the COVID-19 global pandemic and other outbreaks of disease, epidemics, pandemics and public health issues, whether globally or limited to particular regions of the world, such as diseases or public health issues caused by other novel coronaviruses (including as a result of the emergence of new coronaviruses), Ebola virus disease, H1N1 flu, H7N9 flu, H5N1 flu (and other types or subtypes of influenza viruses), Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus disease 2019 (or COVID-19), an infectious disease caused by Severe Acute Respiratory Syndrome coronavirus 2 (SARS-CoV-2), was first identified in December 2019 and has since spread rapidly globally, resulting in an ongoing global pandemic. The COVID-19 global pandemic has severely and materially affected (and may continue to negatively affect and materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines, shelter-in-place orders, social-distancing measures and other government-directed or mandated measures or actions to stop or slow the spread of SARS-CoV-2 and COVID-19). Although the short-term and long-term effects and consequences of COVID-19 (and the actions and measures taken or mandated by governments around the world to halt or slow down the spread of SARS-CoV-2 and COVID-19) cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as the 1918 influenza pandemic (also referred to as the Spanish flu pandemic) and the 2002-2004 SARS outbreak in Asia, had material adverse effects on the economies, capital markets and basic day-to-day operations of (and activities in) those countries and jurisdictions in which they were most prevalent. Recent efforts, actions and measures undertaken by governments, businesses and communities to protect the public health in the face of the COVID-19

pandemic (including measures designed or intended to “flatten the curve” and protect the healthcare systems in such applicable countries and jurisdictions from collapse or undergoing significant breakdowns) have resulted in partial or complete shutdowns of many sectors of the economy generally as well as severe restrictions, limitations and consequences on the means by which we operate our business (e.g., travel restrictions or bans, mandatory quarantines, shelter-in-place orders and social distancing measures and rules), which could adversely affect or negatively impact our business, activities, financial condition, and operations indefinitely. If and to the extent the economy and businesses begin to reopen and are allowed to resume operations or activities and people begin to return to more frequent personal or social interactions, there is a risk of recurrence of an outbreak of COVID-19, and such a recurrence or emergence of any kind of epidemic, pandemic, outbreak of disease or major public health issue could cause another slowdown or shutdown in the levels of economic activity and business activities and operations generally, or push the world or local economies into recession or depression, which could adversely affect and materially impact us.

The impact of a health crisis such as the COVID-19 pandemic, and other epidemics, pandemics and outbreaks of disease that may arise in the future, depends on the duration and spread of the outbreak, the severity, the actions to contain, slow down or halt the spread of the virus or treat its impact, and how quickly and to what extent normal or semi-normal economic and operating conditions can resume, which could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks.

The COVID-19 pandemic and actions, measures and steps taken by governments around the world in response to such pandemic may cause material disruptions to (or otherwise materially impact or affect) the business operations and activities of service providers on which we rely (including their administrator, custodians and counterparties).

*Government Intervention.* In 2008 and thereafter, the global financial markets underwent significant disruptions that led to significant governmental interventions and actions. The COVID-19 global pandemic of 2020 has recently led to, and is likely to continue to result in or lead to, significant (and in certain cases unprecedented) governmental interventions both in the United States and abroad. Such interventions have been and may be implemented on an “emergency” basis, with little advance notice, thereby substantially reducing or eliminating market participants’ ability to anticipate or react to such interventions, to implement certain investment strategies or to manage the risk of outstanding positions. In addition, these interventions have been and may be unclear in scope and application, resulting in confusion and uncertainty, which in itself can be materially detrimental to the efficient functioning of the markets or the economy. If governmental intervention programs or actions are unwound, there could likewise be uncertainty and adverse effects on the markets and economy. In the



case of any future market disruptions, significant economic events, pandemics or other health events, or other events or circumstances, it is impossible to predict what interim or permanent governmental interventions, restrictions (or easing of restrictions) or other actions may be imposed on the markets or the economy.

*Privacy Law Compliance Risk.* Compliance with current and future privacy data protection and information security laws and regulations ("Privacy Laws") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention, and safeguarding of personal data and our current and planned business activities and investments, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws could result in liabilities, fines, sanctions, or other penalties and orders, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and performance.

The Privacy Laws may have a regulatory impact on us, and as Privacy Laws like the California Consumer Privacy Act of 2018 continue to develop and are implemented, interpreted, and applied, our compliance costs are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND ALL OTHER APPLICABLE DISCLOSURE MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

## **Disciplinary Information**

Neither we nor any of our employees have been involved in any material legal or disciplinary events related to past or present investment clients or investors.

## **Other Financial Industry Activities and Affiliations**

### **AFFILIATED GENERAL PARTNER**

The General Partner serves as the general partner of the Fund. Pursuant to its governing documents, the General Partner is not permitted or authorized to provide or perform any investment advisory services with respect to the Fund or otherwise. All investment advisory services with respect to the Fund have been or will be delegated to, and shall be provided and/or performed exclusively and solely by, us.

## **ACTIVITIES OF THE PRINCIPAL**

Mr. Lieblong currently serves as a director of Home BancShares, Inc. ("Home Banc") and as an advisory director of Home Banc's wholly owned community bank subsidiary, Centennial Bank, and his activities on behalf of those companies may present actual and/or potential conflicts of interest (including conflicting fiduciary duties) with clients. Mr. Lieblong may receive compensation from such public companies in his capacity as a director. We attempt to address risks presented by his activities through full and fair disclosure in the applicable governing, account and/or offering documents and/or this brochure.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES**

We are a registered broker-dealer with FINRA, and all of our investment advisers and managers are registered representatives and/or principals of us. While the Fund may use unaffiliated broker-dealers to affect transactions on its behalf, we affect all transactions on behalf of our Advisory Account clients.

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to educate employees about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by our access persons. Among other things, we impose restrictions on access persons relating to the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons. Our access persons generally are required to disclose their personal securities transactions and personal securities holdings. We also maintain certain policies and procedures designed to prevent supervised persons from misusing material non-public information. A copy of our code of ethics will be made available to clients upon request.

### **PERSONAL TRADING**

Subject to certain restrictions and requirements, our supervised persons generally will be permitted to buy and/or sell securities for their own personal accounts. Allowing supervised persons to purchase these securities may motivate those employees or

principals to engage in “front-running,” which is the practice of attempting to benefit from the increase in price resulting from recommendations to clients. To prevent this practice, we closely monitor the investments made by our supervised persons. During our daily review of the previous day’s trading activity, we look for any potential front-running and review and document accordingly.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

We may recommend to clients that they buy or sell securities or other investment products in which we or a related person has some financial interest. Various actual and potential conflicts of interest exist (or may exist) among us, our supervised persons and clients. We address such conflicts through full and fair disclosure in this brochure.

We generally act as broker to execute purchases or sales of client securities and for other purposes. It is our intention that such purchases or sales will be on terms as favorable as those we extend to our other clients. Additionally, our management fees for Advisory Account clients include the execution services, and a separate brokerage commission is not charged. While the Fund is charged a separate brokerage commission, the commissions charged are less than or at standard industry rates. We address any conflicts that may arise due to this arrangement through full and fair disclosure in this brochure.

## **Brokerage Practices**

### **BROKERAGE PRACTICES**

We generally act as broker-dealer to execute client transactions. It is our intention that such purchases or sales will be on terms as favorable as those we extend to our other clients. Additionally, our management fees for Advisory Account clients include the execution services, and a separate brokerage commission is not charged. While the Fund is charged a separate brokerage commission, the commissions charged are less than or at standard industry rates.

In general, we have Advisory Account clients establish accounts at, and receive custody, clearing and brokerage and other services, from Wells Fargo Clearing Services, LLC. Not all advisers require clients to direct brokerage. We are independently owned and operated and are not affiliated with Wells Fargo Clearing Services, LLC. In limited circumstances, Wells Fargo Clearing Services, LLC shares minimal revenues with us as a result of certain activities of customers. For example, we receive 50% of any interest charged on any Advisory Account client’s average monthly margin debit balance in excess of ¼% above the Fed Funds Rate. We address any conflicts that may arise due to this arrangement through full and fair disclosure in this brochure.

We have not entered into any soft dollar arrangements, brokerage for client referrals or directed brokerage arrangements.

## **ALLOCATION OF INVESTMENT OPPORTUNITIES**

We generally allocate investment opportunities among clients in a fair and equitable manner based upon, among other things, the investment objectives, guidelines and restrictions, risk profiles, financial conditions and tax status of each client. Under certain circumstances, we have discretion to utilize alternative allocation procedures, provided that all participating clients are treated fairly and equitably.

## **Review of Accounts**

### **REVIEW OF ACCOUNTS**

Mary Ellen Williams, Chief Compliance Officer, reviews client accounts on at least a quarterly basis pursuant to our Written Supervisory Procedures. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Fund and Lieblong & Associates.

In monitoring the performance of the investments, we perform various levels of review. Among other items, we may consider short and long term rates of return, investment performance and risk allocations.

### **ADDITIONAL REVIEWS**

While we generally conduct reviews of client accounts and their investments on at least a quarterly basis, we may conduct additional or more frequent reviews in the event of certain material events or circumstances, such as market developments, additions or closings of significant positions in the Fund's portfolio and withdrawals or contributions of capital by an investor or client.

### **REPORTS TO CLIENTS AND INVESTORS**

Advisory Account clients receive an account statement from Wells Fargo Clearing Services, LLC, quarterly at a minimum. We generally provide reports and/or other information to Advisory Account clients upon request. We generally provide investors in the Fund quarterly financial statements, annual audited financial statements and annual U.S. income tax information. We may also provide other reports and information to investors or Advisory Account clients. All such statements and reports generally are written. In addition, we provide (and may in the future provide) certain additional information and/or reports to certain clients and/or investors that is not distributed to other clients.

## **Client Referrals and Other Compensation**

### **THIRD PARTY COMPENSATION**

Except as otherwise described in this brochure (including the 12b-1 fees disclosed above), we currently do not receive any economic benefit from any non-client for providing investment advice or other advisory services to our clients.

### **REFERRALS**

We currently do not compensate any person for client referrals.

## **Custody**

### **The Fund**

We have, or may be deemed to have, custody of the Fund's cash and securities. To the extent required by Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Fund's cash and securities are held with one or more qualified custodians. We may change custodians at any time and from time to time without the consent of, or notice to, investors. In general and to the extent required by law, independent public auditors will conduct annual audits of the Fund, and audited financial statements (prepared in accordance with generally accepted accounting principles) will be provided to investors on an annual basis. We generally attempt to provide such statements to investors within 120 days, as applicable, after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Fund.

### **Advisory Accounts**

We have, or may be deemed to have, custody of each Advisory Account client's cash and securities solely due to our authority to deduct fees. We do not intend to have physical possession of the cash or securities in Advisory Accounts at any time. We introduce customer accounts to and clear transactions through Wells Fargo Clearing Services, LLC. We may change custodians at any time and from time to time without the consent of, or notice to, clients. Advisory Account clients receive an account statement from Wells Fargo Clearing Services, LLC, quarterly at a minimum.

**Advisory Account clients generally receive account statements directly from Wells Fargo Clearing Services, LLC and should carefully review those statements. We urge Advisory Account clients to compare the account statements they receive**

from Wells Fargo Clearing Services, LLC with any statements that they receive from us.

If we have, or are deemed to have, custody of Advisory Account cash and securities, such cash and securities may (to the extent required by Rule 206(4)-2 under the Advisers Act) be verified by a surprise examination at least once each calendar year by an independent public accountant.

## **Investment Discretion**

### **DISCRETIONARY AUTHORITY**

Subject to the guidelines and objectives set forth in the applicable governing or account documents, we generally have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Fund. Depending on the terms and conditions of the applicable investment management agreements, we may also have discretionary power and authority over the types of investments to be bought or sold, as well as the amount to be bought or sold, on behalf of Advisory Accounts.

### **LIMITED POWER OF ATTORNEY**

Each Investor in the Fund generally grants the General Partner a limited power of attorney to enable the General Partner to execute the applicable partnership agreement on its behalf. In addition, each Advisory Account client generally grants us a limited power of attorney to enable us to conduct authorized trading on their behalf.

## **Voting Client Securities**

### **The Fund**

We have the authority to vote proxies with respect to securities owned by the Fund. We have adopted proxy voting policies and procedures in our compliance manual. In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Fund, as determined in our discretion, and our proxy voting policy. Investors generally may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.

### **Advisory Accounts**

We will not vote or take other action regarding proxies for securities in client accounts. Similarly, we do not render legal or accounting or tax advice involving accounts or the securities in the accounts. Clients will receive proxies and solicitations directly to their address of record.

### **Financial Information**

Not applicable.