



## MAGNITUDE CAPITAL, LLC PART 2A OF FORM ADV (THE “BROCHURE”)

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*This Brochure provides information about the qualifications and business practices of Magnitude Capital, LLC (SEC File No. 801-65284) (“**Magnitude**”). If you have any questions about the contents of this Brochure, please contact us at +1 212.915.3900 or [magnitudecapital@magnitudecapital.com](mailto:magnitudecapital@magnitudecapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.*

*Magnitude has been registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), since January 2006. Registration with the SEC as an investment adviser does not imply that Magnitude or any principals or employees of Magnitude possess a particular level of skill or training in the investment advisory or any other business.*

*More information about Magnitude is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Updated March 31, 2021*

## **I. MATERIAL CHANGES TO THE BROCHURE**

Since the last amendment on May 14, 2020, Magnitude has updated the Brochure to (i) streamline the disclosure in Sections IV and V regarding fees and compensation paid to Magnitude and (ii) provide certain clarifications and updates, including without limitation, the addition of certain risk factors.

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### III. ADVISORY BUSINESS

Magnitude is an investment adviser that commenced operations in October 2002. Magnitude is a limited liability company organized under the laws of the State of Delaware. Magnitude was founded and is principally owned by James M. Hall and Benjamin S. Appen (the “**Co-Founders**”). Since inception, the goal of Magnitude has been to deliver attractive risk-adjusted investment returns to investors through the management of multi-strategy funds of hedge funds and other investment vehicles.

As of December 31, 2020, Magnitude had approximately \$\$4,284,843,985 in net assets under management, all of which is managed on a discretionary basis.

Magnitude’s business currently involves managing assets for the following clients:

- Magnitude sponsors and manages private funds (each, a “**Magnitude Fund**” and collectively the “**Magnitude Funds**”) using either Magnitude’s fund of hedge funds or “select opportunities” investment strategies.
- Magnitude serves as the sub-adviser to a series (the “**Sub-Advised Series**”) of a third-party private fund organized as a series limited partnership (the “**Sub-Advised Fund**”). The Sub-Advised Fund (including the Sub-Advised Series) is advised and sponsored by a third-party investment adviser (the “**Primary Adviser**”). Each series of the Sub-Advised Fund, including the Sub-Advised Series, is an “insurance dedicated fund.” The Sub-Advised Series invests substantially all of its assets in a Magnitude Fund that is also an insurance dedicated fund and is managed using Magnitude’s fund of hedge funds investment strategy (referenced below as “**MIMF**”).

The Magnitude Funds and the Sub-Advised Series are collectively referred to as “**Clients**.”

Magnitude’s management of each Client is subject to (i) with respect to each Magnitude Fund, its organizational and governing documents, offering documents, investment management agreement, and subscription agreement, each as may be amended, supplemented or modified from time to time (collectively, the “**Fund Documents**”), and (ii) with respect to the Sub-Advised Series, the sub-advisory agreement between Magnitude and such Client, the offering documents, subscription documents, and limited partnership agreement for the Sub-Advised Fund and the Sub-Advised Series, and certain other agreements by and among some or all of Magnitude, the Primary Adviser, the Sub-Advised Series, the Sub-Advised Fund, and MIMF (as defined below), each as may be amended, supplemented, or modified from time to time (collectively, the “**Sub-Advised Series Documents**”). The Fund Documents and the Sub-Advised Series Documents are collectively referred to as the “**Governing Documents**.” The terms of any investor’s investment in any Magnitude Fund are contained in and governed by the applicable Fund Documents and the terms applicable to the Sub-Advised Series are governed by the Sub-Advised Series Documents. All discussions in this Brochure regarding Clients, including each such Client’s investments, the strategies Magnitude pursues in managing such Clients’ assets, the fees and expenses borne by such Clients, and all other terms and conditions of each Client, are subject to, and qualified in their entirety by reference to, the applicable Governing Documents.

#### A. Funds of Hedge Funds

The Magnitude Funds managed using a multi-strategy fund of hedge funds approach (“**FOFs**”) seek to deliver attractive risk-adjusted returns with limited exposure to passive risk factors. Magnitude aims to

achieve this goal primarily through the identification, selection, and monitoring of opportunities to invest in pooled investment vehicles, managed accounts, co-investment vehicles, derivative instruments, public and private investment instruments, and non-traditional investments, which may include, but are not limited to: secondary market purchases of private fund interests; “side pocket” interests; interests in special purpose liquidating vehicles; closed-end vehicles; direct co-investments; investments in operating companies with significant exposure to investment strategies; and other similar arrangements (collectively, “**Portfolio Funds**”). Portfolio Funds will generally be managed, advised, sponsored, and serviced by entities (each such entity, a “**Portfolio Manager**”), which are generally independent of Magnitude.

### *1. Investor Funds*

The FOFs are open-end vehicles that offer investors redemptions or withdrawals on a regular schedule. Below is a brief description of each of the FOFs offered to third-party investors (the “**Investor Funds**”). Please refer to each Investor Fund’s relevant Fund Documents for a more detailed description of its business and its investment terms. Shares and interests in the Investor Funds are referred to in this Brochure as “**Interests**.”

Magnitude International. Magnitude International (“**MI**”) is a sub-trust of the Magnitude Master Series Trust, a unit trust organized under the laws of the Cayman Islands (the “**Trust**”). MI is part of a master-feeder structure through which it indirectly invests in Portfolio Funds through its investment in Magnitude Master Fund (“**MMF**”). Non-U.S. investors and U.S. tax-exempt investors may invest in MI.

Magnitude Leveraged International. Magnitude Leveraged International (“**MLI**”) is a sub-trust of the Trust and indirectly invests in Portfolio Funds via a derivative instrument providing leveraged exposure to MMF. Non-U.S. investors and U.S. tax-exempt investors may invest in MLI.

Magnitude Institutional, Ltd. Magnitude Institutional, Ltd. (“**MIL**”) is a Cayman Islands exempted company and invests in Portfolio Funds both directly and indirectly via investments in MMF and LSE Master Fund (as defined below). Non-U.S. investors and U.S. tax-exempt investors, including employee benefit plans, may invest in MIL.

Magnitude U.S. Partners. Magnitude U.S. Partners (“**MUP**”) is a sub-trust of the Trust and is part of a master-feeder structure through which it indirectly invests in Portfolio Funds through its investment in Magnitude Partners Master Fund, L.P. (“**MPMF**”). U.S. taxable investors may invest in MUP.

Magnitude Private Partners, L.P. Magnitude Private Partners, L.P. (“**MPP**”) is a Delaware limited partnership and is part of a master-feeder structure through which it indirectly invests in Portfolio Funds through its investment in MPMF interests. U.S. taxable investors may invest in MPP.

Phoenix MAG, Ltd. Phoenix MAG, Ltd. (the “**Single Investor Fund**”), is a Cayman Islands exempted company established for one or more affiliated U.S. tax-exempt investors. The Single Investor Fund directly invests in MMF and LSE Master Fund.

## **2. Master Funds**

The Investor Funds and the Sub-Advised Series typically execute their investment strategy by investing directly or indirectly in one or more “master funds” (“**Master Funds**”). The Master Funds invest directly or indirectly in Portfolio Funds and MSI Vehicles (as defined below). The Master Funds are not currently offered to external investors, but Magnitude reserves the right to do so in the future. Below is a brief description of each of the Master Funds.

**Magnitude Master Fund.** MMF is a sub-trust of the Trust and uses Magnitude’s multi-strategy fund of hedge funds investment program. MMF invests (i) directly in Portfolio Funds and LSE Master Fund and (ii) indirectly in MSI Vehicles (as defined below). MI, MLI, MIL, MPI, and the Single Investor Fund (the “**Non-Taxable Investor Funds**”) invest in or have investment exposure to MMF. Because investors in the Non-Taxable Investor Funds generally are not subject to U.S. federal income taxes, MMF generally invests in non-U.S. Portfolio Funds.

**Magnitude LSE Master Fund, Ltd.** Magnitude LSE Master Fund, Ltd. (“**LSE Master Fund**”) is a Cayman Islands exempted company and uses a long-short equity fund of hedge funds investment program. LSE Master Fund invests (i) directly in Portfolio Funds and (ii) both directly and indirectly in MSI Vehicles. MMF, MIL, and the Single Investor Fund invest directly in LSE Master Fund. Because the Magnitude Funds that invest in LSE Master Fund generally are not subject to U.S. federal income taxes, LSE Master Fund generally invests only in non-U.S. Portfolio Funds.

**Magnitude Partners Master Fund, L.P.** MPMF is a Delaware limited partnership that invests directly in Portfolio Funds and indirectly in MSI Vehicles. MUP and MPP (the “**U.S.-Taxable Investor Funds**”) invest in MPMF. Because investors in the U.S.-Taxable Investor Funds generally are subject to U.S. federal income taxes, MPMF generally invests in U.S. Portfolio Funds.

**Magnitude Insurance Master Fund, LLC.** Magnitude Insurance Master Fund, LLC (“**MIMF**”) is a Delaware limited liability company and uses Magnitude’s multi-strategy fund of hedge funds investment program. MIMF invests (i) directly in Portfolio Funds and (ii) directly and indirectly in other Magnitude Funds. The Sub-Advised Series invests substantially all of its assets in MIMF.

## **3. MSI Vehicles**

Magnitude Special Investments Portfolio Fund, Ltd. (“**MSIPF**”) is an entity through which MMF, LSE Master Fund, and MPMF indirectly invest in Portfolio Funds structured as managed accounts held by MSIPF or subsidiaries thereof (collectively, “**MSI Vehicles**”). With certain limited exceptions (*e.g.*, hedging transactions, investments in special purpose acquisition companies (SPACs)), Magnitude delegates discretionary management of all or a portion of the accounts of MSI Vehicles to one or more third-party Portfolio Managers. Such Portfolio Managers are responsible for the portfolio management and investing of such accounts and generally invest in securities, derivatives, and other financial instruments for such accounts. MSIPF is a Cayman Islands exempted company and other MSI Vehicles have been established as Cayman Islands exempted limited partnerships or Delaware limited liability companies.

## **B. Select Opportunities Funds**

Magnitude currently manages two investment funds as part of a master-feeder structure using Magnitude's "select opportunities" investment strategy (the "**SOF Funds**"). Magnitude Select Opportunities Fund, SP – Series 2 ("**SOF Feeder**"), is a segregated portfolio of a Cayman Islands segregated portfolio company. SOF Feeder was formed as a closed-end, co-investment vehicle to invest alongside certain Magnitude FOFs in "side pocket" interests of a Portfolio Fund which were purchased through an auction. SOF Feeder made such investments through Magnitude Select Opportunities Master Fund SP – Series 2 ("**SOF Master**"), a segregated portfolio of a different Cayman Islands segregated portfolio company. SOF Feeder is not open to new investments.

## **C. Ancillary Services**

From time to time Magnitude may provide additional services (e.g., technology access, research insights, investor education) to one or more investors or their representatives, in order to assist such investors in their ongoing due diligence on Magnitude's investment processes and their general investment understanding. Any such services are provided solely for educational and informational purposes, are ancillary to Magnitude's advisory business, and do not involve the provision of investment advisory services to the applicable investors or their representatives. Unless Magnitude expressly agrees otherwise, Magnitude does not assume any duties to any investor or its representatives in connection with providing such ancillary services, other than the duty to act in good faith in connection with providing such services.

# **IV. FEES AND COMPENSATION**

## **A. Fees – Magnitude Funds**

All investors and potential investors in the Magnitude Funds should review the Fund Documents of the Magnitude Fund in which they invest or are considering investing in conjunction with this Brochure for complete information on the fees and compensation payable with respect to the applicable Magnitude Fund. The following fee and compensation information is subject to, and qualified in its entirety by, the Fund Documents of each Magnitude Fund.

Management fees and performance compensation paid by the Magnitude Funds are not typically negotiated. However, fees and compensation may be waived, rebated or reduced, at the discretion of Magnitude. Partners, employees, their respective family members and family trusts, former Partners or employees, and other persons associated with Magnitude (e.g., independent contractors who serve as consultants) (collectively, "**Magnitude-Related Investors**") either invest in a share class that does not pay management fees or performance compensation or have fees and performance compensation rebated in full on their investments.

## ***1. Investor Funds and MIMF<sup>1</sup>***

Magnitude's standard compensation for services provided to the Investor Funds and MIMF includes a management fee of up to 1% *per annum* (in the case of MPP, up to 1.5%) and performance compensation of up to 10% of realized and unrealized profits ("**Standard Compensation**").

Investors whose aggregate related Interests in the Investor Funds exceed a value of \$75 million qualify for Magnitude's "modified fee" program. These investors may elect to allocate any incremental capital invested above \$75 million among any combination of various management fee and performance compensation options.

Magnitude has also made reduced fee options (as compared to the Standard Compensation) available to eligible investors who invest in the Magnitude Funds through investment consultants that (i) have entered into written agreements with Magnitude and the applicable Investor Fund and (ii) meet certain aggregate client investment amount thresholds.

Management fees are generally charged at an annual rate on net assets under management (prior to the accrual or payment of performance compensation) and are payable monthly in arrears and prorated for partial periods. Performance compensation is generally charged as a percentage of the increase in value per Interest above the previous highest value per Interest, in some cases relative to a hurdle rate, as set forth in the Fund Documents for the applicable Investor Fund. Performance compensation is calculated after the management fee has been charged. Performance compensation is charged by Magnitude, or by an affiliate in the case of MUP and MPP, quarterly in arrears and upon redemption or withdrawal.

The Master Funds (with the exception of MIMF) and MSI Vehicles are not subject to management fees or performance compensation payable or allocable to Magnitude or its affiliates.

## ***2. SOF Funds***

An affiliate of Magnitude is entitled to performance compensation from SOF Master, in the form of a "carried interest" equal to 10% of profits upon realization of SOF Master's investments, after return of capital to investors. SOF Master does not pay any management fee to Magnitude or its affiliates, and SOF Feeder is not subject to any management fees or performance compensation.

## **B. Other Expenses**

The Magnitude Funds are subject to a variety of other offering, operating, and administrative expenses that are indirectly borne by investors as described in each Magnitude Fund's applicable Fund Documents. Operating and administrative expenses may, if permitted by the relevant Fund Documents, include, among other things, fund administration, organizational and offering, custody, outside legal counsel, audit, expenses associated with borrowings and leverage, including stock borrow fees, as applicable, transaction costs, accounting expenses, directors' & officers' liability insurance, expenses associated with

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<sup>1</sup> "Performance compensation," as used throughout this document, generally represents percentage of profits during the applicable period. For Interests that have a 12-month redemption notice and certain Interests subject to modified fees (as described below), performance compensation is calculated relative to a hurdle rate of return set forth in the applicable Magnitude Fund's Governing Documents.



third-party valuation services, reporting and regulatory fees and expenses, order, and risk management systems; research and data expenses; technology infrastructure expenses; corporate or other licensing fees; insurance costs and expenses; filing and regulatory fees and expenses (including, without limitation, the costs and expenses of legal and consulting fees in connection with regulatory filings and reports required to be made by the fund or Magnitude relating to the fund, including, without limitation, the preparation and filing of Section 13 filings, Section 16 filings, Form PF and other regulatory filings or reports) and other expenses. Additionally, the FOFs (and indirectly, their investors) bear their share of management fees, performance compensation, and other expenses charged to Portfolio Funds in which they invest. The foregoing is an illustrative, non-exhaustive description of expenses that may be borne by the Magnitude Funds and is subject to, and qualified in its entirety by, the more-detailed provisions of the applicable Fund Documents for each Magnitude Fund. Accordingly, some of the types of costs and expenses described above may not be charged to certain Magnitude Funds but may be charged to other Magnitude Funds, depending on the applicable Fund Documents.

The Sub-Advised Series is also subject to a variety of fees and expenses, including fees paid to the Primary Adviser and expenses similar to those described above, all of which are set forth in the Sub-Advised Series Documents. The Sub-Advised Series does not pay any fees or other compensation to Magnitude directly.

### **C. Shared Expenses**

Certain expenses may be shared among Magnitude and one or more Clients or between or among multiple Clients. In addition, determining whether expenses should be charged to one or more Clients or Magnitude (or a combination thereof) and the allocation of such expenses among participating Clients and/or Magnitude, may not always be unequivocal. Therefore, such allocation determinations may create potential conflicts of interest between Magnitude and one or more Clients or between or among Clients. Magnitude seeks to allocate any such expenses on a fair and equitable basis, and consistent with the Governing Documents of each Client. In doing so, Magnitude uses its reasonable judgement in interpreting such Governing Documents and making such allocation decisions.

## **V. PERFORMANCE-BASED COMPENSATION AND SIDE-BY-SIDE MANAGEMENT**

As disclosed above, Magnitude (or an affiliate thereof) is typically entitled to performance compensation based on a share of capital gains or capital appreciation of the net assets of certain Magnitude Funds (e.g., the Investor Funds, MIMF, and SOF Master). Performance compensation may create an incentive for Magnitude to make investments that are riskier or more speculative than might be the case in the absence of such compensation. In addition, performance compensation received by Magnitude (or an affiliate) from the applicable Magnitude Funds is based on both realized and unrealized gains and losses. As a result, the performance compensation earned could be based on unrealized gains that such Magnitude Funds never realize.

Magnitude may source investment opportunities that have limited capacity. In such situations, Magnitude may need to allocate available capacity in such investment opportunities among more than one of its Clients for which such opportunities would be appropriate. Magnitude's policy is to allocate investment opportunities in a manner that is fair and equitable to such Clients, and not to allocate opportunities based on the participating Client's management fee or performance compensation structures.

## VI. TYPES OF CLIENTS

Magnitude provides investment advice directly to the Magnitude Funds; it does not provide advice directly or individually to the investors in the Magnitude Funds. Similarly, Magnitude provides investment advice to the Sub-Advised Series. Magnitude does not directly or individually provide investment advice with respect to any portion of the Sub-Advised Fund, other than the Sub-Advised Series.

The Magnitude Funds' investor base primarily consists of institutional investors (including pension plans, corporate accounts, endowments, and foundations), high net worth investors, and private banks and wealth management arms of financial institutions. Magnitude typically requires that each U.S. investor in an Investor Fund be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**"), and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended, and that each non-U.S. investor be a "non-U.S. person" as defined in Regulation S under the Securities Act. Further details concerning the applicable eligibility criteria for investment in the Magnitude Funds are set forth in their Fund Documents.

The Investor Funds have minimum initial investment amounts generally ranging from \$100,000 to \$5,000,000, as set forth in each applicable fund's Governing Documents. Minimum investment amounts may be waived in Magnitude's discretion. The Master Funds and the MSI Vehicles are not currently being offered directly to third-party investors, and thus, don't have minimum investment amounts.

As described above, the Primary Adviser is an unaffiliated investment advisory firm and the Sub-Advised Fund (including without limitation, the Sub-Advised Series) is an unaffiliated investment fund.

Magnitude may establish and/or manage additional Magnitude Funds or other Client accounts in the future. Minimum account sizes for future Client accounts will be subject to negotiation with the relevant Clients.

## VII. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

### A. Methods of Analysis and Investment Strategies

#### *1. Fund of Funds Strategy*

Magnitude uses its multi-strategy fund of hedge funds investment strategy in managing the FOFs (including MSI Vehicles). In doing so, Magnitude uses a variety of information sources to identify prospective investments including, but not limited to, industry contacts, prime brokers, databases, and academic research. These sources are intended to help significantly narrow down the potential universe of investment strategies and Portfolio Funds. The goal of the filtering process is to identify a group of high-quality investment opportunities for further review by Magnitude. Magnitude allocates capital to Portfolio Funds based on a number of factors including, but not necessarily limited to: experience, market knowledge, strategy style, and historical performance of the Portfolio Manager or Portfolio Fund;

appropriate diversification among all Portfolio Funds in each Magnitude Fund's portfolio; and the overall market environment.

Magnitude conducts substantial investment and operational due diligence prior to selecting a new Portfolio Manager. The goal of the due diligence process is to evaluate, among other things:

- (i) The background of the Portfolio Manager and its investment professionals;
- (ii) The infrastructure of the Portfolio Manager (including research, trading, operations, compliance, technology, and any other relevant infrastructure);
- (iii) The Portfolio Fund's strategy and method of trade execution;
- (iv) The Portfolio Manager's risk controls and portfolio management processes; and
- (v) The differentiating factors that give the Portfolio Manager an investment edge.

Magnitude monitors the correlations of performance among Portfolio Funds and attempts to assess how these correlations may change in various market scenarios, including during normal and "shock" periods. Upon the completion of the investment and operational due diligence processes, Magnitude may allocate available capital of the FOFs to new Portfolio Funds. Magnitude may periodically make recommendations for larger or smaller allocations to, or full redemptions from, certain Portfolio Funds. Investments in Portfolio Funds may be held for less than one year but are often held for more than one year. The FOFs may borrow or enter into derivative arrangements with counterparties to provide leverage, to take advantage of particular investment opportunities, or to otherwise manage cash inflows and outflows in a more efficient manner.

## **2. *"Select Opportunities" Strategy***

Magnitude's "select opportunities" strategy is generally designed to make opportunistic investments that take advantage of less-liquid or non-traditional investment opportunities to deliver attractive risk-adjusted returns to investors. Such opportunities will typically be sourced in cooperation with, and benefit from investment edge possessed by, Portfolio Managers. The "select opportunities" strategy has only been deployed in connection with the SOF Funds. The SOF Funds' sole investment is side pocket interests of a Portfolio Fund, (which were purchased at a discount in a secondary market transaction). To the extent that Magnitude employs the "select opportunities" strategy in the future, it generally expects to use similar sourcing and monitoring methods as described above with respect to the fund of funds investment strategy.

### **B. Certain Material Risks**

An investment with Magnitude involves a high degree of risk, including the risk of loss of the entire investment. There can be no assurance that the investment objective of any of Magnitude's investment strategies will be achieved or that the investment strategies employed by Magnitude will be successful. Certain of the material risks associated with the investment strategies used by Magnitude in managing Client portfolios are set forth below. A more detailed discussion of the risks associated with the Magnitude Funds' investment strategies as well as the risks associated with investing in each Magnitude Fund is included in the Fund Documents of each Magnitude Fund. Similarly, certain risks specific to the Sub-Advised Series are disclosed in the Sub-Advised Series Documents.

## ***1. General Risks***

The following risks may apply to all investment strategies utilized by Magnitude.

Dependence on Magnitude. Investors and Clients have no authority to make decisions or to exercise investment discretion. Rather, this authority is delegated to Magnitude. Accordingly, Clients' success depends upon the ability of Magnitude to develop and implement investment strategies that achieve Clients' investment objectives.

Cybersecurity and Business Continuity. Magnitude's investment activities and investment strategies are dependent upon various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties, such as data feeds, data centers, telecommunications, or utility providers. The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities of Magnitude on behalf of its Clients, could be severely compromised by system or component failure, telecommunications failure, power loss, a software-related "system crash," unauthorized system access or use (such as "hacking" or other cybersecurity breaches), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. Such events or circumstances may affect Magnitude directly and/or may affect one or more third parties that provide services to Magnitude and/or its Clients. It is not possible to provide comprehensive and foolproof protection against all such events and circumstances, and no assurance can be given about the ability of Magnitude or any third party to continue providing applicable services. Any event or circumstance that affects Magnitude's or one or more third party's computer and/or telecommunications systems or operations could have a material adverse effect on Magnitude and its Clients, including by preventing Magnitude from investing or trading or modifying and/or monitoring its Clients' investments. Moreover, any unauthorized access to the information systems of Magnitude or certain third parties could result in the loss, disclosure, or improper use of information relating to Clients' investments and/or personally identifiable information of Clients or investors in the Magnitude Funds. Any such loss, disclosure, or use could have a material adverse effect on such Clients or investors. Magnitude maintains back-up electronic books and records at its disaster recovery site, which is a fully operational data center facility. In the case of events that interrupt Magnitude's computer and/or telecommunications systems or operations, Magnitude hopes to resume investing or trading and modifying, and/or monitoring its Clients' investments relatively promptly, subject to any circumstances that are outside the control of Magnitude. In the case of severe business disruptions (e.g., regional power outage), Magnitude may not resume such activities for one or more business days because (among other things) such resumption is dependent on other critical business constituents, such as brokers and exchanges, and on the nature of the disruption. Although the foregoing reflects Magnitude's objectives, designs, and/or plans, no assurance can be given that these objectives, designs, and/or plans will be realized, or that, in particular, Magnitude would be able to resume operations following a business disruption, and any such disruption could have a material adverse effect on Magnitude and its Clients.

Epidemics and Pandemics. As further described below, public health crises, such as the current COVID-19 pandemic, together with any containment or other remedial measures undertaken or imposed, could have a material adverse effect on Magnitude and/or its Clients, which could be caused by, among other things, one or more of the following: (a) the disruption or otherwise materially adverse impact on the

human capital, business operations, or financial resources of (i) Magnitude, its Clients, Portfolio Funds and Portfolio Managers, and all such parties' respective service providers and counterparties, and (ii) exchanges, clearinghouses, and other market participants, (b) the disruption of global, national, and/or regional economies and financial markets and/or the precipitation of an economic downturn or recession, which could adversely affect the value and performance of Clients' direct and indirect investments. For example, the COVID-19 pandemic has already led to extreme volatility in the financial markets (including several brief automatic trading halts on U.S. stock exchanges). Public health crises and efforts to address them may result in any or all of the following (and, in the case of the COVID-19 pandemic, have resulted in certain of the following): (i) the closure of Magnitude's office or other businesses, including office buildings, factories, retail stores, distribution channels and other commercial venues, (ii) workforce, trade or travel disruptions, or restrictions negatively impacting Magnitude's, its Clients', Portfolio Funds' and/or Portfolio Managers' operations, (iii) a greater susceptibility to cybersecurity incidents, (iv) the institution of short sale or other trading bans or limitations, or increased reporting relating to such trading, in a number of markets or the closure of certain exchanges or trading venues, or (v) a reduction in the availability, and/or adverse changes in the terms, of capital financing available to Clients or Portfolio Funds. Any of the foregoing could have a material adverse impact on Magnitude and/or its Clients, including the Clients' investments and Magnitude's ability to continue to operate certain investment strategies. In addition, public health crises such as the COVID-19 pandemic and related containment efforts may adversely affect the ability, or the willingness, of a party to perform its obligations under its contracts and lead to uncertainty over whether such failure to perform (or delay in performing) might be excused under so called "material adverse change," force majeure, and similar provisions in such contracts. As a result, (i) counterparties and service providers to Magnitude, its Clients, Portfolio Funds, or Portfolio Managers may fail to perform (or delay the performance of) their obligations, (ii) pending transactions may not close or settle on time or at all, (iii) Magnitude, its Clients, Portfolio Funds, or Portfolio Managers may be forced to breach (or may determine not to perform obligations under) certain agreements, and (iv) related litigation may ensue. Any of these occurrences could have a material adverse effect on Magnitude and its Clients' investments. The extent of the impact of COVID-19 (or any similar health crisis) on Magnitude and its Clients' investments will depend largely on future developments, including the severity, duration, and spread of the outbreak throughout the world and the effect on the global economy and the markets in which Magnitude, its Clients, Portfolio Funds, and Portfolio Managers invest, all of which are highly uncertain and cannot be predicted, but their impact may be material.

Shock Risk. From time to time, normal financial market processes may be disrupted by extreme events. At such times the volatilities of, and correlations among, financial instruments, Magnitude's investment strategies, and Portfolio Managers may increase substantially, and thus, Clients and investors may incur significant losses.

Quantitative Models; Statistical Measurement Error. Magnitude and its investment strategies rely, in part, on quantitative analysis of patterns inferred from statistical formulas and calculations performed on historical series of various data sets ("**Quantitative Models**"). As market dynamics shift over time due to factors such as changed market conditions and participants, a previously successful Quantitative Model could become outdated or inaccurate, perhaps without Magnitude recognizing that fact before substantial losses are incurred. Even if all the assumptions underlying a Quantitative Model were met exactly, Quantitative Models can only make predictions; they cannot provide certainty. Further, most statistical

procedures (e.g., those used in Quantitative Models) cannot fully match the complexity of the financial markets, and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of statistical models. There can be no assurance that Magnitude will be successful in developing and maintaining effective Quantitative Models.

Hedging. The Magnitude Funds and/or the Portfolio Funds may seek to hedge their portfolios for risk management purposes and may use a variety of financial instruments or techniques, including, but not limited to, taking short positions in stocks or ETFs and the use of derivatives, options, interest rate swaps, caps and floors, and forward contracts. The risk management purposes for hedging activity may include: (i) protecting against possible changes in the market value of its investment portfolio due to fluctuations in the securities markets and changes in interest rates; (ii) protecting the unrealized gains in the value of its investment portfolio; (iii) facilitating the sale of any such investments; (iv) enhancing or preserving returns, spreads or gains on any investment in its portfolio; (v) hedging the interest rate or currency exchange rate on any of its liabilities or assets; (vi) protecting against any increase in the price of any securities it anticipates purchasing at a later date; or (vii) any other reason that Magnitude or a Portfolio Manager (as applicable) deems appropriate.

A Portfolio Manager may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. Hedging transactions may also result in a poorer overall performance for the Portfolio Fund than if it had not engaged in any such hedging transactions. The success of the hedging strategy of a Portfolio Fund is subject to the Portfolio Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy 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 a Portfolio Fund's hedging strategy is also subject to such Portfolio Manager's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. For a variety of reasons, the Portfolio Manager may not seek to establish a perfect correlation between the hedging instruments used and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Portfolio Fund from achieving the intended hedge or expose the Portfolio Fund to risk of loss.

Although it is not obligated to do so, Magnitude may invest the FOFs' assets directly (rather than through Portfolio Funds) in an attempt to hedge against current or anticipated market, financial, or economic events for which allocations or reallocations among Portfolio Funds would be impractical, ineffectual, or not timely in the opinion of Magnitude. Such direct investments may be implemented through transactions and investments in a broad variety of financial instruments. Magnitude currently engages in hedging transactions for the MSI Vehicles, through short sales of ETFs or similar short positions through swaps on indices.

To the extent that Magnitude employs hedging strategies for the Magnitude Funds such hedging strategies will be subject to the risks discussed above with regards to Portfolio Managers. Without limiting the generality of such risks described above, there can be no assurance that any hedging strategy or transactions directly employed by Magnitude will be successful or that Magnitude will continue with such strategy or transactions in the future.

Counterparty Credit Risk. Clients and Portfolio Funds may establish relationships to obtain financing, derivative intermediation, and prime brokerage services that permit a Client or a Portfolio Fund to trade in a variety of markets or asset classes over time. However, there can be no assurance that any Client or Portfolio Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could create losses and may preclude those Clients or Portfolio Funds from engaging in certain transactions, financing, derivative transactions, and prime brokerage services, (together “**Counterparty Services**”) and prevent such Clients or Portfolio Funds from investing or trading at optimal rates and terms. Moreover, a disruption in the Counterparty Services provided by any such relationships before a Client or Portfolio Fund establishes additional relationships could have a significant impact on such Client’s or Portfolio Fund’s business prospects due to reliance on such counterparties.

Many of the markets in which the Clients or Portfolio Funds effect their transactions are “over-the-counter” or “interdealer” markets. The participants in such markets may not be subject to the same credit evaluation and regulatory oversight as are members of “exchange based” markets. To the extent a Client or Portfolio Fund invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, such Client or Portfolio Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This exposes the Client or Portfolio Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide), or because of a credit or liquidity problem, thus causing the Client or Portfolio Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client or Portfolio Fund has concentrated its transactions with a single or small group of counterparties. Clients and Portfolio Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. The ability of Clients and Portfolio Funds to transact business with any one or number of counterparties, the lack of any independent evaluation of such counterparties’ financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clients or Portfolio Funds. Magnitude, and Portfolio Managers indirectly, may use one or more prime brokers to hold Clients assets. Special risks exist if Client assets are held by a prime broker rather than a bank custodian. In the event a prime broker experiences severe financial difficulty, Client assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time while the prime broker’s business is liquidated, resulting in potential losses for Clients while positions cannot be traded. Furthermore, if such a prime broker’s pool of assets is determined to be insufficient to meet all claims, Clients could suffer losses.

Short Selling. Magnitude and the Portfolio Managers may engage in short selling on behalf of Clients and Portfolio Funds, respectively. Short selling involves selling securities that may or may not be owned and borrowing the same securities 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 declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be

no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Use of Leverage and Borrowings. Certain Clients (e.g., MLI and the MSI Vehicles) may incur portfolio-level leverage by directly or indirectly borrowing funds from counterparties on a regular basis. In addition, certain FOFs have credit facilities that are generally for short-term cash management purposes (e.g., in anticipation of additional investor subscriptions, to fund redemptions, or to take advantage of particular investment opportunities), the use of which lead such FOFs to operate with leverage from time to time. In addition, the FOFs invest in Portfolio Funds that incur varying levels of leverage. While leverage presents opportunities for increasing return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent that the investment is levered. The use of leverage in adverse markets could result in losses that would be greater than if leverage were not employed.

Generally, borrowing money requires the posting of collateral with the counterparty that provides the leverage in amounts that may be changed by the counterparty. If a counterparty increases the amount of collateral required to support the outstanding borrowings, the party incurring leverage might be forced to dispose of assets at times and prices that could be disadvantageous and result in substantial losses.

Non-U.S. Investments. Clients and Portfolio Funds may invest in securities of non-U.S. companies and foreign countries and in non-U.S. currencies. Investing in the securities of such companies and countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government. These include 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 gains, other income, or gross sale or disposition proceeds; 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 Magnitude's and the Portfolio Managers' investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in such countries than is available to investors in companies located in the U.S. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. In addition, there is generally less regulation of the securities markets in foreign countries than there is in the U.S.

Exchange Rate Risk. Generally, Clients' accounts are denominated in U.S. dollars. However, Clients, either directly or indirectly through Portfolio Funds, may make investments that are denominated in currencies other than U.S. dollars, and there may be no limits on the size or concentration of such investments. As a result, Clients may be exposed to currency risks, including the risk of fluctuations in the value of the applicable currency relative to the U.S. dollar. Such fluctuations in value could adversely affect rates of return experienced by Clients. Magnitude and/or the Portfolio Managers may or may not seek to hedge such exposures, and there can be no assurance that any such hedging would be feasible or,



if undertaken, would reduce applicable risks. To the extent that Magnitude or the Portfolio Managers do hedge such exposures, Clients may also incur costs in connection with hedging against currency exposures and conversions between various currencies. Similarly, certain classes of Interests in the Investor Funds are denominated in currencies other than U.S. dollars (“**Non-USD Classes**”). Such Investor Funds may directly or indirectly hold investments denominated in U.S. dollars or in foreign currencies other than the currency denomination of the relevant Non-USD Classes. Although Magnitude attempts to hedge the exchange-rate risk associated with Non-USD Classes, doing so may be subject to many of the risks described above, and other risks. At times, the performance of Non-USD Classes may significantly deviate from the performance of classes of Interests in the same Investor Fund that are denominated in U.S. dollars, due to, among other things, unsuccessful hedging or currency and exchange-rate market conditions.

Trade Errors. Occasionally errors may occur with respect to trading in Client accounts. Magnitude has adopted a policy that seeks to identify and resolve material trade errors. In accordance with this policy, Magnitude will seek to ensure that Clients are treated in a manner that is consistent with Magnitude’s policies and procedures, applicable law, and the fiduciary duties owed to such Client. In general, losses and expenses resulting from trade errors are generally borne by the relevant Client except to the extent Magnitude is obligated to bear such losses or expenses under the Client’s Governing Documents due to Magnitude’s breach of the standard of care set forth therein. Magnitude has a conflict of interest in determining whether a trade error resulted from its violation of the applicable standard of care. Losses resulting from trade errors will reduce Client investment returns, in some cases by a material amount. Not all errors are covered by Magnitude’s trade error policy.

## ***2. Risks Associated with the Fund of Funds and Select Opportunities***

The following risks may apply to the fund of funds and “select opportunities” investment strategies utilized by Magnitude.

Investment Strategies. The risks of the strategies employed by Magnitude and Portfolio Managers are substantial and cannot be fully described in this Brochure. Such risks include the possibility that Magnitude and Portfolio Managers may fail to estimate the correct value of financial instruments, the timing for correction of any such mistaken valuation, the volatility and pricing path of such instruments over time, and the risk that subsequent events may alter the value of such instruments. In building portfolios, Magnitude or the Portfolio Managers may fail to estimate correctly the prospective relationship among elements of the respective portfolios, leading to greater risk than intended. Strategies that are successful at one time may cease to be successful at another time or forever. Any of these risks could result in significant losses to Clients and investors.

Portfolio Manager Compensation. Magnitude’s fund of hedge funds and “select opportunities” investment strategies involve investing assets in Portfolio Funds, including the Side Pocket Interests. Accordingly, Clients for which Magnitude employs these strategies generally will be subject to management fees and/or performance compensation payable or allocable to Magnitude and Clients’ interests in Portfolio Funds generally will also be subject to management fees and/or performance compensation payable to Portfolio Managers. Generally, Performance compensation payable to Magnitude is based on investment gains of the applicable Client, generally above a high water mark (and, if applicable, a hurdle rate) and indirectly by a Portfolio Manager based on the investment gains of the

Portfolio Fund managed by such Portfolio Manager, subject to the terms of the investment in the Portfolio Fund. Accordingly, a Client employing either of these investment strategies could indirectly be charged performance compensation by a Portfolio Manager even if the Client's overall performance is negative. Magnitude may also allocate a Client's capital to Portfolio Funds that themselves invest in other investment vehicles, thereby subjecting the Client to an additional level of expenses.

Speculative and Illiquid Nature of Investment. Investments in the Magnitude Funds should be considered speculative and involve substantial risk due to, among other things, the relatively illiquid nature of the Magnitude Funds' investments and the illiquidity of interests in the Magnitude Funds themselves. Investors should not expect near-term liquidity with respect to such investment, should be able to bear the financial risk of such investment for an indefinite period of time, and should be able to sustain the possible loss of the entire amount invested.

Limited Liquidity. Interests in Magnitude Funds are not freely transferrable and may not be sold, assigned, transferred, conveyed, or disposed of without Magnitude's prior consent. There is no public market for Interests, and no public market is expected to develop. Portfolio Fund investments are generally subject to restrictions on sales and restrictive redemption terms (e.g., lock-ups, redemption fees, suspension of redemptions, or "side pocketing" of positions) that may not match the redemption terms associated with Interests of the Magnitude Funds. This could limit the ability of investors to timely redeem their Interests in the Magnitude Funds. In addition, the Magnitude Funds invest a portion of their assets in illiquid or long-term Portfolio Fund investments, such as "side pocket" positions, interests in liquidating special purpose vehicles, closed-end investment vehicles, and other interests in private, restricted, or otherwise illiquid securities that lack contractual redemption rights or other near-term sources of liquidity. There can be no assurance that the Magnitude Funds will be able to dispose of such illiquid positions at attractive prices, or otherwise.

SOF Funds currently do not offer regular redemption or withdrawal rights to investors. Investments held by SOF Funds may be held indefinitely—until Magnitude has an opportunity to dispose of such investments at a favorable value.

Competition; Limited Availability of Investments; Dilutions. The markets in which the FOFs and Portfolio Funds invest are competitive for investment opportunities. Over time, such competition tends to reduce expected risk-adjusted investment returns. There can be no assurance that the FOFs or Portfolio Funds will be able to identify or successfully pursue attractive investment opportunities in competitive environments. Furthermore, certain of the Portfolio Funds in which the FOFs directly or indirectly (including without limitation, through MSI Vehicles) invest are or may be closed to additional capital. Accordingly, the FOFs may be unable to invest (in whole or in part) in the investment opportunities that Magnitude believes are most attractive.

In addition, investors' indirect investment exposure—through the Investor Funds' investments in the Master Funds and indirectly, MSI Vehicles—to Portfolio Funds that are closed to new investment may be diluted. This may occur because Investor Funds are or may be continuously offering Interests therein. In addition, Magnitude may establish, sponsor, and/or manage new investment funds, accounts, or vehicles in the future that are offered to third-party investors or clients and invest all or part of their assets in the Master Funds (collectively, "**New Third-Party Vehicles**"). Accordingly, new capital flowing into the Investor Funds or investments in the Master Funds by New Third-Party Vehicles would increase the

amount of the Master Funds' capital, absent offsetting redemptions. Such growth by the Master Funds may dilute the indirect investment exposure of existing investors in the Investor Funds to those limited investment opportunities held by the Master Funds, MSI Vehicles and/or other Magnitude Funds. This may adversely impact the investment returns of such existing investors.

Dependence on Portfolio Managers. Magnitude primarily invests assets of the FOFs with Portfolio Managers. Thus, the success of the FOFs depends primarily upon the ability of Portfolio Managers to develop and implement investment strategies that achieve their respective Portfolio Funds' investment objectives. Investments in Portfolio Funds carry additional risks including, but not limited to, potential lack of diversification, lack of transparency, reliance on Portfolio Managers for performance information, investment "style drift," and dependence on key personnel of the Portfolio Managers.

Concentration of Investments in Portfolio Funds. While Magnitude may seek to diversify the assets of the FOFs through investments with various Portfolio Funds, there are no restrictions on the amount of assets that may be indirectly invested through various Portfolio Funds in a particular market sector or type of security. At any given time, it is therefore possible that Magnitude may select Portfolio Funds that will cause one or more FOFs' portfolios to be concentrated in a particular market, sector, or industry, or in a limited number or type of securities. This could expose the FOFs to losses disproportionate to broader market movements.

As disclosed in their Fund Documents, the SOF Funds are invested in a single Portfolio Fund, which is highly illiquid.

Valuation. Interests in Portfolio Funds held by the Magnitude Funds will generally be valued in accordance with the valuations – e.g., net asset value or capital account value (together for purposes of this paragraph, "NAV") – provided by such Portfolio Funds, their administrators, or their Portfolio Managers (collectively, "**Portfolio Fund Valuation Providers**"). Such valuations provided by Portfolio Fund Valuation Providers are typically based on unaudited financial records or are estimated values or estimates of performance ("**Portfolio Fund Estimates**"), all of which are subject to subsequent adjustments. Where definitive values for interests in Portfolio Funds are not available at the relevant time (e.g., as of the monthly NAV calculation date), Portfolio Fund Estimates are used in calculating the relevant Magnitude Funds' final monthly NAVs. Accordingly, the final monthly NAV of any Magnitude Fund (and/or the NAV per Interest of any class or series of Interests therein) is typically based, substantially or entirely, upon Portfolio Fund Estimates. Although such Portfolio Fund Estimates typically are subsequently adjusted by Portfolio Fund Valuation Providers to reflect definitive valuations, the Magnitude Funds' final NAVs for any prior fiscal period generally are not expected to be adjusted to reflect such updated, definitive valuations of Portfolio Fund interests, except under the limited circumstances set forth in Magnitude's valuation policy. Rather, any subsequent adjustments to Portfolio Fund Estimates are typically reflected in the Magnitude Funds' NAVs for the subsequent fiscal period. Therefore, the amount of redemption proceeds paid to a redeeming investor—determined using the applicable Magnitude Fund's final NAV—may be greater or less than the amount the investor could have received if the NAV were adjusted to reflect subsequent adjustments to Portfolio Fund Estimates. Similarly, the management fees and performance-based compensation paid to Magnitude or its affiliates are calculated using the Magnitude Funds' final NAVs, and therefore, Magnitude or its affiliates could receive greater or less management fees or performance-based compensation than it would have received had such NAVs been adjusted to reflect subsequent adjustments to Portfolio Fund Estimates.

In certain circumstances, Magnitude may determine that an adjustment to the valuation of a Portfolio Fund may be appropriate, and in such cases, the relevant Magnitude Funds may use the services of a third-party valuation specialist in determining the fair value of such Portfolio Fund. There can be no assurances that any adjustment to the valuation of any Portfolio Fund will be accurate due to a variety of factors, including limited information available to the third-party valuation specialist. Valuations may rely in whole or in part on subjective judgments.

Commingled MSI Vehicles. Magnitude invests a portion of the Master Funds' assets in Portfolio Funds structured as managed accounts—held in an MSI Vehicle—which are managed by Magnitude and sub-advised by third-party Portfolio Managers. Currently, most managed accounts are held in a single, commingled MSI Vehicle for which its investors generally have pro rata exposure to gains and losses. Accordingly, the assets and liabilities of such managed accounts are not legally segregated from each other. Magnitude believes that this commingled structure can provide operational efficiencies for managed accounts and provide for more creditworthy MSI Vehicles, which Magnitude believes can permit such managed accounts to obtain more beneficial financing terms. In such structures, the assets of each managed account that are held by a broker or derivative counterparty will be pledged as collateral to secure all borrowings by such commingled MSI Vehicle from such broker or counterparty. A change in the asset class, value, credit quality, or other characteristics of the assets and liabilities in a single managed account could cause the commingled MSI Vehicle to default under its agreements with a broker or counterparty. For example, a precipitous decline in the value of the assets of one managed account could cause a margin call that the commingled MSI Vehicle is unable to satisfy. If the commingled MSI Vehicle defaults, such broker or counterparty would typically obtain the discretionary authority to close positions and liquidate collateral pledged to that broker or counterparty by such MSI Vehicle, potentially causing substantial losses for all managed account assets in such MSI Vehicle maintained with such broker or counterparty. In addition, if a commingled MSI Vehicle defaults under one such agreement, other brokers or counterparties that transact with such commingled MSI Vehicle may gain similar rights to liquidate collateral and close positions due to cross-default provisions, which could lead to a rapid liquidation of all or a portion of all managed accounts held within such MSI Vehicle, potentially resulting in substantial losses to the Master Funds.

In addition to the commingled MSI Vehicles described above, Magnitude has established other MSI Vehicles, each of which holds a single managed account. In such MSI Vehicles, the assets and liabilities of such managed account are segregated from managed accounts held in other MSI Vehicles. Magnitude may in the future establish additional MSI Vehicles structured in this manner. The Master Funds will bear their proportionate share of the costs and expenses associated with the establishment and ongoing operation of such vehicles.

The Master Funds and any other Magnitude Funds that invest in MSI Vehicles (collectively, “**Participating Funds**”) generally will participate in gains and losses from managed accounts held in commingled MSI Vehicles on a pro rata basis by capital contributed. The relevant Participating Funds may have differing investments, strategies, or risk monitoring thresholds and desire differing allocations to managed accounts held within a given commingled MSI Vehicle. At times, a Participating Fund may want to make incremental investments in one or more managed accounts (“**Add-On Investments**”) that would not be suitable for other Participating Funds invested in that commingled MSI Vehicle. Furthermore, a Participating Fund may want to invest in one or more managed accounts or other

investments in which other Participating Funds will not participate at all (“**Limited Investments**”). Magnitude may permit Add-On Investments, Limited Investments, or both to be held in a commingled MSI Vehicle. If they exist, Add-On Investments and Limited Investments will change the aggregate risk profile and borrowing level of the commingled MSI Vehicle that holds these investments. If Add-On Investments or Limited Investments exist in a commingled MSI Vehicle, no single Participating Fund’s risk profile will be identical to the risks of the entire commingled MSI Vehicle. As a result, it is possible that a Participating Fund could bear losses attributable to managed accounts to which it did not have (or to which it had less) exposure.

Investment and Due Diligence Process. Magnitude conducts initial and ongoing investment and operational due diligence with respect to Portfolio Funds (and their Portfolio Managers) in which it expects to invest or has invested. Magnitude conducts such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each actual or prospective investment. When conducting due diligence, Magnitude may be required to evaluate important and complex business, operational, financial, tax, accounting, and legal issues. In conducting due diligence and making an assessment regarding an investment, Magnitude will rely on the resources reasonably available to it, which in some circumstances, whether or not known to Magnitude 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 in a Portfolio Fund.

Co-Investments. While it is Magnitude’s policy to allocate investment opportunities among the Magnitude Funds on a fair and equitable basis, Magnitude may determine that certain investment opportunities that may be appropriate for any Magnitude Fund should not be allocated in their entirety to any Magnitude Fund based on such factors deemed relevant by Magnitude. In such instances, Magnitude may (but is not required to) offer for investment any unallocated portions of such opportunities to one or more investors in the Magnitude Funds, one or more parties affiliated with Magnitude, or such other parties as are selected by Magnitude. Magnitude has no obligation to offer any such investment opportunity to any investor by virtue of its investment in any Magnitude Fund. Investors participating in such investment opportunities may either invest directly in such investment opportunities or through vehicles managed by or otherwise affiliated with Magnitude (“**Co-Investment Vehicles**”). Further, such investors, including, without limitation any Co-Investment Vehicles, may invest (i) directly in a particular investment opportunity alongside the relevant Magnitude Funds, or (ii) in an investment vehicle together with other Magnitude Funds, which vehicle in turn, invests in the investment opportunity. The fees, other compensation, and terms of any investment in a Co-Investment Vehicle may differ from the fees, other compensation, or terms of an investment in any Magnitude Fund.

Momentum Investing; Online Investor Forums. Momentum investing by groups of individual retail investors and/or investment professionals could materially and adversely impact the value of one or more of Clients’ investments (e.g., Portfolio Funds). In 2020 and early 2021, retail investors’ participation in U.S. equity order flows significantly increased as a result of numerous factors, including lockdowns during the COVID-19 pandemic, receipt of policy stimulus checks, low interest rates, and a proliferation of trading apps that allow smartphone users to buy or sell stocks for little or no fees.

The impact of retail participation in the stock market is compounded by several factors. First, many retail investors buy and sell options on stocks and/or use margin made available by retail trading platforms, which has the effect of leverage and increases the volatility of the stock prices when trading occurs in

large aggregate volumes. Second, online discussions about stocks on social media platforms such as Reddit, Twitter and Facebook have served as a venue for retail traders and analysts to collaborate and form collective views about specific issuers and trading, resulting in significant share price volatility that is not based on fundamental research or traditional valuation metrics. This momentum trading has been disruptive to traditional market operations (including market participants, such as brokers that may be required by clearing and settlement companies to post additional capital to settle trades) and is contrary to investments driven by fundamental research and valuation metrics generally, and has significantly affected the trading prices of stocks of several companies in early 2021. Moreover, these forums appear to be gaining influence among retail traders, leading to a greater likelihood that additional securities in the future will be the subject of collective momentum trading based on the populist consensus in the forums. A portion of such trading appears to have an “anti-Wall Street” sentiment pursuant to which investors take contrary positions to those of asset managers often in an attempt to cause a “short-squeeze.” A short-squeeze occurs when a stock price jumps sharply higher, forcing investors that had bet that its price would fall by holding a short position, to buy it long in order to forestall even greater losses. A market requirement that short sellers must post additional capital to cover the declining value of their short positions or to close out their short positions by buying such securities long adds to the upward momentum of the stock’s price. In turn, this may lead to investors (including retail momentum traders collaborating on social media platforms) to continue to buy the stock long, further increasing the price of the stock while open short positions further decline in value. “Anti-Wall Street” and contrarian investors attempt to anticipate a short squeeze and buy stocks that demonstrate a strong short interest. However, there is no way to predict what issuers, if any, will become the subject of such trading. Third, the impact of such retail participation may or may not also be accompanied by participation by investment professionals, further increasing the effect of such trading.

The share price swings resulting from retail momentum trading have caused, and could continue to cause, losses to longer-term and fundamental investors as well as investors that trade stocks based on historic market patterns or behavior, including Portfolio Funds held in Clients’ portfolios. Clients could suffer substantial losses if Portfolio Funds short a stock that is the subject of retail momentum trading, as in the case of a short squeeze. Additionally, because these retail momentum trading patterns are not based on fundamental analysis or traditional valuation metrics, Clients could suffer losses on long positions held by Portfolio Funds as a result of momentum driven sales. More generally, the significant volatility resulting from these retail trading platforms could cause uncertainty and disruption in the markets that impairs Portfolio Funds’ ability to execute their investment strategies and limits the effectiveness of Portfolio Managers’ trading strategies and/or results in losses to such Portfolio Funds. This could have a material adverse effect on Magnitude and/or its Clients.

“Master-Feeder” Structure. The Investor Funds may indirectly invest all or part of their investable assets in the investment programs of the Master Funds. This “master-feeder” structure, and in particular the existence of multiple Investor Funds investing in the same portfolio, may pose certain risks to investors. The Master Funds may undertake, or refrain from undertaking, an investment that is more favorable to one Investor Fund than it is to another. A smaller Investor Fund investing in a Master Fund may be materially affected by the actions of a larger Investor Fund investing in a Master Fund. If a larger Investor Fund redeems all or a large portion of its capital from a Master Fund, the remaining Investor Funds may experience higher pro rata operating expenses, thereby producing lower returns. A Master Fund may become less diverse due to redemptions by a larger Investor Fund, resulting in increased portfolio risk. Each Master Fund is a separate entity, and thus, a creditor of any Master Fund may enforce claims against all assets of such Master Fund. Further, additional administrative costs and expenses are

associated with investing through the Master Funds. The foregoing risks may also apply to the Magnitude Funds' investments in Portfolio Funds, which may also employ master-feeder structures.

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THE FOREGOING LIST OF RISKS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS ASSOCIATED WITH ANY OF THE INVESTMENT STRATEGIES EMPLOYED BY MAGNITUDE. ACTUAL AND PROSPECTIVE INVESTORS OR CLIENTS SHOULD READ THE APPLICABLE GOVERNING DOCUMENTS AND CONSULT WITH THEIR FINANCIAL, LEGAL, AND TAX ADVISORS BEFORE DECIDING TO INVEST.

## **VIII. DISCIPLINARY INFORMATION**

There have been no legal or disciplinary findings against Magnitude or its principals in the past 10 years that would be material to an investor's or Client's evaluation of Magnitude in deciding whether or not to invest in a Magnitude Fund or otherwise invest with Magnitude.

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

Magnitude believes that relationships with other financial industry firms and their representatives may pose potential conflicts of interest that Magnitude seeks to identify and address.

Some investors in the Magnitude Funds are persons associated with Portfolio Managers with which Magnitude Funds invest. In addition, Magnitude personnel may have personal relationships with personnel of such Portfolio Managers. Magnitude seeks to mitigate any potential conflicts of interest arising from these relationships by disclosing specific conflicts to its portfolio management team and by reasonably determining that investment decisions are made in the best interests of the Magnitude Funds without consideration of the noted relationships.

## **X. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

Magnitude maintains and enforces a written code of ethics (the "**Code**") that is applicable to all individuals who are considered "supervised persons" according to applicable regulations. The Code is designed to communicate Magnitude's culture with respect to compliance and to address how potential conflicts of interest should be handled. The Code is also intended to guide Magnitude's supervised persons in their efforts to comply with legal and regulatory requirements. Magnitude's supervised persons are expected to hold themselves to high ethical standards and have a duty to act in the best interests of Clients.

Magnitude's Code requires Magnitude and its supervised persons to:

- (i) Comply with the spirit and the letter of the U.S. federal securities laws and the rules governing the capital markets;

- (ii) Act with competence, dignity, integrity, and in an ethical manner when dealing with actual or prospective Clients, actual or prospective investors in the Magnitude Funds, the public, third-party service providers, fellow supervised persons, and other persons with whom Magnitude does business;
- (iii) Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, making investments on behalf of Clients, promoting Magnitude's services, and engaging in other professional activities;
- (iv) Adhere to the highest standards with respect to potential conflicts of interest with or among Clients;
- (v) Act in the best interests of Clients subject to appropriate disclosure standards; and
- (vi) Report violations of the Code to appropriate supervisory personnel.

Magnitude's supervised persons are also required to follow certain rules regarding trading in their personal securities accounts. These rules include:

- (i) A requirement to obtain pre-clearance of certain transactions in securities or commodity futures (including those involving private placements, public equities, and certain other financial instruments);
- (ii) An expectation to avoid frequent trading in personal securities accounts; and
- (iii) A requirement to provide initial, quarterly, and annual personal securities reports of holdings and transactions to Magnitude's Chief Compliance Officer ("CCO"), Andrew H. Messinger or his designee.

Magnitude reviews personal trading to monitor for potentially improper transactions.

Conflicts of interest may exist among various individuals and entities, including Magnitude, employees and/or supervised persons, Clients, and current or prospective Clients or investors in Magnitude Funds. Magnitude's policies and procedures have been reasonably designed to identify and properly disclose, mitigate, or eliminate applicable conflicts of interest, as appropriate. However, written policies and procedures cannot address every potential conflict, so supervised persons must use good judgment in identifying and responding appropriately to actual or potential conflicts. Conflicts of interest that involve Magnitude (or its supervised persons) and Clients or investors will generally be resolved in a way that favors the interests of the Clients or investors over the interests of Magnitude or its supervised persons, except as appropriately disclosed to applicable Clients or investors.

Magnitude has additional policies and procedures designed to address other potential regulatory and conflict of interest issues supervised persons might face. These topics include, among other things:

- (i) Insider trading laws;
- (ii) Political contributions;
- (iii) Gifts and entertainment; and
- (iv) Outside business activities.



## **XI. BROKERAGE PRACTICES**

### **A. FOFs and SOF Funds**

The FOFs invest a substantial portion of their assets directly or indirectly in privately offered Portfolio Funds through direct transactions with such funds (or their Portfolio Managers) without using a broker. However, Magnitude may engage in direct investment transactions using brokers on behalf of the FOFs. For example, Magnitude may use brokers to (i) purchase interests in Portfolio Funds in the secondary market, and (ii) to purchase treasury securities or money market funds for cash management purposes. As noted above, Magnitude also processes conversion and hedging foreign exchange transactions with counterparties in connection with the Non-USD Classes of certain Investor Funds.

In the instances where Magnitude uses a broker to effect a transaction in a privately offered Portfolio Fund, Magnitude considers financial stability and reputation of the broker and the broker's execution capabilities and may consider services that would enhance Magnitude's investment research and portfolio management capability. If the amount of commission or fee charged by a broker is reasonable in relation to the value of the brokerage functions and services provided by such broker, Magnitude may effect brokerage transactions with such broker notwithstanding the fact that such broker may charge higher commissions or fees than another broker. It is Magnitude's policy, consistent with investment considerations, to seek the most favorable execution for brokerage orders, taking into account the price and levels of the services provided.

Due to the limited trading activity of FOFs and the fact that Magnitude invests a substantial portion of the FOFs' assets in primary transactions with Portfolio Funds, Magnitude does not frequently have the opportunity to aggregate orders for securities on behalf of the FOFs. Magnitude aggregates orders when it has the opportunity to do so and aggregation would provide materially better terms for the FOFs.

### **B. MSI Vehicles**

Magnitude has selected certain broker-dealers, ISDA counterparties, and futures commission merchants (collectively, "**Brokerage Firms**") to provide prime brokerage, derivatives counterparty, and futures account relationships for the MSI Vehicles. In addition, Magnitude conducts hedging activity in the MSI Vehicles through accounts with certain Brokerage Firms. Magnitude periodically assesses and makes determinations that the compensation paid by the MSI Vehicles to these Brokerage Firms is reasonable in light of the overall quality of the services provided.

Portfolio Managers who trade in accounts held by MSI Vehicles are typically permitted to select executing brokers. Such Portfolio Managers are fiduciaries with a duty to seek best execution in the accounts that they manage for the MSI Vehicles. Magnitude may attempt to obtain contractual covenants from Portfolio Managers to seek to obtain best execution or perform independent reviews of execution quality obtained by Portfolio Managers if it believes such steps are necessary or prudent. Securities or derivative transactions executed by Portfolio Managers within accounts held by the MSI Vehicles typically generate brokerage commissions and other forms of compensation, all of which will be paid by the MSI Vehicle; not the Portfolio Manager. Such transactions may also generate "soft dollars," which may be allocated by the Portfolio Managers at their discretion, including allocations to pay for products or services shared among Portfolio Managers clients (including clients other than the MSI Vehicles).

### **C. Soft Dollar Arrangements**

Magnitude does not currently participate in “soft dollar” arrangements—i.e., any arrangements where commissions generated by securities transactions executed by Magnitude on behalf of any Client are used to obtain research and brokerage services from third parties that constitute research and brokerage within the meaning of Section 28(e) of the Exchange Act (the “**Safe Harbor**”), but may do so in the future. The Safe Harbor permits an investment manager to use commissions (or “soft dollar” arrangements) to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. To the extent Magnitude does participate in soft dollar arrangements in the future, it generally expects to limit the use of soft dollars to obtain services that constitute research and brokerage within the Safe Harbor. In addition, in the future Magnitude may receive proprietary research from broker-dealers that execute transactions on behalf of Clients and may utilize such research for such Clients and/or for other Clients.

While Magnitude does not currently participate in soft dollar arrangements, some of the Portfolio Managers that the Magnitude Funds invest with—either through investments in the corresponding Portfolio Funds or through managed accounts via the MSI Vehicles—do use soft dollars. Such Portfolio Managers may use soft dollars in accordance with the Safe Harbor or outside of the Safe Harbor. (Please refer to Section XI.B above.)

### **D. Capital Introduction Services**

Brokerage Firms (including prime brokers) and other counterparties or intermediaries may assist Magnitude with raising additional capital for Magnitude Funds by introducing prospective investors to Magnitude. Subject to Magnitude’s duty to seek best execution, Magnitude may direct brokerage through such Brokerage Firms or engage such Brokerage Firms to provide prime brokerage or other services. Neither Magnitude nor the Magnitude Funds pay any additional brokerage compensation or other compensation in connection with such capital introduction services and no requirements are imposed with respect to any particular level of business directed to any Brokerage Firm or other counterparty or intermediary. However, such arrangements have the potential to create conflicts of interest for Magnitude in its selection of Brokerage Firms or other counterparties or intermediaries for the Magnitude Funds.

### **E. Cross Trades**

From time to time Magnitude may effectuate “cross trades” between Client accounts whereby one Client will purchase securities, cash, or other instruments from another Client’s account. Cross trades will only be effectuated to the extent permitted by applicable law and by the applicable Clients’ Governing Documents and pursuant to applicable Firm policies and procedures. Magnitude may only effectuate a cross trade if it determines that (a) the transaction is consistent with the best interests of both Clients and (b) the transaction price is determined by Magnitude to be fair for both Clients.

### **F. Concurrent Subscriptions and Redemptions**

From time to time, Magnitude may cause one or more Magnitude Funds to subscribe into or redeem from (as applicable) a third-party Portfolio Fund on or around the same date on which one or more other Magnitude Funds are redeeming from or subscribing into (as applicable) such Portfolio Fund (or a Portfolio

Fund managed by the same Portfolio Manager or its affiliate, using the same investment strategy) (such transactions, **“Concurrent Subscriptions and Redemptions”**). In connection with Concurrent Subscriptions and Redemptions, the Portfolio Fund from which the interest is being redeemed may allow certain benefits associated with such redeemed interest—including, but not limited to, investment capacity in a “closed” Portfolio Fund, a “high water mark” or “loss carryforward”, “time served” with respect to a holding period or a “lock-up”, and fee discounts—to be transferred from one or more Magnitude Funds to one or more other Magnitude Funds, so that such benefits can be retained broadly among Magnitude Funds rather than lost. In addition, from time to time, two or more Magnitude Funds participating in Concurrent Subscriptions and Redemptions in the same Portfolio Fund on or around the same date may settle such transactions without cash redemption proceeds flowing from the Portfolio Fund to the redeeming Magnitude Fund and without cash subscription proceeds flowing from the subscribing Magnitude Fund to the Portfolio Fund. Rather, such transactions may be settled via accounting entries on the books of the Portfolio Fund and cash transactions between the participating Magnitude Funds. Concurrent Subscriptions and Redemptions generally are not expected to constitute cross trades, but they could raise potential or actual conflicts of interest. Magnitude, along with MIL, the assets of which are currently treated as “plan assets” under ERISA, have engaged an independent third-party firm to act as a “fiduciary”, as defined in Section 3(21) of ERISA, to MIL in connection with certain Concurrent Subscriptions and Redemptions involving MIL. In addition, Magnitude will consider actual or potential conflicts of interests in connection with Concurrent Subscriptions and Redemptions for all Magnitude Funds, and will proceed with such transactions in a manner that Magnitude believes is fair and equitable.

#### **G. Principal Trades**

Magnitude’s general practice is to not engage in principal trades, although it may do so if it complies with the disclosure and consent requirements of Section 206(3) of the Advisers Act. Any proposed principal trade requires the prior written approval from (i) the CCO and (ii) the applicable Client—e.g., through its board of directors, trustee, or the Client account owner (as applicable). Magnitude recognizes that a cross trade could be considered a principal trade if Magnitude or the persons affiliated with Magnitude were to collectively own a 25% or greater interest in one or more of the Clients participating in the trade.

## **XII. REVIEW OF ACCOUNTS**

### **A. Portfolio Management**

The portfolios of Magnitude Funds are generally reviewed on a monthly basis. The portfolio reviews for the FOFs take into account many factors, including without limitation, the capacity of specific Portfolio Managers and the Portfolio Funds they manage to accept additional capital; future flows of investor capital into and out of each Magnitude Fund; the liquidity of each Magnitude Fund’s portfolio; the quality of the opportunity set for each Portfolio Fund and/or Portfolio Manager relative to other investment opportunities; the ability of each Portfolio Manager to add value going forward; and the current disposition of the portfolio relative to a hypothetically optimal allocation. In addition, the portfolio management team uses an optimization tool and other tools to help evaluate the portfolio.

The portfolio reviews for the SOF Funds are more limited in scope because the SOF Funds only hold a single investment, which is completely illiquid. However, such portfolio reviews may take into account many of the same factors described above for the FOFs.

Magnitude's fund of hedge funds investment committee (the "**FOFs Investment Committee**") is responsible for managing the portfolios of the FOFs and the SOF Funds. The FOFs Investment Committee consists of four partners, Benjamin S. Appen, James M. Hall, Henry Hawes Bostic, and Richard O. Lodewick. Final investment decisions for the FOFs and the SOF Funds are determined by a majority vote of the FOFs Investment Committee. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk in any existing investment in any FOFs portfolio. In addition, the partner with oversight of the operational due diligence process has the right to override the FOFs Investment Committee decisions in the event of substantive unaddressed operational due diligence concerns.

## **B. Reporting to Investors and Clients**

The administrator of the Investor Funds and the SOF Feeder sends each investor a monthly statement showing the net asset value or capital balance of such investor's Interests. The administrator also sends confirmation of subscriptions for new Interests and redemptions of existing Interests.

In addition, Magnitude generally expects to provide investors in Investor Funds, MIMF, and the SOF Feeder with the following reporting:

- (i) Monthly performance estimates;
- (ii) Monthly investor reports with performance statistics, historical monthly performance, and strategy profit attribution;
- (iii) Quarterly investor reports with portfolio reviews, statistical analysis, and manager commentary;
- (iv) Annual audited financial statements;
- (v) Tax reporting information for U.S. taxable investors; and
- (vi) Periodic investor letters.

Reporting to the Primary Adviser with respect to the Sub-Advised Series is based on the mutual agreement between Magnitude and the Primary Adviser.

## **XIII. CLIENT REFERRALS AND OTHER COMPENSATION**

Other than the management fees and performance compensation disclosed herein, Magnitude does not receive any material compensation or economic benefits in connection with the provision of investment services to its Clients.

Magnitude has formal arrangements with placement agents that Magnitude compensates for marketing and investor service functions, including investor referrals, which are paid out of Magnitude's own fees. Magnitude discloses such arrangements to investors who invest in applicable Investor Funds.

## **XIV. CUSTODY**

Magnitude is deemed to have custody of Magnitude Fund assets by virtue of the general power of attorney provided to Magnitude in the investment management agreements it enters into with the Magnitude Funds and, in certain cases, by virtue of an affiliate serving as general partner or managing member to certain Magnitude Funds. Magnitude complies with the SEC's rules regarding custody of the assets owned by the Magnitude Funds by:

- (i) Verifying that Magnitude Fund assets are maintained by "qualified custodians," as defined in Rule 206(4)-2 under the Advisers Act (unless an exemption is available);
- (ii) Providing information about its custodial arrangements in its Form ADV;
- (iii) Arranging for annual audits of the financial statements of the Magnitude Funds and preparation of such statements in accordance with U.S. generally accepted accounting principles; and
- (iv) Arranging for the distribution of the audited financial statements to investors in the Magnitude Funds within applicable time frames.

In limited circumstances, Magnitude may be deemed to have custody of certain privately offered uncertificated securities that are owned by Magnitude Funds and are not held by "qualified custodians," as defined in Rule 206(4)-2 under the Advisers Act.

## **XV. INVESTMENT DISCRETION**

Magnitude has full discretion over the assets of all Client accounts. However, Magnitude delegates a substantial portion of the investment and trading discretion for each MSI Vehicle to one or more third-party Portfolio Managers, subject to the agreements among Magnitude, the relevant MSI Vehicle, and the relevant Portfolio Manager. The foregoing is subject to, and qualified in its entirety by, the investment objectives, policies, and restrictions of each Client as set forth in its Governing Documents.

## **XVI. VOTING CLIENT SECURITIES**

### **A. Proxy Voting**

Magnitude evaluates and takes action on proxy ballots and corporate action notices it receives that are associated with Magnitude Fund investments in Portfolio Funds and, as applicable, direct investments in ETFs and other instruments, in accordance with the best interests of the Magnitude Fund, its fiduciary duties to other clients, relevant rules under the Advisers Act, and its written proxy voting policies and procedures.

Magnitude has the authority and responsibility to evaluate potential changes to the investment terms and structure associated with the Magnitude Funds' underlying investments in Portfolio Funds. The relevant investment personnel consider the best interests of each affected Magnitude Fund when approving or rejecting proposed changes in the investment terms of Portfolio Funds.

Each Portfolio Manager that trades in a managed account held by MSI Vehicles is delegated the responsibility of making proxy votes for securities held in the account that such Portfolio Manager is trading. Magnitude believes that such Portfolio Managers are fiduciaries with obligations to vote proxies in the best interests of the accounts they manage. In its discretion, Magnitude may also attempt to obtain contractual covenants from the Portfolio Manager that the Portfolio Manager will vote proxies in the best interests of the MSI Vehicle account that it manages.

## **B. Abstention from Voting; Copy of Proxy Policies**

Magnitude may abstain from voting any proxy ballot received if it believes that doing so is in the best interests of its Clients. A copy of Magnitude's written proxy voting policies and procedures is available upon request, as is information about how Magnitude has voted proxies for its Clients in the past.

## **C. Conflicts of Interest**

The member of the FOF Investment Committee responsible for the relationship with the Portfolio Manager (the "**Relationship Manager**") or another FOF Investment Committee member will consider whether Magnitude is subject to any material conflict of interest in connection with each proxy vote. All Magnitude personnel are required to notify the Relationship Manager if they are aware of any potential conflict of interest associated with a proxy vote. Although Magnitude has implemented policies and procedures to seek to identify potential conflicts of interests, it is impossible to anticipate all material conflicts of interest that could arise in connection with proxy voting.

## **XVII. FINANCIAL INFORMATION**

Magnitude has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.