

**Part 2A of Form ADV:**  
**Fundamental Global Investors, LLC, FGI Funds Management, LLC, FGI International USVI, LLC, FG Strategic Consulting, LLC, Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC - *Brochure***

**Item 1 - Cover Page**

Amended March 31, 2021

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This Brochure provides information about the qualifications and business practices of Fundamental Global Investors, LLC, FGI Funds Management, LLC, FGI International USVI, LLC, FG Strategic Consulting, LLC, Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC. If you have any questions about the contents of this Brochure, please contact us at (888) 838-6326. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Fundamental Global Investors, LLC is a registered investment adviser and FGI Funds Management, LLC, FGI International USVI, LLC, FG Strategic Consulting, LLC, Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC are relying advisers of Fundamental Global Investors, LLC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information based on which you determine to hire or retain an investment adviser.

Additional information about Fundamental Global Investors, LLC, FGI Funds Management, LLC, FGI International USVI, LLC, FG Strategic Consulting, LLC, Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**FUNDAMENTAL GLOBAL INVESTORS, LLC**  
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## **Item 2 - Material Changes**

The last annual update to Fundamental Global Investors, LLC (the “Adviser”) Form ADV Part 2A (this “Brochure”) was on March 30, 2020. Below are the material changes to report since the last annual update of this Brochure:

- The Adviser added Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC as relying advisers.
- Item 10 Other Financial Industry Activities and Affiliations – Additional information was added to reflect current material relationships involving the Adviser and certain related persons, including to reflect certain material changes with respect to the Adviser and its relationship with CWA Asset Management Group, LLC.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Jeff Sutton, the Adviser’s Chief Compliance Officer, at (888) 838-6326 or [jeff@fundamentalglobal.com](mailto:jeff@fundamentalglobal.com).

Additional information about the Adviser is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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#### Item 4 - Advisory Business

- A. The Adviser is a North Carolina limited liability company and has its principal place of business in Mooresville, North Carolina. The Adviser offers investment advisory services primarily through its five relying advisers: FGI International USVI, LLC, a United States Virgin Islands limited liability company also with a principal place of business in Mooresville, North Carolina, FGI Funds Management, LLC, a Florida limited liability company with its principal place of business in Mooresville, North Carolina, FG Strategic Consulting, LLC (f/k/a Fundamental Global Advisors LLC), a Delaware limited liability company with its principal place of business in St. Petersburg, Florida, Fundamental Global Capital Appreciation Advisor, LLC, a Delaware limited liability company with its principal place of business in Mooresville, North Carolina and FG Special Situations Fund Advisor, LLC, a Delaware limited liability company with its principal place of business in Mooresville, North Carolina (each a “Relying Adviser” and, collectively, the “Relying Advisers”). The Adviser and Relying Advisers provide investment advisory services to private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions (the “Funds”) and certain institutional investors through separate arrangements, on a discretionary and non-discretionary basis (together with the Funds, the “Clients”).<sup>1</sup>

The Adviser was formed in 2012 by Kyle Cerminara and Lewis Johnson (the “Principals”). The Principals, together with Joseph Moglia, are the sole members of the Adviser. Please see Item 10.C. for information regarding certain material changes with respect to the Adviser and its relationship with CWA Asset Management Group, LLC.

FGI International USVI, LLC was formed in 2014 by the Principals, FGI Funds Management, LLC was formed in 2015 by the Principals, FG Strategic Consulting, LLC (f/k/a Fundamental Global Advisors LLC) was formed in 2019 by the Principals, Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC were formed in 2020 by the Principals.

- B. The Adviser and Relying Advisers generally seek to deliver high absolute rates of return while minimizing the risk of capital loss primarily through buying securities with trading values materially lower than the Adviser’s or Relying Adviser’s assessment of their fundamental values and by selling short securities with trading values materially higher than the Adviser’s or Relying Adviser’s assessment of their fundamental values. The Adviser and Relying Advisers intend to achieve this objective by investing globally in an array of well-researched securities and other investments, including, equities, fixed income, and commodities futures. In the case of certain clients, the Adviser seeks to achieve cash flow, income and absolute rates of return while minimizing the risk of capital loss primarily by investing in real estate and real estate related investments with values materially lower than the Adviser’s or Relying Adviser’s assessment of their fundamental values.
- C. While each of the Clients will follow the general strategy stated above, the Adviser and Relying Advisers may tailor the specific advisory services with respect to each Client based on the

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<sup>1</sup> As an SEC-registered investment adviser, the Adviser owes a fiduciary duty to all of its clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund.

particular investment objectives and strategies described in the applicable Client's confidential offering memorandum, governing documents, or investment advisory agreement (referred to collectively as "Offering Documents").

**All discussion of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, and conflicts of interest faced by the Adviser or the Relying Advisers in connection with the management of the Clients are qualified in their entirety by reference to each Client's respective Offering Documents.**

- D. The Adviser and Relying Advisers do not participate in wrap fee programs.
- E. As of December 31, 2020, the Adviser and the Relying Advisers managed approximately \$127,809,082 in discretionary regulatory assets and \$0 in non-discretionary regulatory assets. In addition, the Adviser provides non-discretionary advice on approximately \$491,367,000 in investment assets which are not included in the Adviser's regulatory assets under management.

## Item 5 - Fees and Compensation

- A. Below is a discussion of how the Adviser and the Relying Advisers are generally compensated in connection with providing advisory services to the current Clients they advise. The Adviser and the Relying Advisers may enter into different fee arrangements on a Client by Client basis.

*Management Fees.* For its services to the Funds it advises, FGI Funds Management, LLC is generally entitled to a management fee (the “Management Fee”), as further outlined in each Fund’s respective Offering Documents. For Funds offering multiple series of interests, such Management Fee is typically charged at an annual rate of (i) 1.0% of the capital account balance or net asset value, as applicable, of each investor’s Series A interests (“Series A Interests”); (ii) 1.5% of the capital account balance or net asset value, as applicable, of each investor’s Series B interests (“Series B Interests”); and (iii) 2.0% of the capital account balance or net asset value, as applicable, of each investor’s Series C interests (“Series C Interests”). The Management Fee is typically calculated each calendar month and paid each calendar month in advance. Certain Funds have different Management Fee structures and certain Funds are not charged a Management Fee.

The Fund for which FGI International USVI, LLC was formed to advise, is in the process of being wound up and dissolved. As of the date of this Brochure, FGI International USVI, LLC no longer receives a monthly Management Fee from this Fund.

For its service to the Fund it advises, Fundamental Global Capital Appreciation Advisor, LLC charges certain investors a Management Fee at an annual rate ranging from 0.0% to 2.0% of the capital account balance of each investor’s interest in the Fund. The Management Fee for the Fund is typically calculated each calendar month and paid each calendar month in advance.

For its service to the Fund it advises, FG Special Situations Fund Advisor, LLC is entitled to charge investors a Management Fee at an annual rate up to 2.0% of the capital account balance of each investor’s interest in the Special Situations Fund.

For its service to an institutional client, FG Strategic Consulting, LLC earns a fee equal to \$100,000 annually.

*Performance Allocation.* For Funds managed by FGI Funds Management, the Fund’s general partner, or similar entity (the “General Partner”), each of which is an affiliate of the Adviser, is generally entitled to a performance-based profit allocation (the “Performance Allocation”) at the end of each calendar year, as further outlined in each Fund’s respective Offering Documents. For Funds offering multiple series of interests, the Performance Allocation is typically charged at the end of each calendar year equal to (i) 10% of the net profits attributable to Series A Interests; (ii) 15% of the net profits attributable to Series B Interests; and (iii) 20% of the net profits attributable to Series C Interests, but, in each case, the Performance Allocation is typically subject to a “rolling high water mark” limitation. In the case of certain Funds, including certain Funds that are not charged Management Fees, the General Partner is entitled to receive a Performance Allocation of up to 30% with respect to an investor’s positive “Performance Change Amount” (as defined in such Fund’s Offering Documents). Certain Funds have different Performance Allocation structures, and certain Funds do not charge a Performance Allocation.

Net profit includes unrealized appreciation or depreciation of both marketable and, unless the investment has been placed in a special sub-account, non-marketable investments.

The Fund for which FGI International USVI, LLC was formed to advise, is in the process of being wound up and dissolved. FGI International USVI, LLC no longer receives a Performance Allocation from this Fund.

For the Fund advised by Fundamental Global Capital Appreciation Advisors, LLC, the General Partner is entitled to receive a Performance Allocation ranging from 0.0% to 20.0% of the net profits attributable to certain investors' interests in the Fund.

For the Fund advised by FG Special Situations Fund Advisor, LLC, the General Partner is entitled to receive a Performance Allocation of up to 20.0% of the net profits attributable to certain investors' interests in the Special Situations Fund.

*Organizational Expenses.* A Fund bears the expenses of the organization of the Fund and the offering of the Fund interests to investors, including legal and accounting fees, printing costs, travel, "blue sky" filing fees and expenses, and out-of-pocket expenses. The organizational expenses borne by a Fund are described in more detail in each Fund's Offering Documents.

*Direct Expenses of the Fund.* A Fund also bears all costs and expenses directly related to its investment program, including expenses related to investment research, proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees, travel expenses incurred by the Adviser or any member of any advisory committee, and any withholding or transfer taxes imposed on the Fund. A Fund also bears all out-of-pocket costs of the administration of the Fund, including accounting, audit and legal expenses, expenses related to regulatory compliance, costs of any litigation or investigation involving the Fund's activities, costs associated with reporting and providing information to existing and prospective investors, and the costs and expenses associated with meetings of investors, including an annual meeting and formal dinner, if any. A Fund typically also bears out-of-pocket costs of any technology and communication expenses and SEC-related compliance expenses incurred by the Adviser in connection with providing services to the Fund. However, the Adviser or the General Partner may, in their sole discretion, choose to absorb any such expenses incurred on behalf of the Fund. The direct expenses borne by a Fund are described in more detail in each Fund's Offering Documents.

*Withdrawals, Redemptions, and Terminations.*

Funds advised by FGI Funds Management, LLC, Fundamental Global Capital Appreciation Advisor, LLC, and FG Special Situations Fund Advisor, LLC are generally subject to certain withdrawal restrictions as further outlined in each Fund's respective Offering Documents. An investor typically is permitted to make complete or partial withdrawals as of the last day of each calendar quarter on 60 days' prior written notice, or at such other times as determined by each Fund's General Partner in its sole discretion. In the case of certain Funds, withdrawal requirements vary by series as follows: (i) Series A Interest as of the last business day of the calendar month of the 5-year anniversary of such investor's initial subscription for a Series A interest, and thereafter as of the last business day of each quarter; (ii) Series B Interest as of the last business day of the calendar month of the 1-year anniversary of such investor's initial subscription for a Series B Interest; provided, however, that withdrawal requests following the 1-year anniversary but prior to the 2-year anniversary of such investor's initial subscription for a Series B Interest are typically subject to an early withdrawal reduction of up to 5% of the

gross withdrawal proceeds; and (iii) Series C Interest as of the last business day of each calendar quarter; provided, however, that withdrawal requests prior to the 1-year anniversary of the contribution of the capital to be withdrawn are typically subject to an early withdrawal reduction of up to 5% of the gross withdrawal proceeds. The General Partner of each Fund may determine in its sole discretion to postpone or delay the settlement of certain withdrawal requests, as further outlined in each respective Fund's Offering Documents. Certain Funds may restrict all withdrawals until the Fund's dissolution. Additionally, each Fund's respective General Partner, in its sole discretion, may waive certain withdrawal restrictions with respect to any investor.

With respect to Clients for which non-discretionary advice is provided, in the event of a termination of the investment advisory agreement between such Clients and FG Strategic Consulting, LLC, FG Strategic Consulting, LLC must repay any of the unearned portion (computed on the basis of the number of days elapsed), if any, of the Management Fee previously paid by such Clients.

#### Miscellaneous

The Adviser and Relying Advisers generally grant waivers of the Management Fees and Performance Allocations to principals, affiliates, and employees of the Adviser.

The Adviser and Relying Advisers may agree with certain investors to a variation of the terms set forth in the Fund's Offering Documents, including different Management Fees, Performance Allocations, and withdrawal rights.

Lower fees for comparable services may be available from other sources.

- B. Management Fees and Performance Allocations are paid/allocated as indicated in Item 5.A. above.
- C. Clients will incur brokerage and other transaction costs. Item 12 of this Brochure discusses how the Adviser and Relying Advisers select brokers and determine the reasonableness of their compensation. The direct expenses borne by a Client are described in more full detail in each Client's Offering Documents.
- D. As stated above, any Management Fees payable by a Fund are due monthly in advance. Since investors are not permitted to withdraw their investment in the Fund more frequently than monthly, refunds of Management Fees are not available to Fund investors.
- E. Other than as described above, neither the Adviser, the Relying Advisers, nor any of their supervised persons receive any compensation from the sale of securities or other investment products.



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

As stated in Item 5 above, certain Funds' General Partners receive a Performance Allocation from certain Funds. These payments are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, as well as similar state regulations.

Performance-based fees, in general, may create an incentive for an adviser or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. To address these conflicts of interest, the Adviser and the Relying Advisers have implemented policies and procedures designed to ensure that all of their advisory clients receive equitable and fair treatment over time with respect to the allocation of investment opportunities.

## **Item 7 - Types of Clients**

As mentioned in Item 4, the Adviser and Relying Advisers provide investment advisory services to private funds for sophisticated, qualified investors, including high net worth individuals, pension plans, funds of funds, family offices, endowments, and other institutions, and certain institutional investors through separate arrangements, on a discretionary and non-discretionary basis.

The minimum investment for a Client varies by Client, although the Adviser or Relying Advisers may accept investments in a lesser amount at their sole discretion.

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

### **A. Investment Objective**

The Adviser's and the Relying Advisers' (referred to collectively in this Item 8 as the "Adviser") investment objective is to achieve high absolute rates of return while minimizing the risk of capital loss, over a multi-year time horizon, as further outlined in each Fund's respective Offering Documents. The Adviser seeks to achieve its objective primarily by buying securities with trading values materially lower than the Adviser's assessment of their fundamental values and by selling short securities with trading values materially higher than the Adviser's assessment of their fundamental values. The Adviser intends to achieve this objective by investing globally in an array of well-researched securities and other investments, including equities, fixed income, and other investment instruments.

Certain Funds have extensive flexibility in the instruments in which the Fund may invest and the investment techniques that the Fund may use to achieve its investment objective, as further outlined in each Fund's respective Offering Documents. A Fund's investment strategies or mix of strategies may change without notice. Certain Funds are not subject to any limitations on the amount of gross assets that may be invested in any strategy, market, security, instruments or assets or exposed to the credit risk of any counterparty, nor is there any requirement to diversify certain Funds' investments across multiple strategies or investments, as further outlined in each Fund's respective Offering Documents.

### **Investment Strategy and Process**

The Adviser generally intends to implement a value-oriented investment strategy that relies on detailed, security-specific fundamental research. Critical to this investment strategy is the identification of a meaningful expectations gap that exists between the market price of a security and what the Adviser's research indicates is the likely or probabilistic outcome over the investment time horizon.

In implementing this investment strategy, the Adviser seeks to employ deep fundamental research and analysis to identify specific future events that may lead to the value realization and uncovering of the expectations gap described above. Examples of expectations gaps and specific future events include earnings reports that will exceed or fall short of market expectations, secular trends, inventory cycle turns, supply/demand imbalances, share buybacks, special dividends, cost reduction opportunities, mergers and acquisitions, spin-offs, capital structure mispricing, and bankruptcies and business restructuring.

The Adviser believes that there are five essential steps in making an investment. The Principals of the Adviser believe that they possess particular competence and training with respect to each of these steps – idea generation, fundamental research, identification of the catalyst pathway, determination of time-adjusted expected value and position sizing and monitoring:

*Idea Generation.* The Adviser benefits from a diverse flow of investment ideas. The Adviser has developed substantial professional relationships with corporate managers, fund managers, independent researchers, brokers, sell-side analysts and physical commodities traders. Such relationships afford its clients numerous opportunities that are consistent with the Adviser's strategy. In addition, the Adviser has developed a proprietary screening process to evaluate the relative attractiveness of investment opportunities within the Adviser's circle of competence. The Adviser regularly updates this screening process to look for unusual under and over valuation opportunities with the potential for significant change. The Adviser places a particular focus on events that could cause major earnings estimate revisions over the next 1-3 years in evaluating attractive investment opportunities on both the long and short side

*Fundamental Research.* The Adviser uses thorough financial analysis in assessing a potential investment opportunity to determine whether or not a disparity exists between the fundamental value of the investment and its market price. The Principals have substantial experience and expertise determining the fundamental value of investment opportunities in a number of industries and sectors. The Principals have been researching many of the industries and sectors as sector specialists for many years. The Principals believe this gives the Adviser a significant competitive advantage in conducting fundamental research in these investment opportunities. In addition to thorough financial analysis, the Adviser conducts qualitative evaluations of corporate management and strategy through extensive channel checking of customers, suppliers, competitors and other interested parties to differentiate the optics of the situation from reality. Expectations analysis is a key part of the research process so that the Adviser can appropriately understand what is currently priced into the current market price of the investment opportunities.

*Identification of the Catalyst Pathway.* The Adviser seeks to trade securities where its research has uncovered the presence of both a significantly mispriced investment opportunity and a catalyst pathway for the market price to move in the direction of fundamental value. The Adviser believes that undervalued and overvalued investment opportunities can remain mispriced for long periods of time. As a result of this market dynamic, the Adviser maps out the path along which investment opportunities proceed on the way to the market's realization of fundamental value. The Adviser evaluates both positive and negative catalysts with an unbiased view. The timing of each event is estimated and supported by the Adviser's deep research process. The Adviser believes this process is critical for both risk management and portfolio sizing decisions.

*Determination of Time-Adjusted Expected Value.* The Adviser attempts to determine an estimate of time-adjusted expected value on every investment opportunity. In doing so, the Adviser determines a range of fundamental values for each investment opportunity. The Adviser then assigns an upside target, downside target and probability for each to the investment opportunity. After the targets and probabilities of each scenario are determined, the Adviser will make adjustments for the timing of the realization of fundamental value based on the catalyst pathway described above. The result of this exercise is the Adviser's determination of time-adjusted expected value. To analyze the relative attractiveness of each investment opportunity, the Adviser will regularly rank the current and potential investment opportunities based on its most recent assessment of time-adjusted expected value.

*Position Size and Monitoring.* The Adviser will size each investment opportunity with the objective of building a portfolio with the highest returning and most probable successful investments. At the same time, the Adviser will evaluate both qualitative factors and its view of the overall investment landscape in determining individual position sizing. The Adviser will also give consideration to the overall portfolio composition when determining the sizing of each investment opportunity.

In addition to considering the strategy for each individual investment opportunity, the Adviser regularly reflects on strategy for client portfolios as a whole. Though short sales will, in effect, hedge client portfolios against market downturns, the Adviser only sells securities short that it believes will fall regardless of market conditions. Client portfolios are built from the bottom up, by evaluating each position on its own merits without regard to broad sector analysis or macroeconomic variables. Top down, portfolio-level analysis serves only as an additional risk management tool. With regard to portfolio strategy, the Adviser takes all of the following into consideration:

*Economic Cycle.* The Principals have extensive experience in evaluating investment opportunities in a variety of cyclical and non-cyclical industries. The Principals believe their experience investing in cyclical industries gives the Adviser a strong competitive advantage in both individual security selection and overall portfolio management decisions. The Principals have developed a proprietary process for evaluating the business and inventory restocking cycle that the Principals believe is a highly predictive framework for evaluating peaks and troughs of the economic cycle and the future direction of credit spreads. The Principals have used and refined this process for many years and have found it to be useful in timing entry and exit points in both long and short positions in cyclical and financial equities as well as for managing the overall gross and net exposure of the portfolio.

*Concentration of Investments.* The Adviser anticipates that certain initial equity investment commitments will constitute more than 10% of the net asset value of a client's portfolio at cost. Non-equity investments including government bonds, currencies, and precious metals are also not limited to 10% given the Adviser's view that there will be a need for flexibility in periods of market turmoil. Portfolio allocations reflect the Adviser's relative confidence in the investments. Every investor in a Fund is encouraged to carefully review such Fund's Offering Documents regarding the concentration of investments.

*Liquidity.* The Adviser considers the liquidity of each investment and consequently of the portfolio as a whole. Where liquidity is limited, the Adviser usually only invests if it expects a higher rate of return to compensate for the additional risk imposed.

*Monitoring.* The Adviser consistently re-evaluates each position in a client portfolio to monitor changes in fundamental value and trading value. This constant re-assessment process characterizes the Adviser's risk control approach.

**The investment objectives and methods summarized above represent the Adviser's current intentions. Depending on conditions and trends in the securities markets and the economy in general, the Adviser may pursue any objectives, employ any investment techniques or purchase any type of security that it considers appropriate and in the best interests of the Funds. The foregoing discussion includes and is based upon numerous assumptions and opinions of the Adviser concerning world financial markets and other matters, the accuracy of which cannot be assured. There can be no assurance that the Adviser's investment strategy will achieve profitable results.**

- B. The Adviser's investment strategy involves a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. Investment in a Fund is speculative and involves a significant degree of risk, relating both to the types of investments contemplated by a Fund as well as the Fund's ability to achieve its investment objectives. A Fund may not be suitable for all investors and is intended for sophisticated investors who can accept the risks associated with its investments. There can be no assurances or guarantees that (i) a Fund will be able to implement its investment strategy, (ii) such strategy will prove successful, (iii) a Fund will realize positive returns or (iv) investors will not lose all or a portion of their investments in a Fund. In addition, there will be occasions when the Adviser and its affiliates may encounter potential conflicts of interest in connection with a Fund. An investment in a Fund does not constitute a complete investment program. Investors will not have recourse except with respect to the assets of a Fund.

The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Fund's Offering Documents:

*Investment Judgment; Market Risk.* The profitability of a significant portion of the Adviser's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities, commodities, and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. In addition, it is expected that certain investments in which the Adviser may invest will have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of the Adviser to execute trade orders at desired prices in rapidly moving markets. Some U.S. exchanges limit fluctuations in certain prices during a single day by imposing what are known as "daily price fluctuation limits" or "daily limits." The existence of "daily price limits" or "daily limits" may reduce liquidity or effectively curtail trading in particular markets. Once the price of a particular contract has increased or decreased by the daily limit, positions in the contract can effectively neither be taken nor liquidated. Contract prices in various investments have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Adviser from promptly liquidating unfavorable positions and subject a Fund to substantial losses, which could exceed the margin initially committed to such trades. Daily limits may reduce liquidity, but they do not limit ultimate losses, as such limits apply only on a day-to-day basis. In addition, even if contract prices have not moved the daily limit, the Adviser may not be able to execute trades at favorable prices if there is only light trading in the contracts involved.

As part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular investment or commodity interest, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilize or fix exchange rates, restricting or substantially eliminating trading in the affected currencies.

With respect to the investment strategy utilized by the Funds, there is always a degree of market risk.

*Reliance on Key Persons.* The Adviser is substantially dependent on the services of the Principals. In the event of the death, disability, departure or insolvency of the Principals, or the complete transfer of the Principals' interest in the Adviser, the business of the Funds may be adversely affected. The Principals will devote such time and effort as they deem necessary for the management and administration of each Fund's business. However, the Principals

generally engage in various other business activities in addition to managing the Funds, and consequently generally do not devote all time to Fund business.

*Investment Authority.* Substantially all decisions with respect to the management of the Funds are made by the Adviser. A Fund's investors have no right or power to take part in the management of the Fund. In the event of the withdrawal or bankruptcy of the Adviser, generally the Funds will be liquidated.

*Diversification.* Since a Fund's investment portfolio will not necessarily be widely diversified, its investment portfolio may be subject to more rapid changes in value than would be the case if it were required to maintain a wide diversification among companies, securities, and types of securities.

*Valuations.* From time to time, certain situations affecting the valuation of a Fund's investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Fund) could have an impact on the net asset value of the Fund, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Adviser is not required to make retroactive adjustments to prior subscription or withdrawal transactions or Management Fees or Performance Allocations based on subsequent valuation data.

*Withdrawal Restrictions.* There are severe restrictions on withdrawals from the Funds (which may be settled in securities rather than cash) and on transfers of Fund interests. The prior written consent of a Fund's General Partner, an affiliate of the Adviser, is required for a transfer of an interest in a Fund. Because of the restrictions on withdrawals and transfers, an investment in a Fund is a relatively illiquid investment and involves a high degree of risk. A subscription for Fund interests should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

*Prime Broker and Custody.* There is the possibility that brokerage firms and/or banking institutions at which the Funds maintain custody of their assets may encounter financial difficulties including bankruptcy and/or insolvency. The Funds may therefore have potential exposure to losses as a result of such an institution's financial difficulties. There can be no assurances as to what effect such a brokerage firm's or banking institution's failure would have on Fund assets. The Funds will rank as unsecured creditors to their prime brokers in relation to assets that such prime brokers borrow, lends or otherwise uses and, in the event of the insolvency of a prime broker, the Funds might not be able to recover equivalent assets in full or in part. In addition, if applicable law permits, cash that the prime brokers hold or receive on the Funds' behalf may not be treated by the prime brokers as client money, may not be segregated from the prime brokers' own cash and may be used by the prime brokers in the course of their investment business. In such event, the Funds will rank as one of the prime brokers' general creditors.

*Leverage.* Subject to applicable margin and other limitations, the Adviser may cause a Fund to borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Fund's portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Fund and will affect the operating results of the Fund. Also, a Fund could potentially create leverage via the use of instruments such as options and other derivative instruments.

*Illiquidity.* The investments made by the Adviser on behalf of the Funds may be illiquid, and consequently the Adviser may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Adviser and other factors. Furthermore, the nature of the investments made by the Adviser on behalf of the Funds, especially those in financially distressed companies, may require a long holding period prior to profitability.

*Non-Public Information.* From time to time, the Adviser may come into possession of non-public information concerning specific companies. Under applicable securities laws, this may limit the Adviser's flexibility to buy or sell portfolio securities issued by such companies. The Funds' investment flexibility may be constrained as a consequence of the Adviser's inability to use such information for investment purposes.

*Short Sales.* The Adviser may enter a Fund into transactions, known as "short sales," in which the Fund sells a security it does not own in anticipation of a market decline in the market value of the security. Short sales by a Fund that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The Adviser may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Adviser might have difficulty purchasing securities to meet its short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

*Turnover.* The Adviser may invest on the basis of short-term market considerations. The portfolio turnover rate of these investments may be significant, potentially involving substantial brokerage commissions and fees. Neither the Adviser nor the Principals will receive a portion of such commissions and fees.

- C. Investments by a Fund in the securities and financial instruments utilized by the Adviser involve a high degree of business and financial risk that can result in substantial losses and is suitable only for investors prepared to bear such risk. The risks factors below are not intended to be exhaustive. Prospective investors should carefully review the risks described in the applicable Client's Offering Documents.

*Futures Risk.* The Adviser will take long and short positions in futures on behalf of a Fund during the normal course of business. Futures have specific delivery periods and commitments that require the counterparties to make or take physical delivery of a commodity at a designated location if the contracts are held through the expiry period. The Adviser intends to unwind (flatten out) its positions prior to final contract expiry. To the extent that it is unable to do so, the Adviser may incur significant costs to offset the obligations that physical delivery presents. The Adviser does not intend to regularly take physical delivery of futures.

*Futures Trading is Speculative and Volatile.* Commodity interest contract prices are highly volatile. Price movements for commodity interest contracts are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations, and emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended to influence prices directly. A Fund is also subject



to the risk of the failure of any of the exchanges on which it trades or their clearinghouses. None of these factors can be controlled by the Adviser and no assurance can be given that the Adviser's advice will result in profitable trades for a Fund or that it will not incur substantial losses.

*Volatility of the Price of Gold and Other Precious Metals.* Many factors may affect the prices of various precious metals, including, without limitation: (i) global supply and demand, which is influenced by such factors as forward selling by precious metal producers, purchases made by precious metal producers to unwind hedge positions in precious metals, central bank purchases and sales and lending and production and cost levels in major gold- and other applicable metal-producing countries; (ii) global or regional political, economic or financial events and situations; (iii) investors' expectations with respect to the rate of inflation and global monetary and fiscal policies; (iv) currency exchange rates and interest rates; and (v) investment and trading activities of other pooled investment funds and commodity funds. In addition, the possibility of large-scale distress of precious metal prices in times of crisis may have a short-term negative impact on the price of precious metals and adversely affect an investment in a Fund. Crises in the future may impair the price performance of gold and other precious metals, which would, in turn, adversely affect an investment in a Fund. Furthermore, substantial sales of gold or other applicable metals by the official sector could adversely affect an investment in a Fund. The official sector consists of central banks, other governmental agencies and multi-lateral institutions that buy, sell, and hold precious metals as part of their reserve assets.

*Energy Market Risk.* A Fund may have investments in the energy markets, through investments in derivative instruments. Energy markets may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, breakdowns in the facilities for the production, storage or transport of energy and energy-related products, acts of terrorism, changes in government regulation, and sudden changes in fuel prices. A Fund may be affected to a greater extent by any of these developments than would be the case with a more diversified portfolio of investments.

*Put and Call Options on Specific Investments.* The Adviser may purchase exchange-listed and over-the-counter ("OTC") put and call options on specific investments. In addition, the Adviser may write and sell covered or uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Fund may be wholly or partially covered (meaning that the Fund holds an offsetting position) or uncovered. Options on specific investments may be used by the Fund to seek enhanced profits with respect to a particular investment or commodity contract. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by a Fund without requiring a sale of the investments.

Use of put and call options may result in losses to a Fund, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation a Fund can realize on its investments, or cause a Fund to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by a Fund to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result

in unanticipated losses with respect to covered options sold by a Fund. The use of uncovered option writing techniques may entail greater risks of potential loss to a Fund than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in a Fund realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

*Spread Positions.* A part of the Adviser's investment operations may involve spread positions between two or more commodity interest positions, or a combination of the foregoing. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably causing a loss to the spread position.

The Adviser's trading operations also may involve arbitraging between two investments. This means, for example, that the Adviser may purchase (or sell) investments (i.e., on a current basis) and take offsetting positions in options in the same or related investments. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position.

*Forward Contracts.* The Adviser may enter a Fund into forward contracts for the trading of certain investments, such as currencies and precious metals, with U.S. and foreign banks and currency and precious metals dealers and counterparties. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract. Banks and dealers act as principals in such markets. None of the SEC, the Commodity Futures Trading Commission, or banking authorities regulate trading in forward contracts on currencies, and foreign banks are not regulated by any U.S. governmental agency. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell. A Fund will absorb the "bid-ask" spread incorporated into the price of forward contracts.

*Derivatives.* Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Fund contracts for the purpose of making derivative investments (the "Counterparty"). In the event of the Counterparty's default, the Fund will only rank as an

unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

*Counterparty Creditworthiness.* In addition to the exchange-traded and exchange-cleared options contracts, the Adviser may also invest in the OTC market in contracts which involve dealing with Counterparties and their ability to meet the terms of the contracts. In particular, the Adviser may enter a Fund into repurchase agreements, forward contracts, and swap arrangements, each of which expose the Fund to credit risk to the extent that the Counterparty defaults on its obligations to perform under the relevant contract.

*Foreign Securities.* Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which the Funds' portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

*Options.* Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

*Real Estate Market Fluctuation.* Real estate historically has experienced significant fluctuations and cycles in value, which historically have caused both increases and decreases in the value of real property assets. Similarly, national, regional, state, and local real estate markets have experienced significant, and sometimes divergent or inconsistent, fluctuations and cycles in conditions, which historically have resulted in varying increases and decreases in the value of real property assets. Accordingly, such fluctuations and cycles in value and market conditions could have a materially adverse impact on real estate investments and, consequently, on the Fund.

*Real-Estate Investments.* Real estate investments are subject to the risks generally incidental to the ownership and development of real estate and the operation of income-producing real estate. Such risks include: (i) the illiquidity of the asset; (ii) the possibility that cash generated from operations will not be sufficient to meet fixed obligations; (iii) the presence of undetected physical and other defects; (iv) changes in economic conditions affecting real estate ownership directly or the demand for real estate; (v) the need for unanticipated expenditures in connection with environmental matters; (vi) unavailability of certain types of insurance; (vii) increases in insurance costs; (viii) changes in tax rates and other operating expenses; (ix) reliance on

unaffiliated third parties to conduct asset management; (x) adverse changes in laws, governmental rules and fiscal policies; (xi) terrorism; (xii) acts of God, including earthquakes and fire (which may result in uninsured losses); (xiii) environmental and waste hazards; and (xiv) other factors which are beyond the control of a Fund's General Partner or the Adviser. In addition, as recent experience has demonstrated, real estate assets are subject to long-term cyclical trends that give rise to significant volatility in values.

*Risks of Multi-Step Transactions.* In the event that a Fund chooses to affect a transaction by means of a multi-step acquisition, there can be no assurance that all of such required steps can be successfully consummated. This could possibly result in the Fund owning a significant real estate investment without having working control over the assets or access to its cash flow to service debt incurred in connection with the acquisition, and without being able to dispose of such position at prices equal to or greater than its purchase price.

*Real Estate Acquisition Liabilities.* A Fund may intend to acquire (directly or indirectly) real estate, and the Fund may acquire properties that are subject to unknown liabilities or conditions. In each case, the Fund's acquisition of real estate may be without any recourse, or with only limited recourse, with respect to unknown liabilities or contingencies. As a result, if any liability were asserted against the Fund relating to those properties, the Fund might have to pay substantial sums to settle or cure it, which could adversely affect the cash flow and operating results of the Fund.

*Real Estate Disposition Liabilities.* In connection with the disposition of real estate, a Fund may be required to (directly or indirectly) make representations about the business and financial affairs of such real estate typical with those made in the sale of real estate. The Fund may also be required to indemnify the purchasers of real estate to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Adviser may establish reserves or escrows. In that regard, Fund investors may be required to return amounts distributed to them to fund obligations, including indemnity obligations, subject to certain limitations set forth in the applicable Fund's Offering Documents.

*Real Estate Development.* Investment in the development of real estate is subject to certain risks associated with the real estate industry in general. Such risks include: (i) possible declines in the value of real estate; (ii) risks related to general and local economic conditions; (iii) possible lack of availability of development funds; (iv) overbuilding; (v) extended vacancies of properties; (vi) tenants' inability to pay rent; (vii) increases in competition, property taxes and operating expenses; (viii) changes in zoning laws; (ix) costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; (x) casualty or condemnation losses; (xi) uninsured damages from floods, earthquakes or other natural disasters; (xii) limitations on and variations in rents; (xiii) changes in interest rates; and (xiv) reliance on unaffiliated third parties to manage construction and development.

*Acquisition, Redevelopment, and Development Activities.* Real estate development activities involve many risks. A Fund may invest in undeveloped real estate and development and redevelopment real estate, which may involve more risk than real estate on which development has been completed.

*Real Estate Development Competition.* The real estate development industry is highly competitive. A Fund may compete with other real estate development projects for tenants based on a number of factors, including location, convenience, rental rates, range of services

and amenities or accommodations offered, and quality of customer service. Such competition is often specific to the individual market in which an investment is located and includes competition from existing and new real estate developments. Competitors may have an operating model that enables them to offer lower rates than a Fund's investments can, which could result in such competitors increasing their occupancy at the expense of the Fund's investment. Competition could adversely affect occupancy rates of a Fund's investments and may require the Fund to provide additional amenities or make capital improvements that the Fund otherwise would not have to make, which could reduce the Fund's profitability and could materially and adversely affect its results of operations.

*Interest Rate Risk; Prepayment Risk.* A Fund's anticipated investments may involve or otherwise be subject to loans, mortgages or other indebtedness that bear interest rates, including variable interest rates. Accordingly, if interest rates rise or decline, a Fund's performance may be positively or negatively impacted. As such, a Fund is subject to interest rate risk. A Fund has no control over a number of matters that may affect interest rates, including economic, financial and political events. Furthermore, to the extent a Fund advances loans or other forms of debt to borrowers, a borrower may choose to prepay such loan or indebtedness and replace it with more attractively-priced debt. Such prepayment may result in the Fund not earning interest income it may otherwise have earned.

*Targeted Returns.* A Fund may intend to make investments based on estimates or projections of internal rates of return and current returns. Fund investors have no assurance that a Fund will achieve its targeted total return on investments. In addition, the General Partner or the Adviser may adjust targeted returns to reflect any changes in market conditions.

*Investments in Distressed Assets.* A Fund may make investments in under-performing or other distressed assets. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that a Fund's rate of return objectives will be realized or that there will be a return of capital. In addition, investments in properties operating in workout modes or under Chapter 11 of the United States Bankruptcy Code are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of a Fund's original investment. Additionally, a Fund may be subject to litigation risks including fraudulent conveyance, voidable preference and equitable subordination risks that prevent or otherwise limit the Fund from disposing of certain assets. Litigation entails expense and the possibility of counterclaims against a Fund and the Adviser, and ultimately judgments may be rendered against the Fund for which the Fund does not carry insurance. Furthermore, under certain circumstances, payments to a Fund and distributions by a Fund to investors may be reclaimed if such payments or distributions are later determined to have been fraudulent conveyances or preferential payments. Numerous other risks arise in the workout and bankruptcy contexts.

*Distressed Instruments.* A Fund may invest in non-performing debt instruments secured by real estate or corporate debt in companies when the primary value is related to real estate. Investment in the debt or equity of financially or operationally troubled issuers involves a high degree of credit and market risk. There can be no assurance that such financially or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that a Fund may incur substantial or total losses on its investments. During an economic downturn or recession, securities of financially or operationally troubled issuers are more likely to go into default than securities of other issuers. In addition, it may be difficult to obtain information about financially or operationally troubled issuers. Securities of financially or operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing such difficulties. The market prices of

these securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected for more liquid or less volatile securities. In addition, many of a Fund's portfolio investments are not widely traded and a Fund's investment in such securities is often substantial relative to the market for such securities. As a result, a Fund may experience delays and incur losses and other costs in connection with the sale of its portfolio securities.

A Fund may be subject to restrictions on the sale of certain securities in the portfolio as a result of the Fund's percentage of holdings of securities in such issuer or as a result of its access to confidential information. Additionally, a Fund may be subject to litigation risks including fraudulent conveyance, voidable preference and equitable subordination risks or prevent (or otherwise limit) the Fund from disposing of certain instruments. Litigation entails expense and the possibility of counterclaims against a Fund and the Adviser and ultimately judgments may be rendered against a Fund for which the Fund does not carry insurance.

*Real Estate Investment Trusts.* A Fund may make investments in REITs. REITs often own real estate directly and the income they earn depends upon the income of the underlying properties and the rental income they earn. The values of securities issued by REITs are affected by tax and regulatory requirements and by perceptions of management skill. They also are subject to heavy cash flow dependency, defaults by borrowers or tenants, self-liquidation and the possibility of failing to qualify for tax-free status under the Code or to maintain exemption from the Investment Company Act. Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general and may be affected by changes in the value of the underlying properties it owns. REITs are generally dependent upon maintaining cash flows to repay borrowings and to make distributions to shareholders and are subject to the risk of default by lessees or borrowers. REITs whose underlying assets are concentrated in properties used by a particular industry, such as health care, are also subject to risks associated with such industry. Finally, REITs are also subject to interest rate risks, often have limited financial resources and, if publicly-traded, may trade less frequently and in a limited volume and may be subject to more abrupt or erratic price movements than larger company securities.

*Mezzanine Loans and Preferred Equity Risks.* A Fund may make mezzanine loans or preferred equity investments. Mezzanine loans and preferred equity investments typically are unsecured and subordinated to other debt obligations of the borrower and therefore have more risk of loss than senior debt. Mezzanine loans and preferred equity investments may increase a Fund's exposure to adverse economic factors such as significantly rising interest rates, severe downturns in the economy or deterioration in the condition of the borrower or other obligor on the mezzanine loan or preferred equity investment. Conversely, mezzanine loans and preferred equity investments are often less risky than equity investments because the claims of mezzanine lenders and preferred equity holders are typically senior to those of equity holders in a company. In the event that any borrower or other obligor on a mezzanine loan or preferred equity investment is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness, the value of a Fund's investment in such mezzanine loan or preferred equity investment could be significantly reduced or even eliminated. In addition, changes in the interest rates may adversely affect the value of a mezzanine loan or preferred equity investment.

*Risks of Investments in Collateralized Debt Obligations.* A Fund may make investments in structured products such as collateralized debt obligations ("CDOs"). Such investments entail the following risks:

- *CDOs Generally.* The value of CDOs generally fluctuates with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO (“CDO Collateral”), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO Collateral are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished. Issuers of CDOs may acquire interests in loans and other debt obligations by way of sale, assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the loan or debt obligation; however, its rights can be more restricted than those of the assigning institution.
- *Subordination.* CDO Collateral may consist of high-yield debt securities, loans, asset-backed securities (“ABS”) and other instruments, which often are rated below investment grade (or of equivalent credit quality). High-yield debt securities generally are unsecured and may be subordinated to certain other obligations of the issuer thereof. Such investments may be speculative.
- *Illiquidity.* The lack of an established, liquid secondary market for some CDOs (CDO equity securities in particular) may have an adverse effect on the market value of those CDOs and will in most cases make it difficult to dispose of such CDOs at market or near market prices. Additionally, the public markets for high yield corporate debt securities have experienced periods of volatility and periods of reduced liquidity and CDOs will be subject to certain other transfer restrictions that may contribute to illiquidity. Therefore, if a Fund decides to dispose of any particular CDO, no assurance can be given that it will be able to dispose of such CDO at the prevailing market price, if at all. Such illiquidity may adversely affect the price and timing of liquidations of CDO securities by the Fund.

*Mortgage Loans.* A Fund may invest in mortgage loans. Such investments entail the following risks:

- *Generally.* The value of a Fund’s investment in residential and commercial mortgage loans will be influenced by the rate of delinquencies and defaults experienced on the mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults and loss severity include: (i) general economic conditions and those in the industry sector and geographic area pertinent to the related property; (ii) the terms and structure of the mortgage loans; (iii) the borrowers’ “equity” in mortgaged properties; (iv) the financial circumstances of borrowers; and (v) any specific limits to legal and financial recourse upon a default under the terms of the residential mortgage loans. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses in addition to potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

- *Rising Delinquency Rates.* Delinquencies and losses with respect to residential and commercial mortgage loans have recently increased and may continue to increase, particularly in the subprime sector. In addition, housing prices and appraisal values in many states have declined or stopped appreciating, after extended periods of significant appreciation. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on residential mortgage loans, particularly with respect to second homes and investment properties and with respect to any residential mortgage loan, the aggregate loan amount of which (including any subordinated liens) is close to or greater than the related property value. Another factor that may have contributed to and may in the future result in, higher delinquency rates is the increase in monthly payments on adjustable-rate mortgage loans. Borrowers with adjustable payment mortgage loans are being exposed to increased monthly payments when the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate, as applicable, to the rate computed in accordance with the applicable index and margin. This increase in borrowers' monthly payments, together with any increase in prevailing market interest rates, may result in significantly increased monthly payments for borrowers with adjustable-rate mortgage loans. Borrowers seeking to avoid these increased monthly payments by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates, if at all. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance and in addition, many mortgage loans have prepayment premiums that inhibit refinancing. Furthermore, borrowers who intend to sell their homes on or before the expiration of the fixed rate periods on their mortgage loans may find that they cannot sell their properties for an amount equal to or greater than the unpaid principal balance of their loans. These events, alone or in combination, may contribute to higher delinquency rates.
- *Geographic Concentration.* A Fund may invest in mortgage loans concentrated in a specific state or states. Weak economic conditions in these locations or any other location (which may or may not affect real property values), may affect the ability of borrowers to repay their mortgage loans on time. Properties in certain jurisdictions may be more susceptible than homes located in other parts of the country to certain types of uninsurable hazards, such as earthquakes, as well as floods, hurricanes, wildfires, mudslides and other natural disasters. Declines in the residential real estate market of a particular jurisdiction may reduce the values of properties located in that jurisdiction, which would result in an increase in the loan-to-value ratios. Any increase in the market value of properties located in a particular jurisdiction would reduce the loan-to-value ratios of the mortgage loans and could, therefore, make alternative sources of financing available to the borrowers at lower interest rates, which could result in an increased rate of prepayment of the mortgage loans. Natural disasters, such as wildfires, severe storms and flooding affecting regions of the U.S. from time to time may result in prepayments of mortgage loans. Properties located in certain parts of the southern and eastern U.S. may have been damaged by the hurricanes and tropical storms that have previously affected those areas.
- *Greater Risk Involving Certain Property Types.* A Fund may invest in residential, commercial and consumer performing and non-performing loans. Mortgage loans



secured by multifamily property, mixed use property or commercial property may incur higher losses as a result of delinquency, foreclosure or repossession than mortgage loans secured by single family residential property.

- *Credit Scores May Not Accurately Predict the Performance of the Mortgage Loans.* The Adviser may rely on credit scores as part of its due diligence process to help it assess a borrower's creditworthiness. However, because credit scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general and assess only the borrower's past credit history, a credit score does not take into consideration the effect of mortgage loan characteristics (which may differ from consumer loan characteristics) on the probability of repayment by the borrower. There can be no assurance that the credit scores of the mortgagors will be an accurate predictor of the likelihood of repayment of the related mortgage loans.
- *Lack of Information Regarding Underwriting Standards; Higher Expected Delinquencies in Payment.* A Fund may acquire mortgage loans from various unaffiliated savings institutions, finance companies and other sellers. From time to time, neither the seller nor the depositor will have information available to it as to the underwriting standards that were applied in originating the mortgage loans and such mortgage loans may have been originated in accordance with standards less strict than those of Fannie Mae and Freddie Mac. As a result, certain Fund investments may experience rates of delinquency and default that are higher than those experienced by mortgage loans that were underwritten in accordance with higher standards. Changes in the values of mortgaged properties may have a greater effect on the delinquency, default and loss experience of the mortgage loans owned by a Fund than on mortgage loans that were originated under stricter guidelines.
- *Competition.* Law, legislation or other government regulation, promulgated in furtherance of a "bailout" or "rescue" plan to address the crisis and distress in the mortgage loan sector, may result in a reduction of available transactional opportunities for a Fund, or an increase in the cost associated with such transactions.
- *Troubled Origination.* A number of originators and servicers of residential mortgage loans, including some of the largest originators and servicers in the residential mortgage loan market, have experienced serious financial difficulties, including some that are now subject to federal insolvency proceedings. As a result, the standards by which such investments are originated, the recourse to the selling institution, and the standards by which such investments are being serviced or operated may be adversely affected.
- *Violation of Various Federal, State and Local Laws.* Recently, a number of lawsuits have been brought against the Mortgage Electronic Registration System, an organization that tracks and sells mortgage ownership and servicing rights, challenging its status as mortgagee of record and authority to foreclose on affected mortgages. The outcome of such lawsuits may adversely impact the mortgage loans underlying certain Fund investments.

*Mortgage-Backed and Asset-Backed Securities.* A Fund may invest in mortgage-backed securities (“MBS”) and ABS backed by real property. Such investments entail the following risks:

- *Generally.* Investment characteristics of MBS and ABS differ from traditional debt securities in that interest and principal payments of MBS and ABS are made more frequently, usually monthly, and principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time.
- *Prepayment Risk.* When market interest rates decline, more mortgages are refinanced and the securities are paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. The adverse effects of prepayments may impact a Fund’s portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only security in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Adviser may have constructed for these investments, resulting in a loss to the Fund’s overall portfolio. In particular, prepayments (at par) may limit the potential upside of many MBS and ABS to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.
- *Credit Support Limitations.* The amount, type and nature of insurance policies, subordination, letters of credit and other credit support, if any, with respect to certain ABS and MBS are based upon actuarial analysis and therefore are inherently limited in their ability to predict events to take place in the future. There can also be no assurance that data derived from a large pool of mortgage loans accurately predicts the delinquency, foreclosure or loss experience of any particular pool of loans.
- *Illiquidity.* MBS and ABS are generally less liquid than are other securities (e.g., stock or bonds) and some are highly illiquid. Consequently, it may be relatively difficult for the Fund to dispose of such investments rapidly and at favorable prices.
- *Mortgage-Backed Securities.* MBS represent an interest in a pool of mortgage loans. Investing in MBS involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk) and certain additional risks and special considerations (including the risk of principal prepayment and the risk of investing in real estate). Residential MBS (“RMBS”) are generally securities backed by obligations secured by mortgages on real property or interests therein having a single family use. Commercial MBS (“CMBS”) are generally securities backed by obligations secured by mortgages on real property or interests therein having a multifamily or commercial use. CMBS are subject to particular risks, including lack of standardized terms, shorter maturities than RMBS and payment of all or substantially all of the principal only at maturity rather than regular amortization of principal.
- *Asset-Backed Securities.* ABS present certain risks that are not presented by MBS. Primarily, these financial instruments do not have the benefit of the same security interest in the related collateral. If the servicer were to sell these obligations to

another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

*Investments in Funds or Other Entities.* A Fund may make investments in investment funds, commodity pools, and other entities that make investments in real estate and real estate-related assets as well as commodity and futures interests. To the extent that the Adviser determines that such investments are appropriate for a Fund, such investments will likely be subject to risks factors similar to those listed herein, and may involve other risks, including, for example, the possibility that an investment fund in which a Fund invests may have financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Fund's objectives. A Fund would generally hold a non-controlling interest in such investments and, therefore, might have a limited ability to protect its position in such investments. In addition, investors, indirectly through a Fund, may be subject to fees charged by such investment funds.

*Special Purpose Acquisition Companies; Sponsors of Special Purpose Acquisition Companies.* A Fund may invest in initial public offerings ("IPOs") of special purpose acquisition companies ("SPACs"), including SPACs that are sponsored by affiliates of the Adviser. In general, a SPAC is a special purpose vehicle that is formed to raise capital from the public through an IPO with the purpose of using the proceeds to acquire usually a single unspecified business or assets to be identified after the IPO. The IPO proceeds will be held in a trust account until released to fund a business combination or used to redeem shares sold in the IPO. SPACs are required to either consummate a business combination or liquidate within a set period of time after their IPO (typically 24 months). Because at the time of an IPO, the SPAC has no operating history and no plans, arrangements or understandings with any prospective investment targets, a Fund will have no basis upon which to evaluate the SPAC's ability to achieve its business objectives, including the possible merits or risks of any particular target business's operations, results of operations, cash flows, liquidity, financial condition or prospects. If a SPAC fails to complete its initial business transaction within the required time period, it will never generate any operating revenues and the SPAC's public stockholders (which may include a Fund) may receive only a fixed dollar amount per share on redemption of the SPAC's public shares, or less than such fixed amount in certain circumstances, and the SPAC's warrants, if any, will expire worthless.

With respect to certain SPACs, the only opportunity its public stockholders (which may include a Fund) may have to affect investment decisions regarding a potential business combination will be limited to the exercise of their right to redeem their shares from the SPAC for cash, unless the SPAC seeks stockholder approval of the transaction. Further, the ability of a SPAC's public stockholders to redeem their shares for cash may make the SPAC's financial condition unattractive to potential business combination targets, which may make it difficult for the SPAC to enter into an initial business combination with a target. The ability of a SPAC's public stockholders to exercise redemption rights with respect to a large number of the SPAC's shares may not allow the SPAC to complete the most desirable business combination or optimize the SPAC's capital structure, and could increase the probability that the SPAC's initial business combination would be unsuccessful and that stockholders would have to wait for

liquidation in order to redeem their stock. In the event a SPAC enters into an initial business combination, there is no guarantee that the transaction will be successful. An investment in a SPAC's shares ultimately may not prove to be more favorable to investors than a direct investment, if such opportunity were available, in a business combination target. Accordingly, any stockholders who choose to remain stockholders following a SPAC's initial business combination could suffer a reduction in the value of their securities. In general, such stockholders are unlikely to have a remedy for such reduction in value.

Other risks of investing in SPACs include the risk that the management of a SPAC, who are required to consummate a business combination by a certain deadline, may be pressured to seek business combination opportunities in industries or sectors which may be outside of the management team's area of expertise or opportunities that do not meet some or all of management's criteria and guidelines for evaluating prospective target businesses.

Certain related persons of the Adviser may (and Kyle Cerminara and Joe Moglia currently do) serve as directors and/or executive officers of SPACs in which a Fund invests and receive shares of such SPACs. The service of such related persons on the boards of directors of, or as executive officers of, public companies in which certain Funds invest and the receipt of such shares creates a potential conflict of interest. With respect to such potential conflicts of interest, the Adviser and the Relying Advisers are required to make investment decisions for each Fund in a manner that is consistent with fiduciary duties to the Fund. In addition, a Fund may invest or acquire interests in sponsors of SPACs ("Sponsors"), including Sponsors in which the Adviser or one of its affiliates is the manager (and certain Funds have invested in such Sponsors in which the Adviser or one of its affiliates is the manager). An investment in a Sponsor is subject to a much higher degree of risk than an investment in the SPAC. In connection with the investment by a Fund in a Sponsor, the Fund's investment will typically be used by the Sponsor as part of the total risk capital used to launch the SPAC, which investment is subject to complete loss if the SPAC is not able to consummate a business combination in accordance with the terms of the IPO. The risk capital typically receives interests in the Sponsor representing a specific percentage of the Sponsor's shares in the SPAC (the "Sponsor Shares"), which have a significantly lower cost than the shares issued in the IPO. Related persons of the Adviser and its affiliates may serve (and Kyle Cerminara and Joe Moglia currently do with respect to an investment in a Sponsor by certain Funds) as managers of Sponsors in which a Fund invests, may have (and currently do have) voting and investment discretion with respect to the Sponsor Shares, may be (and currently are) indirect beneficial owners of such Sponsor Shares and may receive (and currently do receive) compensation from the Sponsor in the form of Sponsor Shares. Other Sponsor Shares are typically reserved for advisers and other third parties that assist with the business combination. In addition, certain related persons of the Adviser may purchase (and have in the past purchased) direct ownership interests in Sponsors in which a Fund invests (including through FG SPAC Partners, LP (see Item 10)). In general, the Adviser's related persons serving as managers of Sponsors or owning interests in Sponsor Shares will not earn any cash compensation from such Sponsors or SPACs. Because certain related persons of the Adviser (including Kyle Cerminara and Joe Moglia) serve as managers and owners of certain Sponsors, they have an incentive to cause the Adviser (or its affiliate) to cause a Fund to invest in a Sponsor in order to finance the start-up costs of the Sponsor's SPAC. An investment by a Fund in such a Sponsor benefits such related persons of the Adviser (and the other individuals associated with the Adviser owning an interest in such Sponsor and the Sponsor Shares) if the Sponsor's SPAC is successful in consummating a business combination. Such related persons of the Adviser (and the other individuals associated with the Adviser owning an interest in such Sponsor and the Sponsor Shares) will not be required to account to a Fund for any compensation in Sponsor Shares that they receive from such Sponsor, and such

compensation will not offset any Management Fees or Performance Allocations payable to the Adviser or its affiliates. As a result of Kyle Cerminara's activities on behalf of the Adviser and its affiliates, on the one hand, and a Sponsor, on the other hand, Mr. Cerminara has potential conflicts in allocating his time, services and functions among the Adviser and its affiliates and the Sponsor, as well as other potential conflicts.

*Investment Vehicles.* A Fund may invest in Investment Vehicles (defined below) managed by third-party Investment Advisors (defined below), managed by Investment Advisors affiliated with the Adviser, or managed by the Adviser as the Investment Advisor. Investments in Investment Vehicles involve a number of risks, including, but not limited to: (i) Investment Vehicles may invest in speculative and unspecified underlying investments; (ii) the Adviser or its affiliates may not have access to information about the underlying portfolio positions of such Investment Vehicles on a regular basis; (iii) a Fund may have limited withdrawal rights from any Investment Vehicles in which it invests; (iv) Investment Advisors often have broad indemnification rights and limitations on liability; (v) the success of a Fund would, in part, depend on the abilities of the applicable Investment Advisor(s); (vi) investors in a Fund would (a) not be investors in any Investment Vehicles, (b) have no direct interest in any Investment Vehicle, (c) have no direct voting rights in any Investment Vehicle, and (d) not be parties to any Investment Vehicle's governing documents and, accordingly, would not have any rights thereunder and would not be able to bring an action for any breach thereof against any Investment Vehicle, its general partner (or equivalent), or its Investment Advisor; and (vii) investors in a Fund will indirectly bear an additional level of expenses and fees with respect to a Fund's investment in any Investment Vehicles.

In particular, investors in a Fund will indirectly bear a proportionate share of fees, expenses, costs and taxes of any investments in any Investment Vehicles, including Investment Vehicles affiliated with the Adviser or its affiliates, and a Fund. A Fund, as an investor in such Investment Vehicles, would be subject to its pro rata share of the fees, expenses, costs and taxes of the Investment Vehicles, including management fees, performance allocations or carried interest and, in addition, investors in a Fund would bear the fees, expenses, costs and taxes of the Fund, including the Fund's management fee, as well as the Fund's performance allocation (or performance fees). As a result, investors in a Fund would pay higher fees and expenses than they would if such investors were invested directly in each Investment Vehicle. Accordingly, the rate of return on an investment in a Fund may be lower than the rate of return on a direct investment in each Investment Vehicle. Similarly, the rate of return on a Fund's investments in any Investment Vehicle is anticipated to be lower than the rate of return on the investments held by such Investment Vehicle. With respect to investments in Investment Vehicles that are affiliated with the Adviser or its affiliates, the Adviser and its affiliates retain the discretion to waive applicable management fees or performance allocations (or performance fees) or carried interest, respectively, at either the Investment Vehicle-level or Fund-level.

For purposes of this Brochure, the term "Investment Vehicle" means any investment of a Fund in a single-investor or collective investment vehicle, any other investment structure managed by an Investment Advisor, or a managed account managed by an Investment Advisor. An "Investment Advisor" is any investment manager, which may include the Adviser or its affiliate, who acts as a sponsor or manager of an Investment Vehicle or otherwise provides investment advice with respect to an Investment Vehicle.

*Investments in Affiliated Investment Vehicles.* The Adviser or its affiliates expect to cause a Fund to make investments in Investment Vehicles that are affiliated with the Adviser or its

affiliate. Such investments give rise to potential conflicts of interest because the Adviser or its affiliates may have an incentive to make investments in affiliated Investment Vehicles (rather than investments in unaffiliated Investment Vehicles or direct investments) to increase the amount of capital managed by the Adviser or its affiliates or to increase the amount of management fees, performance allocations (or performance fees) or carried interest received by the Adviser or its affiliates. Any such investments will result in investors in a Fund bearing multiple levels of expenses (and potentially fees) at the Fund and Investment Vehicle levels. With respect to investments in Investment Vehicles that are affiliated with the Adviser or its affiliates, the Adviser or its affiliates retain the discretion to waive applicable management fees or performance allocations (or performance fees) or carried interest, respectively, at either the Investment Vehicle-level or Fund-level.

**Investing in securities involves risk of loss that prospective investors should be prepared to bear. There can be no assurance that a Fund's objective will be achieved or that the investment strategies the Adviser employs will be successful. Investors must be prepared to lose all or substantially all of their investment. The past performance of the Adviser is not indicative of its future performance.**

**For a more complete description of the risks associated with investing with the Adviser, investors should refer to the relevant Offering Documents for each Fund.**

**Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of adviser's management.

There are no legal or disciplinary events that are material to an evaluation of the Adviser's or the Relying Advisers' advisory services or the integrity of their management.

## Item 10 - Other Financial Industry Activities and Affiliations

- A. The Adviser and Relying Advisers are not registered, and do not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser or Relying Advisers are registered representatives of a broker-dealer.
- B. Neither the Adviser nor the Relying Advisers nor any of their management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. As noted in Item 5, the General Partners of certain Funds are affiliates of the Adviser. Since the General Partner is entitled to receive the Performance Allocation from a Fund, this may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if such arrangement was not in effect. However, as noted in Item 11, the Adviser and Relying Advisers have adopted a written Code of Ethics that contains policies and procedures to address conflicts of interest. Under such policies and procedures, the Adviser and Relying Advisers are required to make investment decisions for each Fund in a manner that is consistent with its fiduciary duties to the Fund.

In December 2020, the Adviser distributed its entire equity interest in CWA Asset Management Group, LLC d/b/a Capital Wealth Advisors (“CWA”), an investment adviser registered with the SEC, to its members, Kyle Cerminara, Joe Moglia, and Lewis Johnson. Mr. Cerminara sold his interest in CWA that was distributed to him by the Adviser to other members of CWA. Going forward Mr. Cerminara intends to devote his business time and attention primarily to the Adviser and its affiliates, and he is not affiliated with CWA. Mr. Johnson continues to serve as a Chief Investment Officer of CWA, and he continues to have certain ownership and business interests with respect to the Adviser and certain of its affiliates. In addition, Lee Larson, who is an investment adviser representative of CWA, is also a supervised person of the Adviser and a portfolio manager of Fundamental Global Capital Appreciation Fund, LP. However, since the Adviser implements an entirely different investment strategy from CWA and advises different types of clients from CWA, the Adviser does not believe that these relationships create any material conflicts of interest.

Furthermore, the Funds’ investment activities may from time to time enable the Adviser and Relying Advisers to place representatives as officers or directors of certain companies in which the Funds invest. In addition, Fundamental Global Management, LLC (“FGM”), an entity owned by the Adviser, has been established, among other things, to provide certain services related to day-to-day management of companies, including assisting with regulatory compliance, evaluating financial and operational performance, providing management teams to supplement the executive officers, and such other services consistent with those customarily performed by executive officers and employees of companies, typically in each case on terms approved by the independent directors of such companies. Clients of FGM include companies in which the Funds invest. While such representation and the provision of such services may enable the Funds to enhance the value of their investments, it may also prevent Funds from freely disposing of investments and may subject the Funds to additional liability. Funds will indemnify the Adviser, the Principals or any other person designated by the Adviser for claims arising from serving as an officer or director, provided that a Fund’s indemnity obligations will be secondary to the obligations of the relevant portfolio company with respect to which such persons serve. The Funds will attempt to balance the advantages and disadvantages of such



representation when deciding whether and how to exercise their rights with respect to such companies, but the exercise of such rights could produce adverse consequences in particular situations. As officers or directors of portfolio companies in which the Funds invest, the Principals would be expected to act in the best interests of such portfolio companies which may not always be consistent with the best interests of the Funds. Directors and officers of public companies generally receive compensation for their service to such public companies, and the representatives of the Adviser serving as public company officers and directors receive such compensation. In addition, FGM will receive (and currently does receive) a fixed fee for providing the services described above to certain of the Funds' portfolio companies or their subsidiaries, which fee typically will be (or has been) approved by the independent directors of such companies. As an affiliate transaction with a portfolio company or its subsidiary, each such services arrangement creates potential conflicts of interest as FGM, an affiliate of the Adviser, receives compensation for such services. In general, the Adviser believes that the oversight of public company boards and the approval of their independent directors addresses the potential conflict issues and ensures that such services arrangements are in the best interests of such companies. To the extent that the Adviser or any of its affiliates receives any compensation in connection with their serving as officers or directors of portfolio companies or providing any other services to portfolio companies, no such person shall be required to account to the Funds for any such amounts, and they will not offset any Management Fees or Performance Allocations payable to the Adviser or its affiliates.

As of the date of this Brochure, Mr. Cerminara is the Chairman of Ballantyne Strong, Inc., Member of the Board of Directors of BK Technologies Corp., Chairman of FG Financial Group Inc., and Chairman of GreenFirst Forest Products, Inc., and Member of the Board of Directors and President of FG New America Acquisition Corp. (which is a SPAC), all publicly traded companies. He is also a Manager of FG New America Investors, LLC, the Sponsor of FG New America Acquisition Corp., and a Member of the Board of Directors of Firefly Systems, Inc., both privately held companies. Until March 27, 2020 he was a board member of Limbach Holdings, Inc. and until January 2020 he was on the Board of Directors of blueharbor bank. As of the date of this Brochure, Mr. Johnson is on the board of directors of GreenFirst Forest Products, Inc.

Additionally, Joseph Moglia, one of the members of the Adviser, serves as the Chairman of FG New America Acquisition Corp. (which is a SPAC), and he is also a Manager of FG New America Investors, LLC, the Sponsor of FG New America Acquisition Corp. However, since Mr. Moglia is a passive member of the Adviser and does not participate in the management of the Funds, the Adviser does not believe that this relationship creates any material conflicts of interest.

With respect to the above mentioned companies for which the Principals serve as officers or directors, such companies may invest in other portfolio companies of the Funds or other investment vehicles managed by the Adviser or the Relying Advisers. In the case of such an investment, investors, which may include the above referenced companies, in an investment vehicle may bear multiple levels of expenses payable to the Adviser, the Relying Advisers, or their affiliates. In addition, the indirect levels of expenses and fees, and thus the amount of indirect expenses and fees, borne by an investor may further increase where a Fund invests in another investment vehicle, which invests in one of the above referenced companies (which may itself invest in another portfolio company), which invests in an investment vehicle. Investments by the above referenced companies in an investment vehicle managed by the Adviser or the Relying Advisers may give rise to potential conflicts of interest because an affiliate of the Adviser or the Relying Advisers, which may include one or more of the

Principals, serving as an officer or director of such companies may be incentivized to make investments in such investment vehicles (rather than investments in unaffiliated investment vehicles or other direct investments) to increase the amount of capital managed by the Adviser, the Relying Advisers, or their affiliates or to increase the amount of management fees, performance allocations (or performance fees) or carried interest received by the Adviser, the Relying Advisers, or their affiliates.

FGI Funds Management, LLC (“FGI”), a Relying Adviser, has entered into a joint venture, Fundamental Global Asset Management, LLC (“FGAM”), owned 50% by each of FGI and FG Financial Group, Inc., one of the Funds’ listed portfolio companies for which Kyle Cerminara serves as Chairman of the Board of Directors. The purpose of FGAM is to sponsor, capitalize and provide strategic advice to investment managers (“FGAM Platform Managers”) in connection with the launch and/or growth of their asset management businesses and the investment products they sponsor (“FGAM Platform Products”). In return, FGAM will be entitled to share in the management fees, performance allocations and net profits of such FGAM Platform Managers and the general partners (or equivalent) of such FGAM Platform Products. FGAM is governed by a board of managers consisting of four managers, two of which will be appointed by each member of FGAM. FGAM fully owns FG Special Situations Fund Advisor, LLC, a Relying Adviser of Fundamental Global Investors, LLC. The Relying Advisers may have an incentive to cause a Fund to invest in such FGAM Platform Products (rather than investments in unaffiliated investment vehicles) to increase the amount of capital managed by such FGAM Platform Managers or to increase the amount of management fees, performance allocations (or performance fees) or net profits received by the Adviser, the Relying Advisers, or their affiliates. Certain related persons of the Adviser (including Kyle Cerminara and Joe Moglia) have invested in a FGAM Platform Product. With respect to such potential conflicts of interest, the Adviser and the Relying Advisers are required to make investment decisions for each Fund in a manner that is consistent with fiduciary duties to the Fund. Additional information about this joint venture is available in FG Financial Group, Inc.’s public filings with the Securities and Exchange Commission.

Certain related persons of the Adviser hold interests in FG SPAC Partners, LP (“FGSP”), which was formed as a Delaware limited partnership to co-sponsor newly formed SPACs with their founders or partners. FG Financial Group, Inc. is the sole managing member of the general partner of FGSP and holds an approximate 49% limited partner interest in FGSP directly and through its subsidiaries. The Adviser, through the Funds that it advises and its affiliates, holds an approximate 61% ownership interest in FG Financial Group, Inc. Certain of FG Financial Group, Inc.’s directors and officers and certain of the Adviser’s related persons (including Kyle Cerminara and Joe Moglia) also directly or indirectly hold limited partner interests in FGSP. Certain Funds invest (and will in the future invest) in FGSP and in the risk capital of Sponsors of SPACS in which FGSP invests. Further, in connection with such investments, certain of the Adviser’s related persons may (and Kyle Cerminara and Joe Moglia currently do) serve as directors and/or executive officers of such SPACs and receive shares of such SPACs. Such investments made by certain of the Adviser’s related persons in FGSP, in addition to the service of such related persons on the boards of directors of, or as executive officers of, public companies in which certain Funds invest and receipt of such shares, creates a potential conflict of interest. With respect to such potential conflicts of interest, the Adviser and the Relying Advisers are required to make investment decisions for each Fund in a manner that is consistent with fiduciary duties to the Fund. Additional information about FG Financial Group, Inc.’s SPAC related activities is available in its public filings with the Securities and Exchange Commission.

The Adviser and Relying Advisers do not have any other relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its advisory business or to the Funds.

- D. Neither the Adviser nor the Relying Advisers recommend or select other investment advisers for the Funds and receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or have other business relationships with those advisers that create a material conflict of interest.

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

- A. The Adviser has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the “Code”). The Code sets forth a standard of business conduct and compliance with federal securities laws by all of the Adviser's employees. The Code contains policies and procedures that are designed to ensure that all personal securities trading by employees of the Adviser is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. The Adviser prohibits personal trading on certain securities or instruments (including through the use of restricted trading lists that apply during black-out periods and in connection with the possession of certain material, non-public information); requires pre-clearance of personal trades in certain circumstances, including purchases of an IPO or a new private placement; requires periodic reporting of employees' personal securities transactions and holdings; and requires prompt internal reporting of Code violations.

The Adviser from time to time has access to non-public information relating to public companies and as part of its Code has established procedures to prevent the abuse of material, non-public information, which includes procedures for, among other things, the use and maintenance of restricted trading lists. Because the structure of the Adviser would make information barriers impractical, the firm has not imposed information barriers to restrict the internal flow of possible material, non-public information. Thus, all professionals are deemed to be in receipt of material, non-public information, in all instances where any professional of the Adviser has received material, non-public information, and, therefore, may not trade on the basis of that information.

The Adviser will provide a copy of the Code to any investor or prospective investor upon request. The Relying Advisers are subject to the Adviser's Code of Ethics and written policies and procedures.

- B. Affiliates of the Adviser serve as the General Partners to certain Funds, which issue interests to third party investors. In addition, certain of the Adviser's related persons from time to time have material financial interests in certain companies in which the Funds invest outside of the Funds. Although such investments by related persons present a potential conflict of interest, such related persons are subject to the Code which, among other restrictions on personal securities trading, requires them to conduct all personal securities trading in such a manner as to avoid abuse of their position of trust and responsibility.

The Adviser or a Relying Adviser may engage in cross transactions between Clients when the Adviser or a Relying Adviser does not believe it is disadvantageous to such Clients (e.g., for rebalancing of portfolios). A cross trade may permit the Adviser or a Relying Adviser to execute trades without impacting the market price of an investment, can save brokerage commissions and, in certain cases, related transaction costs like custody expenses and transfer taxes. While such transactions with related parties are expected to expand the universe of opportunities that are available to a Client, a Client may not derive a benefit from each such transaction, and each Client participating in a particular transaction may have divergent interests. Moreover, there may be uncertainties regarding the valuation of investments that are subject to these transactions. With respect to such conflicts of interest, the Adviser and the Relying Advisers are required to make investment decisions for each Client in a manner that is consistent with fiduciary duties to Client.

- C. The Principals have made significant capital commitments to the Funds. Such amounts generally are invested pro rata with the investors in the Funds in all Fund portfolio investments. See Item 11.B above.
- D. See Item 11.B above.

## Item 12 - Brokerage Practices

- A. The Adviser and Relying Advisers (referred to collectively in this Item 12 as the “Adviser”) have complete discretion to determine, subject to each Fund’s disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries use in effecting the transactions for the Funds, and the commission rates to be paid for such transactions.

*Brokerage.* The Adviser selects the broker-dealers and other financial intermediaries used to effect transactions on behalf of the Funds. The Adviser seeks to obtain “best execution” from these broker-dealers based on a variety of factors. In selecting broker-dealers to effect portfolio transactions, the Adviser will under certain circumstances cause a Fund to enter into arrangements pursuant to which the Fund pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. The Adviser is not required to solicit competitive bids or seek the lowest available commission or transaction costs. The transactions executed by a Fund generally will be cleared through, and the Fund’s investment instruments generally will be held by, a number of financial institutions the Adviser selects on terms negotiated with each such financial institution individually. Subject to the Adviser’s agreement with each Fund, the Adviser generally will use a variety of financial institutions both to take advantage of differing expertise and capabilities and to avoid, due to credit concerns, having all investment instruments concentrated at one firm. The Adviser does not consider the receipt of investor referrals when selecting broker-dealers to execute transactions.

The Adviser does not permit clients to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser.

*Soft Dollars.* The Adviser or its affiliates generally receive from a Fund’s broker-dealers products and services in addition to brokerage services.

A portion of the commissions generated on a Fund’s brokerage transactions generally generate “soft dollar” credits that the Adviser is authorized to use to pay for research and other non-research related services and products used by the Adviser or its affiliates. The Adviser generally enters into “soft dollar” arrangements with one or more broker-dealers whereby the Adviser will direct securities transactions to the broker-dealer in return for research products and services from the broker-dealer. Although the Adviser will use the research and services in making investment decisions for the applicable Fund, the Adviser will likely use such research or services for other Funds and the applicable Fund will generally pay more than the lowest available commissions for execution of these transactions. The Adviser generally also enters into “soft dollar” arrangements to cover Fund expenses or costs and expenses of the Adviser to the extent such arrangements are permitted by law.

The Adviser has authority to use “soft dollar” credits generated by a Fund’s securities transactions to pay for expenses that might otherwise have been borne by the Adviser. This gives the Adviser an incentive to select brokers or dealers for Fund transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Adviser rather than giving exclusive consideration to the interests of the Funds.

In the event that the Adviser elects to use soft dollars, it intends to limit such use to services that fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, as amended.

The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Adviser creates a conflict of interest between the Adviser and the Funds, because under certain circumstances a Fund generally pays for such products and services that are not exclusively for the benefit of the Fund and that are primarily or exclusively for the benefit of the Adviser. To the extent that the Adviser is able to acquire these products and services without expending its own resources (including Management Fees paid by a Fund), the Adviser’s use of “soft-dollars” would tend to increase the Adviser’s profitability. In addition, the availability of these non-monetary benefits incentivizes the Adviser to select one broker rather than another to perform services for the Funds. The Funds’ Offering Documents specifically authorize these practices to the fullest extent permitted by law.

- B. When managing multiple Funds with similar investment strategies, the Adviser generally will attempt to aggregate multiple orders for the purchase or sale of the same instrument into block transactions, subject to the overall obligation to seek to achieve best execution for the Funds. If all such orders are not filled at the same price, the Adviser will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, the Adviser will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where a Fund could be disadvantaged because of the investment activities conducted by the Adviser for other investment accounts.

### **Item 13 - Review of Accounts**

- A. The Principals of the Adviser and the Relying Advisers are responsible for reviewing Fund investment portfolios. The Principals may perform intraday, daily, weekly or monthly reviews of Fund positions as they deem appropriate. Performance, security positions, exposure levels, and investment opportunities are among some of the matters that may be reviewed.

With respect to Clients for which non-discretionary investment advisory services are provided, one or more of the Principals, or other appropriate representatives of FG Strategic Consulting, LLC, will (i) conduct periodic portfolio reviews with such Clients or such Clients' authorized representatives; (ii) generally be available to discuss with such Clients their accounts during normal business hours, and (iii) attempt to meet with such Clients or such Clients' authorized representatives at least annually to discuss investment needs, goals and objectives and review such Clients' account performance and the continued suitability of investments recommended.

- B. See Item 13.A. above.
- C. The Adviser and the Relying Advisers provide Fund investors with audited annual financial statements, periodic unaudited performance reports and all tax information relating to their investments in each the Fund necessary for U.S. federal income tax purposes.



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

- A. The Adviser and the Relying Advisers do not receive any economic benefit, including sales awards or prizes, from any third party for providing advisory services to the Funds.
- B. The Adviser/the Relying Advisers may enter into agreements with persons who refer potential investors for the Funds to the Adviser/the Relying Advisers. For their referral services, these persons generally will receive compensation from the Adviser/the Relying Advisers in the form of a percentage of the Management Fee and/or Performance Allocation that the Adviser/the Relying Advisers and their affiliates receive from the Funds with respect to the referred investors. All solicitation arrangements that the Adviser/the Relying Advisers may enter into will be designed to be in compliance with Rule 206(4)-3 under the Advisers Act and any similar state regulations, to the extent applicable. The Funds and their underlying investors are not responsible for any of the fees paid to the referring persons.

**Item 15 - Custody**

The Adviser and Relying Advisers may be deemed under Rule 206(4)-2 of the Advisers Act to have custody of the assets of the Funds by virtue of the common control of the Adviser and the General Partner of each Fund. All assets and securities of the Funds are held by qualified custodians. As noted in Item 13 above, Fund investors receive annual financial statements audited by an independent public accounting firm. Fund investors are urged to carefully review these statements.

FG Strategic Consulting, LLC typically does not have custody over funds, securities, or other assets of Clients for which it provides non-discretionary investment advisory services.

## **Item 16 - Investment Discretion**

The Adviser and the Relying Advisers exercise discretion in managing the investments of each Fund based on the Fund's particular investment objectives, policies and strategies disclosed in its Offering Documents.

The Adviser and the Relying Advisers (with, as of the date of this Brochure, the exception of FG Strategic Consulting, LLC) contractually assume discretionary authority over the assets of each Fund under an investment management agreement entered into among the Adviser/Relying Advisers, the Fund and the Fund's General Partner or other controlling entity. FG Strategic Consulting, LLC typically provides investment advisory services on a non-discretionary basis, provided, however, that FG Strategic Consulting, LLC may assign any or all of its non-discretionary investment advisory services to a sub-advisor which is a registered investment adviser.

## **Item 17 - Voting Client Securities**

The Adviser follows a proxy voting policy to ensure that proxies the firm votes, on behalf of each Fund or other Client for which the Adviser is authorized to vote proxies, are voted to further the best interest of that Fund. The policy establishes a mechanism to address any conflicts of interests between the Adviser and the Funds. Further, the policy establishes how a Fund's underlying investors may obtain information on how the proxies have been voted.

The Adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The Adviser votes proxies in a manner that it believes reasonably furthers the best interests of the Funds and their investors and is consistent with the investment philosophy as set forth in the relevant Fund Offering Documents.

If a proxy vote creates a material conflict between the interests of the Adviser and a Fund, the Adviser will resolve the conflict before voting the proxies. The Adviser will take steps designed to ensure that a decision to vote the proxy was based on the Adviser's determination of the Fund's best interest and was not the product of the conflict.

The Adviser maintains records of (i) all proxy votes that are made on behalf of the Funds; (ii) all written requests from each Fund's underlying investors regarding voting history; and (iii) all responses (written and oral) to investors' requests. Such records are available to each Fund's underlying investors upon request.

The Relying Advisers are subject to the same proxy voting policy as the Adviser.

**Item 18 - Financial Information**

- A. The Adviser and the Relying Advisers do not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. Neither the Adviser nor the Relying Advisers believe they have any financial condition that is reasonably likely to impair their ability to meet their contractual commitments to the Funds.
- C. The Adviser and the Relying Advisers have not been the subject of a bankruptcy petition at any time during the past ten years.