

# **CAS INVESTMENT PARTNERS, LLC**

## **PART 2A OF FORM ADV: FIRM BROCHURE**

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**March 30, 2021**

**This brochure provides information about the qualifications and business practices of CAS Investment Partners, LLC (“CAS,” the “Adviser,” or the “Firm”). If you have any questions about the contents of this brochure, please contact CAS’s Chief Compliance Officer, Clifford Sosin, at 212-804-7660 or [Clifford.Sosin@casinvestmentpartners.com](mailto:Clifford.Sosin@casinvestmentpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Any reference to CAS as a registered investment adviser does not imply a certain level of skill or training.**

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

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***Item 2: Material Changes***

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This is CAS's Annual Amendment to Form ADV for the fiscal year ending December 31, 2020. Since the most recent amendment filed on March 30, 2020, there have been no material changes to disclose.

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*Item 3: Table of Contents*

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#### ***Item 4: Advisory Business***

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##### **Item 4.A.**

CAS, a Delaware limited liability company, was founded in October 2012 by Clifford Sosin, the founder and principal owner of CAS. The Adviser registered as an investment adviser with the SEC in September 2017.

##### **Item 4.B.**

CAS is an investment manager that offers discretionary investment management services to domestic privately-offered, pooled investment vehicles. CAS's clients are: Sosin Master, LP (the "**Sosin Master Fund**"), Sosin Partners, LP and Sosin QP Partners, LP (together referred to as the "**Sosin Feeder Funds**" and, collectively with Sosin Master Fund, the "**Sosin Funds**"), CSWR Partners, LP, and CAS-Mercury, LP (each, individually, a "**Fund**" and, collectively, the "**Funds**"). The Funds are intended for investment by certain investors that meet the definition of "**Accredited Investor**" as defined under Regulation D of the Securities Act of 1933, as amended (the "**Securities Act**"). Sosin QP Partners, LP and CAS-Mercury, LP are intended for investment by certain investors that further meet the definition of "**Qualified Purchaser**" under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Company Act**"), so as to comply with the exemptions set forth under Section 3(c)-1 and/or 3(c)-7 of the Company Act.

CAS may also provide investment advisory services to clients in separately managed accounts ("**SMAs**") with similar investment objectives and strategies as the Funds. The Funds and any SMAs, if applicable, are herein referred to as "**Advisory Clients**." Currently, CAS does not provide investment advisory services to SMAs.

CAS is delegated full responsibility for the investment decisions of the Funds. Sosin, LLC is the general partner to the Sosin Funds and CSWR Partners, LP. The general partner to CAS-Mercury, LP is Sosin-Mercury, LLC (together with Sosin, LLC, the "**General Partners**"). The Funds are formed to pool investment assets of its investors (each a "**Limited Partner**" and, collectively, the "**Limited Partners**," and the Limited Partners, collectively with the General Partners, shall be referred to herein as the "**General Partners**"). The General Partners are responsible for all management decisions on behalf of the Funds and have discretionary trading authority over the Funds' assets. As such, the General Partners delegate their responsibility for the Funds' investment decisions to CAS. The Firm is controlled by Mr. Sosin. Under the terms of investment management agreements by and between the General Partners and the Firm, the Firm is responsible for the day-to-day management of the Funds' investments.

The Sosin Funds and CSWR Partners, LP are organized to serve as funds through which the assets of its Partners may be utilized to purchase a concentrated portfolio of tradable credit and equity instruments (on a long and short basis) with the goal of outperforming the S&P 500 over time. The Firm does not seek to maintain any specific directional market bias or asset class bias. Instead, overall market and asset class exposure (i.e., long or short equities or long or short credit) of the Sosin Funds and CSWR Partners, LP are endogenous to the Firm's opinion of risks and expected returns of individual securities. CAS-Mercury, LP is organized to purchase private credit and private equity instruments in a single investment.

#### **Item 4.C.**

CAS tailors its advisory services to each Fund it manages in accordance with the terms of the relevant offering memoranda or mandates for such Fund, as applicable. Investors in the Funds generally cannot obtain services tailored to their individual specific needs.

#### **Item 4.D.**

Not applicable. CAS does not participate in, nor does it sponsor, a wrap fee program.

#### **Item 4.E.**

As of December 31, 2020, CAS had \$2,030,499,114 in regulatory assets under management on a discretionary basis. CAS does not manage client assets on a non-discretionary basis.

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### ***Item 5: Fees and Compensation***

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#### **Item 5.A.**

Generally, CAS receives fees from the Funds based on a percentage of value of the net assets that CAS manages (the “**Management Fee**”) and based on performance achieved for each Fund (“**Performance Allocation**”). The fees and expenses applicable to each Fund are set forth in detail in each of such Fund’s respective offering memoranda, limited partnership agreements and investment management agreements (“**Governing Documents**”) for each Fund. The Firm may, in its sole discretion, elect to reduce or waive the management fee with respect to any investor. Further details of other potential fees are detailed in 5.C.

#### **Item 5.B.**

Pursuant to the terms of each Fund’s Governing Documents, CAS is authorized to deduct applicable management fees from each investor’s capital account on a quarterly basis for investors in the Sosin Feeder Funds and CSWR Partners, LP. CAS is eligible to receive a carried interest from CAS-Mercury, LP when distributions are made pursuant to its Limited Partnership Agreement.

#### **Item 5.C.**

Each Fund’s Governing Documents contains information regarding the fees and expenses of the Fund managed by the Adviser. Each Fund shall also pay or reimburse the General Partners of the Fund, the Adviser and their respective affiliates for the following, as applicable:

***Organizational and Offering Expenses.*** Organizational expenses of the Funds include, but are not limited to, legal, accounting and government filing fees. Offering expenses include marketing expenses, printing of the offering memoranda and exhibits thereto and the admission of Limited Partners. For certain, but not all, Funds: the costs and expenses of certain Funds’ organizational and the initial offering and sale of interests, which were approximately \$7,500 were paid by the General Partner. These organizational and offering expenses are being reimbursed by the Funds over time and are being amortized over a period of up to 60 months. For any period in which the Funds are amortizing organizational expenses, the General Partners may decide to (a) recognize the unamortized expenses or (b) make U.S. Generally Accepted Accounting Principles (“**GAAP**”) conforming changes for financial reporting purposes but amortize expenses for purposes of calculating the Funds’ net asset value. If a Limited Partner withdraws a portion of its capital account prior to the end of the period during which the Adviser is amortizing its organizational expenses, the General Partners may elect to accelerate a proportionate share of the unamortized expenses

based on the portion of the capital account withdrawn and allocate such expense to that capital account (which shall reduce that Limited Partner's withdrawal proceeds by the amount of such accelerated expenses).

**Ongoing Expenses.** Certain of the Funds' operating expenses will be paid by the Funds. Operating expenses include, without limitation, (A) the Funds' ongoing accounting, auditing, bookkeeping, due diligence, tax preparation, administration, trading and execution, legal, consulting and other professional fees and expenses; (B) all costs of communications with Limited Partners; (C) a portion of original and third-party research expenses not reimbursed or otherwise paid by broker dealers (including some or all of the costs associated with various data feeds (e.g., Bloomberg terminal, etc.) and subscriptions to professional journals and the like not to exceed 60bps annually (as measured by the relevant Fund's capital at the beginning of the year); (D) all investment-related expenses (including all commissions, bid ask spreads, mark-ups, interest on margin borrowing, costs relating to short sales, transfer taxes, custodian fees, etc.); (E) all costs of protecting or preserving any investment held by the Funds; (F) all losses, damages, charges, costs or expenses arising from the Funds' indemnification obligations under the Governing Documents and other contracts to which the Funds may become a party; (G) expenses incurred with regard to special situation sub-accounts; (H) regulatory and tax filing fees; (I) expenses incurred with respect to the preparation, duplication and distribution to Limited Partners and prospective Limited Partners of the offering documents, annual reports and other financial information; (J) expenses of any third-party valuation agent(s); and (K) all costs associated with dissolution, winding up, liquidation or termination of the Fund(s). The Adviser may elect to pay for some or all of the Funds' costs and expenses.

Fees and expenses that are identifiable with a particular class of interests may, in the General Partners' sole discretion, be charged against that class in computing its net asset value. The General Partners and/or the Adviser will pay, and shall not be reimbursed by the Funds for, each of their own overhead expenses. These may include, without limitation, rent, employee salaries and benefits and insurance, and research related travel (including travel and lodging incurred for the benefit of the Funds).

**Administration Fee.** Panoptic Fund Administration, LLC ("**Administrator**") will be paid an administration fee, which such administration fee may be paid by the General Partners, the Adviser and/or the Funds, based upon the size of the Funds, in accordance with the Administrator's standard schedule for providing similar services.

**Subscription Fees.** Any fees or duties incurred by the Funds in processing an investor's application for interests may either be deducted from the investor's subscription proceeds, in which case the subscription proceeds net of the subscription charges shall be allocated to the investor's capital account, or the subscription charges may be charged in addition to the amount being subscribed.

**Brokerage Fees.** The Funds pay all fees and commissions associated with their brokerage. Brokerage fees include financing charges and transaction and administrative fees as more fully described in the brokerage agreements. Transaction costs vary depending on the country and the type of investment. The compensation provisions of such agreements may be amended from time to time as circumstances dictate. CAS has complete discretion in deciding which brokers and dealers it uses and in negotiating the rates of compensation with respect to the management of the Funds' assets and liabilities.

Brokerage is specifically discussed in Item 12 below.

#### **Item 5.D.**

Not Applicable. Fees are not paid in advance. The Firm, in its sole discretion, may waive, by rebate or otherwise, all or part of the Management Fee otherwise due with respect to any Limited Partner's investment, including, without limitation, its affiliates, members, and/or employees.

**Item 5.E.**

Not Applicable. Neither CAS, nor any of its supervised persons, are compensated for the sale of securities or other investment products.

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**Item 6: Performance-Based Fees and Side-by-Side Management**

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CAS will not charge a performance-based allocation to any Advisory Client or investor that is not a qualified client, except as permitted by the SEC rule. Registered investment advisers may only charge performance-based fees to U.S. clients if, under SEC Rule 205-3, the client meets the definition of a “qualified client” contained in the rule.

CAS may accept performance-based compensation from Advisory Clients, which constitutes a fee on a share of net profits (including unrealized gains and losses) allocated to such Advisory Client(s). Performance-based compensation may vary by Advisory Client, which may create an incentive to favor Advisory Clients that pay higher performance-based compensation in the allocation of investment opportunities. Performance-based compensation to be received by CAS, as applicable, will be calculated on the basis of net profits, including unrealized gains and losses that may never materialize.

CAS has established policies and procedures designed to address potential conflicts of interest relating to the side-by-side management of the Funds with any SMA client(s), including the allocation of investment and trading opportunities, and in circumstances where any Advisory Client pays a different management fee and/or performance fee than another. The Firm’s procedures relating to the allocation of investment opportunities require that Advisory Clients participate in investment opportunities *pro rata* based on each Advisory Client’s current assets under management (subject to the Advisory Client’s investment guidelines of restrictions, stage of capital deployment, available cash or other liquidity restraints, or other tax or legal reasons). Finally, the Firm’s procedures also require fair and equitable treatment in light of the relevant circumstances for the allocation of limited opportunities among its Advisory Clients.

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**Item 7: Types of Clients**

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CAS provides investment advice to privately-offered, pooled investment vehicles in which the investors meet the definition of an Accredited Investor and, with respect to Sosin QP Partners, LP and CAS-Mercury, LP, Qualified Purchaser. Generally, the minimum investment amount is \$1,000,000, although this is negotiable at the Firm’s discretion.

The Adviser may also provide investment advisory services to clients in SMAs in accordance with the terms set forth in an investment management agreement between the Adviser and the SMA client. While CAS will generally not require a minimum investment amount to open an SMA, CAS may, in its sole discretion, require a larger amount or accept a smaller amount of initial assets from a potential SMA client depending on the complexity and nature of the advisory services provided. Currently, CAS does not provide investment advisory services to SMAs.

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

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**Item 8.A.**

The investment objectives, method of analysis, and investment strategies utilized by CAS are discussed in response to Item 4.B. above.

Hedge funds typically focus excessively on generating uncorrelated performance and avoiding short-term market value losses. As a consequence of this focus, traditional hedge funds often generate low absolute level of returns. Low absolute returns combined with a typically high fee structure require that traditional hedge funds use excessive leverage in order to meet investors' return expectations. As a result, the Firm has concluded that traditional hedge funds present their investors a bad mix of low risk-adjusted returns and an unacceptably high risk of permanent loss.

The Adviser has also concluded that mutual funds are not much better. The typical mutual fund's large size and high degree of diversification often make it difficult to outperform over time. In addition, mutual fund managers generally are paid solely based on assets under management. This creates an incentive for them to build a portfolio that closely tracks their benchmark and thus prevents underperformance to a degree which could jeopardize their established asset base versus an incentive to maximize returns.

The Firm established the Funds in order to present a superior alternative to investors. The Funds operate on three core beliefs:

- Buying assets for substantially less than they are worth and/or selling assets for substantially more than they are worth can be expected to provide investors both higher returns over time and less risk of permanent capital loss.
- It is necessary to act independently on the basis of sound facts and sound reasoning with little concern for short/medium term market volatility.
- Investment managers should be judged only for outperforming low-fee index-based products.

With these core beliefs in mind, the Firm invests the assets of the Sosin Funds and CSWR Partners, LP with the goal of outperforming the S&P 500 over time.

The Firm invests in a tradable portfolio of credit and equity securities (on both a long and short basis) which meet the following three criteria:

- 1) *Understanding*: The Firm seeks to understand what processes/dynamics are at work that allow an issuer to earn profits over time despite competitive forces and how changes to the competitive ecosystem might impact the asset's future performance.
- 2) *Margin of Safety*: Based on the Firm's expectations for the likely range of future outcomes, the expected return derived from the asset's cumulative future cash flows substantially exceeds the expected return derived from the cumulative future cash flows of a similar investment in the broader market.
- 3) *Creative Risk Imagination*: The Firm believes that it is often risks which have not materialized in the recent past which are the most menacing. The Firm takes great care to think creatively about things that might go wrong which could threaten the profitability of an investment and to avoid investments where reasonably likely scenarios could result in permanent capital loss even if those



scenarios are not the most likely scenarios. The Firm believes that it is better to miss a potential for a profit when seemingly unlikely things don't occur than to take an excessive risk.

No investment manager, including CAS, can confidently and consistently predict the near-term direction of the economy or the markets. Consequently, the Firm focuses on asset-specific considerations which are subjected to rigorous due diligence. CAS believes thoughtful security selection resides at the core of successful investing; thus, due diligence and research will represent the Firm's primary use of time.

In the short/medium-term, market prices can diverge materially from fair prices. Cheap securities can trade for cheaper prices while expensive securities can trade for even more expensive prices. Even if perfectly applied, CAS recognizes that this strategy may result in periods of months and sometimes a year or more during which the Funds' investing performance may underperform the market. Investors should consider an investment in the Fund(s) a long-term investment and should invest with the expectation of having down periods both on an absolute and relative to the broader market basis. The Firm expects to be judged based on its results on a multi-year basis.

The Firm does not seek to maintain any specific directional market bias or asset class bias (e.g., market neutral, long only, or long credit). Instead, the Firm evaluates each investment individually on its own merits. Thus, the Funds' overall market and asset class exposure (i.e., long or short equities or long or short credit) is endogenous to the Firm's opinion of risks and expected returns of individual securities. As such, it is likely that the Funds' mix of investments between equity and credit securities and between long and short positions will vary with market conditions and individual opportunities.

There is no limit on the degree of concentration of the Funds' investment portfolio. However, CAS expects that the portfolio will typically include between five (5) and fifteen (15) investments. In normal market conditions, no single investment is expected to exceed twenty-five percent (25%) of the Funds' invested capital (at cost).

While it is not the focus of the Funds, CAS may use ETFs and other derivatives and make limited use of futures interests in order to make specific macro-economic bets when the Firm believes that such bets serve as hedges to reduce the macro-economic (currency, commodity, market) risk faced by other investments.

On occasion, the Firm may conclude that the expected outcomes of a specific investment opportunity are better expressed through options or other derivatives than through stocks or bonds. Usually in these situations, the Firm is endeavoring to use options to take less risk by protecting against a low probability negative event or attempting to capture the profits from an event which the market has perceived as unlikely, but which the Firm believes is likely.

In keeping with the Firm's views that avoiding permanent capital loss is paramount, the Funds will not use excessive margin to increase its purchasing power. However, the Funds may use non-recourse leverage on specific investments and may use margin as required to collateralize short sales.

A portion of the Funds' investment portfolio may consist of (i) privately offered securities and other similarly illiquid securities that, in the sole opinion of the Firm, are subject to regulatory, contractual, or other restrictions on disposition; (ii) structured products and over-the-counter derivative transactions that, in the sole opinion of the Firm, cannot be replicated by other securities available in the market, thereby making it (in each case) difficult or impossible to value accurately such securities, products, or transactions; and/or (iii) investments that become illiquid due to regulatory action, bankruptcy, or insolvency of an issuer or counterparty, or otherwise (as defined herein) of their capital accounts (each such security, product, transaction or investment is referred to herein as a "**Special Situation Investment**"). The Funds, in the discretion of their General Partners, may invest in or hold Special Situation Investments through separate or wholly-owned limited liability companies, limited partnerships, liquidating trusts, or special purpose

vehicles. Any investment in a Special Situation Investment by the Funds will be subject to the deduction of management fees and the allocation of the performance allocation.

At all times, the Funds will limit their trading of commodity interest positions to those imposed by the U.S. Commodity Futures Trading Commission (the “CFTC”). Given the limitations imposed on the Funds’ trading of commodity interest positions, the Funds should not be viewed as a vehicle for trading in the commodity futures or commodity options markets.

CAS-Mercury, LP is a special purpose vehicle formed to invest in a single issuer. As such, its strategy differs from that of the other Funds.

There can be no assurance that the Firm will be successful in achieving the Funds’ investment objective or that the strategies set forth herein will be successful. Past results of the Funds, the Firm, and/or the principals or affiliates of the General Partners and/or the Firm in this or in other activities are not necessarily indicative of the future performance of the Funds.

Investments are speculative in nature and suitable only for sophisticated clients who are aware of the risks involved in an investment. Investors must have the ability and willingness to accept (i) the risk of the potential total loss of their investment and (ii) the illiquid nature of an investment. There can be no assurance that CAS will achieve their investment objectives for their Advisory Clients. Each prospective investor in the Funds should carefully review the Funds’ Governing Documents and the agreements referred to therein prior to deciding to invest in the Funds.

#### **Items 8.B. and 8.C.**

The following summary identifies and provides a brief explanation of the material risks related to the Adviser’s significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks of an investment in any of the Funds. Additional information regarding the material risks related to the Adviser’s significant investment strategies is set forth in each Fund’s Governing Documents.

Prospective investors should give careful consideration to the following risk factors in evaluating the merits and suitability of an investment in the Funds as they relate specifically to interests or to the Funds in general, as the context requires. The following does not purport to be a comprehensive summary of all of the risks associated with an investment in the Funds. Rather, the following are only certain risks to which the Funds are subject and that the General Partners wish to encourage prospective investors to discuss in detail with their professional advisors.

**General Market Risk.** As with any investment, there is a risk that the price of a security will rise or fall. There could be many reasons for a decline or increase in the price of a security. These include changing economic, political, or market conditions and changes in interest rates.

**Investments in Securities Generally.** Investments in securities and other financial instruments entail general investment risks that all investors face. Securities prices can be volatile. The markets for the securities the Funds hold can experience periods of substantial illiquidity. Regulatory bodies can suspend the trading of securities. Securities prices are influenced by many unpredictable factors and the fund is competing for investment opportunities with other investors, many of which have greater investment research and other resources than the Firm. CAS believes that its investment strategies and research techniques will moderate risk through careful securities selection. However, risk cannot be eliminated. No guarantee or representation is made that the Firm’s investment programs will be successful or that the Funds’ investment objectives will be achieved. CAS can never learn all relevant information regarding a company or a security. The Firm may misinterpret or incorrectly analyze the information that it has about

a particular security. These and other factors may cause the Firm to (a) invest in securities at times that will lead to losses in the Funds' portfolio and may cause a Limited Partner to lose a significant portion of its investment in the Funds or (b) refrain from investing in particular securities at times that would have resulted in gains in the Funds' portfolio if the Firm would have caused the Funds to invest.

**Competition.** The securities industry, and the varied strategies and techniques to be engaged in by the Firm, are extremely competitive. The Funds will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**CAS's Investment Activities.** The Funds' investment activities involve a high degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of, nor predictable by, the Firm. These factors include a wide range of economic, political, competitive, and other conditions which may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect the ability of the Funds to realize profits. As a result of the nature of the Funds' investing activities, it is possible that the Funds' financial performance may fluctuate substantially from period to period.

**Liquidity Risks.** The Funds may invest in securities that, while they are publicly traded, are relatively illiquid. That may be because a security is thinly traded or because the Funds' position(s) in a security is large in relation to the overall market for the security. The Funds may own securities that are relatively liquid when acquired but that become illiquid after the Funds invest. The Funds may not be able to liquidate illiquid securities positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Funds' profits, or increasing its losses, in the positions. The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining ownership percentages and determining profit and loss may differ from the value the Funds are ultimately able to realize on those securities.

**Institutional Risk.** CAS may enter into contractual arrangements with various brokerage firms, banks, and other institutions. There is a possibility that the institutions, including brokerage firms and banks, with which the Funds do business will encounter financial difficulties that may substantially impair the operational capabilities or the capital position of the Funds.

Transactions entered into by the Funds may be executed on various exchanges (domestic and foreign) and may be cleared and settled through various clearinghouses, custodians, depositories, and brokers throughout the world. Although the Funds will attempt to execute, clear, and settle such transactions through entities they believe to be sound, there can be no assurance that a failure by any such entity will not lead to a loss.

To the extent possible, the Funds' securities will be entrusted to a qualified custodian. The Funds' obligations to that firm and any other custodian are secured by a first priority perfected security interest over all of the Funds' assets held in custody by that custodian. A custodian may transfer to itself all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge, or otherwise use all such collateral for its own purposes. If any such transfer occurs, the fund will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the Funds may not be able to recover such equivalent securities in full or any such recovery may be delayed. In addition, the Funds' cash held by a custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the Funds will therefore rank as an unsecured creditor in relation thereto.

**Broad Discretionary Power to Choose Investments and Strategies.** The Governing Documents give the Firm broad discretionary power to decide what investments the Funds will make and what strategies they will use. While the Adviser currently intends to use the strategies described under Section 8A, it is not obligated to do so, and it may choose other investments and strategies that it believes are advisable.

**Concentration of Investments.** The Governing Documents do not limit the amount of the Funds' capital that may be committed to any single investment, industry, or sector. The Adviser will attempt to spread the Funds' capital among a number of investments. From time to time, however, particularly when/if the Adviser experiences swift changes in the Funds' capital, the Funds may hold a relatively small number of securities positions, each representing a relatively large portion of the Funds' capital. Losses incurred in such positions could have a materially adverse effect on the Funds' overall financial condition.

**Short Sales.** The Funds may sell securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend, or interest that the Funds may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the Funds' short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss.

To make a short sale, the Funds must borrow the securities being sold short. It may be impossible for the Funds to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. If the prices of securities sold short increase, the Funds may be required to provide additional funds or collateral to maintain the short positions. This could require the Funds to liquidate other investments to provide additional collateral. Such liquidations might not be at favorable prices. Further, the lender can request the return of the borrowed securities and the Funds may not be able to borrow those securities from other lenders. This would cause a "buy in" of the short position, which may be disadvantageous to the Funds.

Some market participants seek to exploit short-sellers such as the Funds by identifying and buying large quantities of securities that are significantly shorted in an attempt to increase the value of the securities. If these so-called "short squeezes" are executed successfully, as described above, the Funds may have to cover its short position at a disadvantageous time regardless of the Adviser's view of the true value of the securities, thereby causing significant losses. A significant "short squeeze" event occurred in January 2021 with respect to the securities of GameStop Corp ("**GameStop**"), where retail investors utilized Robinhood and other popular commission-free trading platforms and social media platforms to execute a "short squeeze" strategy aimed at destroying the short sale efforts of prominent hedge funds and other institutional investors who were attempting to profit from the demise of GameStop stock. The efforts of these retail investors pushed the price of GameStop stock to record levels in a very short period of time, and many hedge funds and other investors lost billions of dollars as they were forced to close out their short positions on GameStop stock in connection with the short squeeze. This situation is likely to reoccur in the future, as social media and popular commission-free trading platforms have made it easier for a large number of retail investors to band together and cause disruptions in the trading strategies of hedge funds and other institutional investors. The recent controversy relating to GameStop may lead to SEC scrutiny and greater regulation of such strategies.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt or enact additional rules requiring public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where a client trades have adopted or may adopt reporting requirements. If an Advisory Client's short positions or its strategy become generally known, it could have a material or significant effect on the Adviser's ability to implement or effect its investment strategies. In particular, it would make it more likely that other investors could cause or lead the Adviser into a "short squeeze" in the securities held short by an Advisory Client, forcing the Adviser to cover its positions at a loss. Such reporting requirements likely would also limit the Adviser's ability to access management and other personnel at certain issuers where the Adviser seeks to take or establish a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as Advisory Clients, the cost of borrowing securities to sell short could increase significantly and the

availability of such securities to Advisory Clients could decrease significantly. The SEC has adopted various restrictions or limitations on the short sale of securities which fall more than 10% in a given day (referred to as the “circuit breaker” or “modified uptick rule”). The SEC and regulatory authorities in other jurisdictions could adopt (and in certain cases have adopted) bans or restrictions or limitations on short sales of certain securities or short sales with respect to certain issuers in response to significant market events. Restrictions, limits or bans on short selling would make it more difficult for us to execute or effect certain investment strategies and may have a material adverse effect on Advisory Clients’ ability to achieve their investment objectives and generate returns.

There are other inherent difficulties and challenges in short selling. The general negative perceptions of short-sellers may limit the Adviser’s access to management of various issuers and hamper its research efforts. Management and other stakeholders of issuers may take legal action against short-sellers to prevent or discourage short sales of the issuer’s securities to avoid depressing the value of its securities. The Adviser and the Funds could be subject to such private legal actions. The cost of and management time committed to defending any such action could be substantial. Gains from short sales of securities will generally be considered short-term capital gains, subject to less favorable tax rates.

Short selling can occur only in a margin account. The broker may not be able to accept the Funds’ order if the security it is attempting to sell short is not available to borrow. In certain situations, the broker may borrow hard-to-borrow securities from sources external to the broker, such as another brokerage firm; there is a fee for this which the Funds must pay. If the lending firm requests the borrowed shares be returned, the broker may buy-in the shares which the Funds are short, close out the Funds’ short position, and deliver those borrowed shares back to the lending brokerage firm, regardless of the profit or loss to the Funds. When the Funds sell short, the broker retains the proceeds of the sale, and industry regulations require the fund to make an initial deposit or have additional equity in the account based on the net proceeds of that sale. In addition, the broker has minimum equity and maintenance requirements determined by share price.

**Leverage.** The Funds may use some leverage in its investment program when deemed appropriate by the Firm and subject to applicable regulations. At times, the amount of such leverage may be substantial. Leverage creates an opportunity for greater yield and total return, but at the same time increases exposure to capital risk and higher current expenses. If the Funds purchase securities on margin and the value of those securities declines, the Funds may be obligated to pay down the margin loans to avoid liquidation of the securities. If loans to the Funds are collateralized with portfolio securities that decrease in value, the Funds may be obligated to provide additional collateral to the lender in the form of cash or securities to avoid liquidation of the pledged securities. Any such liquidation could result in substantial losses. Moreover, counterparties of the Funds, in their sole discretion, may change the leverage limits that they extend to the Funds.

**Exchange Traded Funds (ETFs).** The Funds may invest an unspecified portion of the assets of the Funds in exchange traded funds (“ETFs”). ETFs are a type of an investment company bought and sold on a securities exchange. An ETF represents a portfolio of securities designed to track groups of other securities, particular strategies, countries, industries, sectors, trends, commodities, or market indices. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile. ETFs have management fees.

**Fixed Income Securities: In General.** Fixed income securities are subject to credit and interest rate risks. Credit risk refers to the likelihood that an issuer will default on the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments

whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset, and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

***Fixed Income Securities: Interest Rate Risks.*** The value of all bonds and other fixed income investments change as interest rates in general fluctuate. When interest rates decline, the value of bonds and other fixed income investments generally can be expected to rise. Conversely, when interest rates increase, the value of the bonds and other fixed income investments generally can be expected to decline. The results of the Funds' investments in fixed income securities will depend to a large degree on the ability of the General Partners' skill and expertise in managing interest rate risk.

***Fixed Income Securities: Credit Risks.*** The Funds are subject to the risk that issuers or insurers of instruments in which the Funds invest and trade may default on their obligations under such instruments and that certain events may occur which have an immediate and significant adverse effect on the value of such instruments. There can be no assurance that an issuer of a security in which the Funds invest will not default or that an event which has an immediate and significant adverse effect on the value of such instruments will not occur, and that the Funds will not sustain a loss on a transaction as a result.

***Fixed Income Securities: Non-Investment Grade Debt Securities.*** The Funds may invest in debt securities that are generally rated below investment grade (such as BB or lower by Standard & Poor's Corporation and/or Ba or lower by Moody's Investors Service, Inc. or not rated at all) or which are already in default. These securities are considered speculative and, while generally offering greater income than investments in higher quality securities, involve greater risk of loss of principal and income especially during periods of economic uncertainty or change. These lower quality bonds tend to be affected by economic changes, as well as public perception of those changes, to a greater extent than higher quality securities, which react primarily to fluctuations in the general level of interest rates.

In addition, the market for lower-rated debt securities may be thinner and less active than that for higher-rated debt securities, which can adversely affect the prices at which the lower-rated debt securities are sold. If market quotations are not available, lower-rated debt securities will be valued by the General Partner in its sole discretion. Judgment plays a greater role in valuing high yield corporate debt securities than is the case for securities for which more external sources for quotations and last sale information is available. Adverse publicity and changing investor perception may also affect the availability of outside pricing services to value lower-rated debt securities and the Funds' ability to dispose of these securities. In addition, such securities generally present a higher degree of credit risk.

***Uncertain Exit Strategies.*** Due to the illiquid nature of many of the positions which the Funds are expected to acquire, as well as the uncertainties of the reorganization and active management process, the Adviser is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

***Options Generally.*** The trading of options is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. The Funds will be speculating on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying the option. A change in the market price of the underlying securities or underlying market index may cause a much greater change in the price of the option contract. In addition, to the extent that the Funds purchase options that they do not sell or exercise, they will suffer the loss of the premium paid in such purchase. To the extent

that the Funds sell options and must deliver the underlying securities at the option price, the Funds have a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that the Funds must buy the underlying securities, the Funds risk the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

Stock or index options that may be purchased or sold by the Funds include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which the Funds can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation.

Special risks are associated with the use of options. A decision as to whether, when, and how to use options involves the exercise of skill and judgment which are different from those needed to select other portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations, or interest rate trends. If the General Partners are incorrect in their forecasts regarding market values or other relevant factors, the Funds may be in a worse position than if the Funds had not engaged in options transactions. The potential loss incurred by the Funds in writing uncovered options is unlimited. When options are used as a hedging technique, there can be no guaranty of a correlation between price movements in the option and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the Funds' return might have been better had hedging not been attempted.

**Call Options.** The Funds will engage in sales or purchases of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option.

The buyer of a call option assumes the risk of losing his or her entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

**Put Options.** The Funds will engage in sales or purchases of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing his or her entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

**Bank Loans.** The Funds' investment program may include investments in bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Funds to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Firm will likely compare the relative significance of the risks against the expected benefits of the investment.

Successful claims by third parties arising from these and other risks will be borne by the Funds. Investments in loan participations may also subject the Funds to the risk of counterparty default.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security.

***Prepayment Risk.*** The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to default and foreclosures) occur on loans underlying certain of the Funds' investments will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. In general, "premium" financial instruments (financial instruments whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" financial instruments (financial instruments whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since the Funds' investments may include discount financial instruments when interest rates are high, and may include premium financial instruments when interest rates are low, such investments may be adversely affected by prepayments in any interest rate environment.

***Competition and Supply for Loan Investments.*** The Funds' success in the area of loan investing will depend, in part, on its ability to obtain loans on advantageous terms. In purchasing loans, the Funds will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

***Non-Performing Nature of Debt.*** Certain of the debt purchased by the Funds may be, or in the future may become, non-performing and possibly in default. Furthermore, the obligor(s) and/or relevant guarantor(s) may also be, or come to be, in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the debt.

***Futures Interests and Securities Futures Products.*** The Funds may enter into a limited volume of transactions involving futures interests, including securities futures products, for investment, hedging, and risk management. Although securities futures contracts share some characteristics with options on securities (options contracts), these products are also different in a number of material ways. If the Funds purchase an options contract, they have the right, but not the obligation, to buy or sell a security prior to the expiration date. By contrast, if they take a position in a security futures contract (either long or short), they have both the right and the obligation to buy or sell a security at a future date. The only way the Funds can avoid the obligation incurred by the securities futures contract is to liquidate the position with an offsetting contract.

The purchaser and seller of a security futures contract each enter into an agreement to buy or sell a specific quantity of shares in the underlying security. Based on the movement in prices of the underlying security, a person who holds a position in a security futures contract can gain or lose many times his or her initial margin deposit. In this respect, the benefits of a security futures contract are similar to the benefits of *purchasing* an option, while the risks of entering into a security futures contract are similar to the risks of *selling* an option.

Both the purchaser and seller of a security futures contract have daily margin obligations. At least once each day, security futures contracts are marked-to-market and the increase or decrease in the value of the contract is credited or debited to the buyer and seller. As a result, any time the Funds have an open position in a futures contract including security futures products, it may be called upon to meet additional margin



requirements. As a consequence of the marked-to-market feature, investors generally feel the effects of gains and losses from such investments immediately.

In addition, the Funds may not be able to execute futures contract trades at favorable prices if trading volume is low. It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order trading in a particular contract be conducted for liquidation only.

There are other risks of trading futures interests and security futures products that differ from the risks of investing in securities. Some, but not all, are:

- Under certain market conditions it may be difficult or impossible to liquidate a position. If the Funds cannot liquidate a position; it may be impossible to realize a gain from their position or prevent losses from mounting. This could occur, for example, in the event of a trading halt in the underlying security.
- Under certain market conditions, the prices of futures interests and security futures products may not maintain their customary or anticipated relationship to the price of the underlying security. This could occur, for example, when the market for the primary security is closed, reporting is delayed, or the primary market is illiquid.
- The brokerage firm that holds the Funds' futures interests may be required to deliver funds into the accounts of a foreign broker, exchange, or clearing organization to satisfy the margin and marked-to-market requirements (if any) of futures contracts traded on foreign exchanges. In the event of the bankruptcy of a counter party, the Funds may not receive the same protections as they would have in the hands of a domestic broker, exchange, or clearing organization.

***Stock Index Futures.*** Using stock index futures for hedging involves several risks. Price movement in the stock index and price movements in the securities that are the subject of the hedge do not always correlate. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and there is no secondary market for those contracts. In addition, there may be no active market for the contracts at any particular time. Some exchanges do not permit trading in particular contracts at prices that fluctuate more than a set limit in any day. If prices fluctuate during a single day beyond those limits, the Funds may not be able to liquidate unfavorable positions promptly and may lose money.

***Derivatives: In General.*** In addition to futures interests, indices, options, and ETFs (all of which are themselves a form of derivative contract), the fund trades in exchange-traded and over-the-counter derivatives, including, but not limited to, swaps, forwards, and other derivative interests. Special risks are associated with using derivatives. Deciding whether, when, and how to use derivatives involves different skills and judgment than those needed to select portfolio securities. Even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations, or interest rate trends. If the Firm incorrectly forecasts market values or other relevant factors, the Funds may be in a worse position than if they had not engaged in derivatives transactions. When derivatives are used for hedging, there may be no correlation between price movements in the derivative and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that the Funds' return might have been better had it not attempted to hedge. Derivative instruments can be difficult to value accurately. Any miscalculation could adversely affect the Funds.

Transactions in over-the-counter contracts may involve additional risk. For example, contractual asymmetries and inefficiencies can increase risk. Contractual provisions such as break clauses may permit a counterparty to terminate a transaction on the basis of a certain reduction in the Funds' net asset value, incorrect collateral calls, or delays in collateral recovery.

**Derivatives: Swaps.** The Funds anticipate investing in swap transactions (long and short). In its simplest form, a swap consists of an agreement between two entities (called counterparties) to exchange in the future two streams of cash flows. In a currency swap, these streams of cash flows consist of a stream of interest and principal payments in one currency exchanged for a stream of interest and principal payments of the same maturity in another currency. In an interest rate swap they consist of streams of interest payments of one type (fixed or floating), exchanged for streams of interest payments of the other type in the same currency.

There are two types of risk in swap transactions: rate risk and default risk. Rate risk arises because, during the life of the swap, exchange rates and interest rates vary so that the default-free present value of the cash flows remaining to be paid and received through the swap also varies. This rate risk can be hedged by taking offsetting positions in some combination of currency futures, bond and interest rate futures, currency forward contracts, and spot currency and bond markets.

The second type of swap risk, default risk, is much more difficult to hedge. This risk, sometimes called replacement risk, is complex to evaluate because the cost of default by the counterparty to a swap depends upon four things: the value of the swap at the default date, the event that will trigger the swap default, the relationship between the value of the swap and the event triggering default, and the rule for sharing claims in default. In swap defaults there is the added complication that the counterparty that is in default on its original debt could be due either to make or to receive a swap payment. If it is due to make a payment it will, presumably, default on the swap contract as well as on the debt if the swap payment is subordinated to the debt. Alternatively, it could be due to receive a swap payment, in which case the swap payment could be received (increasing the value of the bankrupt firm) or withheld.

**Derivatives: Forwards.** The Funds' investment program may include forward contracts. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market due to unusually high trading volume, political intervention, or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Firm would otherwise recommend, to the possible detriment of the Funds. In respect of such trading, the Funds would be subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in substantial losses to the Funds.

**Accuracy of Public Information.** CAS selects investments for the Funds, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Firm by the issuers or through sources other than the issuers. Although the Firm evaluates all such information and data and, when the Firm considers it is appropriate and when it is reasonably available, seeks independent corroboration, the Firm is not in a position to confirm the completeness, genuineness, or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

**Dependence on a General Partner.** The Funds' success depends on the skill and expertise of the General Partners and the Firm. Neither the General Partners nor the Firm can assure investors that: (a) the Funds will realize their investment objectives; (b) the Funds' investment strategy will prove successful; or (c) investors will not lose all or a portion of their investment in the Funds. The Governing Documents provide

that the General Partners have absolute discretion and authority in managing and controlling the investments and affairs of the Funds, subject to specific and express limitations in the Governing Documents or provided by applicable law notwithstanding the Governing Documents. Subject to its fiduciary duties to the Limited Partners, the General Partners or their delegate (the Adviser) may exercise this discretion and authority conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances, without accountability to the Funds or any Limited Partner. For example, the Adviser may provide certain Limited Partners with reports, special fee and allocation arrangements, and special withdrawal rights that it does not provide to other Limited Partners.

***Reliance on Mr. Sosin.*** The Funds could be materially adversely affected if the Funds lose the services of Mr. Sosin or he otherwise ceases to be involved in the active management of the Funds' investments. Limited Partners, other than CAS, generally will have no right or power to take part in the management of the Funds except under the limited and specified circumstances set forth in the Governing Documents.

***Operating Expenses.*** The expenses of operating the Funds (including the management fee) may exceed its income, thereby requiring that the difference be paid out of the Funds' capital, reducing the Funds' investment capital and potential for profitability. These expenses may constitute a high percentage relative to other investment entities. In addition, as a result of withdrawals or other circumstances, the Funds' necessary operating expenses may be a high percentage of the Funds' net asset value. For example, it is possible that the Adviser may have trading gains while the Funds' net asset value may not increase or may even decrease.

***Brokerage Commissions/Transaction Costs.*** During some periods, the Funds' activities may involve a high level of trading, and the turnover of its portfolio may generate substantial transaction costs. These costs will be borne by the Funds regardless of its profitability.

***Current Income.*** The Funds' investment policies should be considered speculative, as there can be no assurance that the General Partners' assessments of the short-term or long-term prospects of investments will generate a profit. In view of the fact that the Funds will likely not pay dividends, investments in the Funds is not suitable for investors seeking current income for financial or tax planning purposes.

***Trade Errors by the Firm.*** The Adviser places orders for the purchase and sale of securities with brokers on behalf of the Funds. The trading process is complex and can vary for different types of securities. Moreover, the Adviser may be required to break up orders, or may buy or sell the same security for more than one client, including the Funds and other accounts, further complicating the trading process. The Adviser might make or cause trading errors. The Funds are responsible for any such trade errors. Neither the Adviser nor the General Partners (or their affiliates) will be required to bear the cost of any trade error or reimburse the Funds for resulting costs or losses.

***Economic and Business Conditions.*** General economic and business conditions may affect the Funds' activities. Interest rates, the prices of securities, and participation by other investors in the financial markets may affect the value of securities purchased by the Funds. Unexpected volatility or liquidity in the markets in which the Funds directly or indirectly hold positions could impair the Funds' ability to carry out their business and could cause them to incur losses.

***Purchasing Initial Public Offerings.*** The Funds may purchase securities of companies in initial public offerings or shortly after those offerings are complete. Special risks associated with these securities may include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood

by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income.

Moreover, the Funds and/or certain investors in the Funds may be limited as to the amount of new issue allocations it/they can receive while other investors may not be restricted at all and may be entitled to receive or may actually receive a larger portion of any new issue allocation. Conversely, the General Partners and/or the Adviser may determine to restrict the Funds as a whole from purchasing new issues.

***Certain ERISA Restrictions.*** The General Partners intend to use commercially reasonable efforts to cause employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (“**ERISA**”) and/or Section 4975 of the U.S. Internal Revenue Code (“**U.S. Code**”) and other “benefit plan investors,” as defined in the Plan Asset Regulation, in the aggregate hold less than 25% of the interests in the Funds and of any other class of equity interests in the Funds. The General Partners shall use commercially reasonable efforts to restrict transfers of any equity interest in the Funds so that ownership of each class of equity interests in the Funds by benefit plan investors will remain below the 25% threshold contained in the Plan Asset Regulation. In this event, although there can be no assurance that such will be the case, the assets of the Funds should not constitute “plan assets” for purposes of ERISA and the U.S. Code.

If the assets of the Funds were to become “plan assets” subject to ERISA and the U.S. Code, certain investments made or to be made by the Funds in the normal course of its operations might result in non-exempt prohibited transactions and might have to be rescinded. If at any time the General Partners determine that assets of the Funds may be deemed to be “plan assets” subject to ERISA the U.S. Code, the General Partners may take certain actions they may determine to be necessary or appropriate, including requiring one or more investors to withdraw or otherwise dispose of all or part of their interests in the Funds or terminating and liquidating the Funds.

***Cybersecurity Risk.*** As part of its business, CAS processes, stores and transmits large amounts of electronic information, including information relating to the transactions of its Advisory Clients and personally identifiable information of the Advisory Clients and investors. Similarly, the Firm’s service providers Advisory Clients, especially the Administrator of the Funds, may process, store and transmit such information. The Adviser has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Breach of the Firm’s information systems may cause information related to the transactions of Advisory Clients and personally identifiable information of investors to be lost or improperly accessed, used or disclosed.

The service providers of both CAS and Advisory Clients are subject to the same electronic information security threats as the Adviser. If a service provider fails to implement or adhere to adequate data security policies, or in the event of a breach, information relating to the transactions of Advisory Clients and investors and personally identifiable information of Advisory Clients and investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Firm’s proprietary information may cause CAS, Advisory Clients or investors to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on Advisory Clients and the investors’ investments therein.

***Force Majeure.*** Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, pandemics, and similar “Act of God” events have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term and wide-spread effects on world economies and

markets generally. Advisory Clients may have exposure to countries and markets impacted by such events, which could result in material losses.

The foregoing list of risk factors does not purport to be a complete explanation of the risks involved in the Firm's advisory services. Advisory Clients should read the applicable offering materials, prospectus, or similar account opening documents for such client, if any, in addition to consulting with their own financial and tax advisers.

In addition, there are various risks associated with an investment in CAS-Mercury, LP given that it invests in the securities of an issuer in the vaping industry. Several of the risks are set forth in its Limited Partnership Agreement including, without limitation:

The market for vaporizer products and related items is an evolving and uncertain market.

CAS-Mercury, LP's performance will significantly depend on the ability of the underlying issuer to continue to sell vaporizer products. Many of these products have only recently been introduced to the market and are at an early stage of development. These products represent core components of a niche market that is evolving rapidly, is characterized by a number of market participants and is subject to regulatory oversight and a potentially fluctuating regulatory framework. Rapid growth in the use of, and interest in, vaporizer products are recent, and may not continue on a lasting basis. The demand and market acceptance for these products is subject to a high level of uncertainty, including, but not limited to, changes in governmental regulation, developments in product technology, perceived safety and efficacy of the underlying issuer products, perceived advantages of competing products and sale and use of materials that can be vaporized. Therefore, the underlying issuer is subject to many of the business risks associated with a new enterprise in a niche market. Continued technical evolution, market uncertainty, evolving regulation and the resulting risk of failure of the underlying issuer's new and existing product offerings in this market could have a material adverse effect on the company's ability to build and maintain market share and on its business, results of operations and financial condition. Further, there can be no assurance that the underlying issuer will be able to continue to effectively compete in this marketplace.

The scientific community has not yet extensively studied the long-term health effects of the use of vaporizer products.

Nicotine vaporizers and related products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long-term health effects of their use. If the scientific community were to determine conclusively that use of any or all of these products poses long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for the underlying issuer products, product liability claims, and increased regulation stemming from unfavorable scientific studies on these products could have a material adverse effect on the fund's performance.

Significant increases in state and local regulation of vaporizer products have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions.

Increased activity at the state, provincial and local levels of government with respect to regulation and scrutiny of vaporizer products could have a material negative effect on the underlying issuer's core business. State and local governmental bodies across the United States have indicated that vaporization products and certain other consumption accessories may become subject to new laws and regulations. For example, in January 2015, the California Department of Health declared electronic cigarettes and certain other vaporizer products a health threat that should be strictly regulated like tobacco products. Further, some states and cities, including the State of Iowa, have enacted regulations that require retailers to obtain a tobacco retail license in order to sell electronic cigarettes and vaporizer products. Many states, provinces and some cities have passed laws restricting the sale of electronic cigarettes and certain other vaporizer

products. If one or more states or provinces from which the underlying issuer generates or anticipates generating significant sales of vaporizer products bring actions to prevent the company from selling vaporizer products absent certain licenses, approvals or permits, and if the underlying issuer is not able to obtain the necessary licenses, approvals or permits for financial reasons or otherwise, then the underlying issuer may be required to cease sales and distribution of its products to those states, which could have a material adverse effect on its business, results of operations and financial condition.

Certain states, provinces and cities have already restricted the use of electronic cigarettes and vaporizer products in smoke-free venues. Additional city, state, provincial or federal regulators, municipalities, local governments and private industry may enact rules and regulations restricting the use of electronic cigarettes and vaporizer products in those same places where cigarettes cannot be smoked. Because of these restrictions, the underlying issuer's customers may reduce or otherwise cease using the company's vaporization products or certain other consumption accessories, which could have a material adverse effect on its business, results of operations and financial condition.

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***Item 9: Disciplinary Information***

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There are no material legal or disciplinary events related to the Firm.

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

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**Item 10.A. and 10.B.**

CAS and its management persons are not registered and do not have any application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associate of the foregoing entities.

**Item 10.C.**

CAS is an affiliate of Sosin, LLC and Sosin-Mercury, LLC, the General Partners of the Funds, all of which are managed by Clifford Sosin, founder of all named entities.

The General Partners, the Adviser, and their respective affiliates, which shall be deemed to include, in each case, their respective limited partners, officers, directors, employees, and entities owned by any of the aforementioned parties (the “**Related Parties**”) may face certain conflicts of interests in relation to the Funds. These conflicts include, but are not limited to, those set forth below.

The General Partners, the Adviser, and their respective principal decision makers presently and may in the future, directly or indirectly, direct, sponsor, or manage other managed pools or accounts in addition to the Funds. The General Partners, the Adviser, and their principal decision-makers may have financial or other incentives to favor such pools or accounts over the Funds. The General Partners and the Adviser shall, under normal conditions, allocate investment opportunities between the Funds and such other pools and accounts on a fair and equitable basis as measured over time, subject to applicable law and client guidelines. The General Partners and the Adviser will make their own decisions for the Funds, which decisions may differ from time to time from those recommended by analysts of the General Partners and the Adviser for their other advisory clients. As of the date hereof, the Adviser manages the assets of one or more of its principals.

The Funds depend on the General Partners for the operation of the Funds and on the Adviser for the investment of the Funds' assets. The General Partners and the Adviser believe that they will continue to have sufficient staff personnel and resources to perform all of their duties with respect to the Funds. However, because some of the officers of the General Partners and the Adviser may have duties in connection with other investment funds and other matters, such officers may have conflicts of interest in the allocation of responsibilities, services, and functions among the Funds and other entities.

Some or all of the Related Parties may be involved with other entities utilizing investment strategies similar to those of the Funds and with other business in general. The General Partners and the Adviser may cause the Funds to invest in securities in which some or all of the Related Parties have a financial interest, or to engage in transactions with brokers or others with whom some or all of the Related Parties have financial or other relationships. In the event the Funds intend to engage in any such transaction, the Funds may appoint an independent client representative to give or withhold the consent of the Funds to such transactions.

The Related Parties may engage for their own accounts, or for the accounts of others, in other business ventures of any nature, and the Funds have no right to participate in or benefit from the other management activities of the Adviser described above and the Related Parties shall not be obliged to account to the Funds for any profits or benefits made or derived therefrom, nor shall they have any obligation to disclose or refer to the Fund(s) any of the investment or service opportunities obtained through such activities. Related Parties may own interests in the Funds, deal as principals with the Funds in the sale or purchase of investments of the Funds, or act as brokers, whether to the Funds or to third parties, in the purchase or sale of the Funds' investments and shall be entitled to retain any profits or customary commissions resulting from such dealings.

The General Partners and the Adviser and/or their affiliates and/or employees may from time to time have an interest, direct or indirect, in a security, the purchase or sale of which by the Funds is recommended, or which in fact is purchased or sold by or otherwise traded for the Funds. Moreover, such recommendation, purchase, sale, or trading may occur in connection with a transaction involving another fund or account managed by the General Partners and/or the Adviser. Accordingly, the General Partners may sell or recommend the sale of a particular security for certain accounts, including accounts in which they have an interest, and they or others may buy or recommend the purchase of such security for other accounts, including accounts in which they have an interest, and, thus, transactions in particular accounts may not be consistent with transactions in other accounts or with the General Partners' investment recommendations. For example, the General Partners may recommend that the Funds sell a security, while not recommending such sale for other accounts in order to enable the Funds to have sufficient liquidity to honor Limited Partners' withdrawal requests. When there is a limited supply of investments, the General Partners will use its reasonable efforts to allocate or rotate investment opportunities, but the General Partners cannot assure absolute equality among all of its accounts and clients. The General Partners and the Adviser will, however, seek to ensure that all such potential conflicts of interests are resolved fairly and in the best interests of the Fund(s). When allocating investment opportunities, the Adviser will seek to ensure that all such investments will be allocated in a fair and equitable manner as measured over time.

CAS may engage in transactions in which it causes the Funds to purchase securities or other instruments from, or sell securities or other instruments to, other funds or managed accounts managed by the Adviser and/or its affiliates ("cross-trades") for purposes of portfolio rebalancing or for other reasons as may arise from time to time. CAS and/or its affiliates will not take brokerage commissions or otherwise be compensated for effecting these cross-trades. CAS intends that cross-trades will, to the best of the Adviser's ability, reflect the market value of the security or other instrument being purchased or sold and CAS and/or its affiliates, as applicable, will always seek best execution. Prior to effecting any cross-trade, CAS will make a good faith determination that the transaction is in the best interests of the Funds.

**Item 10.D.**

Not Applicable. CAS does not recommend or select other investment advisers for its Advisory Clients.

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

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**Item 11.A.**

CAS has adopted a Code of Ethics (the “**Code**”) under Rule 204A-1 of the Advisers Act designed to provide that CAS employees comply with applicable federal securities laws. The Code addresses, among other things, CAS standard of business conduct, requirements and restrictions relating to personal securities trading, policy regarding political contributions, policy regarding gifts and entertainment, and confidentiality. CAS employees must acknowledge, both initially upon employment and annually thereafter, in writing having received and read a copy of the Code.

The Code requires all employees to report personal securities holdings (initially and annually) and certify quarterly personal trading activity. The Code places certain restriction and limitations on the personal securities transaction of its employees in reportable securities. Provisions are outlined in the Code which permit employees to transact in their personal accounts. The Code is monitored by CAS’s Chief Compliance Officer and any exceptions to the Code need prior approval by the Firm’s Chief Compliance Officer.

A copy of the Code is available to clients or investors and prospective clients or investors upon their individual request.

**Items 11.B., 11.C., and 11.D.**

CAS, as a fiduciary, endeavors to always make decisions in the best interest of its Advisory Clients if a conflict of interest arises between the Firm’s securities transactions on behalf of its Advisory Clients and those of the Firm’s personnel and related persons. In order to monitor any conflict of interest, CAS employees are required to pre-clear any contemplated transaction for a personal account and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all transactions made in their personal accounts on a quarterly basis.

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**Item 12: Brokerage Practices**

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**Item 12.A.**

Portfolio transactions are executed by brokers selected by the Firm on behalf of the Funds. CAS retains full discretion to determine the broker or dealer to be used for each securities transaction for client accounts. The Firm seeks to obtain best execution for its clients by placing orders for the purchase and sale of securities with brokers and dealers taking into account, but not limited to, the broker’s reliability, reputation, financial responsibility, stability, ability to execute trades, nature and frequency of sales coverage, commission rate, if any, and responsiveness. The Firm will not select brokers or dealers on the basis of *brokerage or research services* (i.e., “soft dollar items”) provided by such brokers.



**Item 12.A.1.**

CAS does not currently engage in the use of soft dollars (third-party or proprietary).

**Item 12.A.2.**

Not applicable. CAS does not participate in selecting or recommending broker-dealers in exchange for client referrals.

**Item 12.A.3.**

Not applicable. CAS does not permit its Advisory Clients to provide a directed brokerage instruction and does not recommend, request, or require Advisory Clients to execute transactions through specified broker-dealers.

**Item 12.B.**

Currently, CAS manages five private funds. When purchasing securities for more than one of its Advisory Clients, CAS from time-to-time engages in bunching orders, to purchase the quantity of such securities necessary to supply all Advisory Clients.

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***Item 13: Review of Accounts***

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**Items 13.A. and 13.B.**

The Chief Compliance Officer will review the portfolio assets in the Funds and the values of the securities held by the Funds on an ongoing basis.

Advisory Client holdings are reviewed on a regular basis to determine their conformity with their risk parameters, investment objectives, and guidelines. CAS continuously monitors the portfolio investments of its Advisory Clients in order to satisfy its fiduciary obligation to evaluate its investment program and portfolio in accordance with set guidelines. The Adviser's investment personnel convene regularly to evaluate each position's conformance with the relevant Fund's Governing Documents and any investment limitations, restrictions, or risk parameters.

**Item 13.C.**

Investors in the Funds will each receive written unaudited reports of the performance of the Fund(s) in which they are an investor on a monthly basis, and written audited year-end financial statements (prepared using GAAP) on an annual basis within 120 days after the fiscal-year end of such Fund. The audited year-end financial statements will also include a statement of profit or loss for such fiscal year and of an unaudited state of such investor's capital account at such time.

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***Item 14: Client Referrals and Other Compensation***

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**Item 14.A. and 14.B.**

The Firm (pursuant to the requirements of Advisers Act Rule 206(4)-3) may not make referral payments to a third-party marketer, or solicitor, unless the fees are paid pursuant to a written agreement. The Firm currently does not retain any third-party solicitors, however, should a third-party solicitor potentially be engaged, the Firm has policies and procedures in place to mitigate any risks that are involved in such an agreement and to confirm that the Firm is in compliance with Advisers Act Rule 206(4)-3.

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***Item 15: Custody***

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As a registered investment adviser, CAS may be deemed to have custody of client assets due to the Firm's ability to deduct fees, even though indirectly through the Administrator, from client accounts. Therefore, CAS is subject to Rule 206(4)-2 under the Adviser's Act.

CAS will maintain the assets of its Advisory Clients in a separate account for each client with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act and notify Advisory Clients and investors in writing of the qualified custodian's name, address, and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information.

Pursuant to Rule 206(4)-2 under the Advisers Act, the Firm's Advisory Clients must receive statements on at least a quarterly basis. The Administrator will send monthly or quarterly statements to clients identifying net asset value and reflecting allocated income, fees charged (if any), and opening and closing balance in the account during the month or quarter as applicable, including the deduction of any fees.

To confirm compliance with Rule 206(4)-2 under the Advisers Act, all Funds must be audited annually and must distribute their audited financial statements to their investors within 120 days after the end of the fiscal year. The Funds are audited annually by an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Financial statements of the Funds are prepared in accordance with GAAP.

In addition, each investor in the respective Fund receives written monthly or quarterly statements from the Administrator with respect to the activities of the relevant Fund.

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***Item 16: Investment Discretion***

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CAS has full discretion to manage assets on behalf of the Funds. This authority is granted in accordance with an investment management agreement between the General Partners and the Firm. Individual investors grant authority to the Fund to enter into an investment management agreement with CAS by signing a subscription agreement and accepting the terms of the limited partnership agreement for the Funds.

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**Item 17: Voting Client Securities**

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**Item 17.A.**

CAS, as a matter of policy and as a fiduciary to its Advisory Clients, is responsible for voting proxies for portfolio securities consistent with the best economic interests of its clients. The Firm will vote all proxies in the best interests of Advisory Clients and investors (as applicable) and in accordance with the procedures outlined below (as applicable), unless otherwise mandated by an investment management agreement or applicable law (e.g., ERISA, U.S. Code).

All proxies sent to Advisory Clients that are received by CAS (to vote on behalf of the Advisory Clients) will be directed to Mr. Sosin's attention.

Prior to voting any proxies, the Chief Compliance Officer will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. In evaluating how to vote a proxy, the Chief Compliance Officer will first determine whether there is a conflict of interest related to the proxy in question between the Firm and its Advisory Clients. This examination will include (but will not be limited to) an evaluation of whether the Firm (or any affiliate of the Firm) has any relationship with the company (or an affiliate of the company) to which the proxy relates outside an investment in such company by an Advisory Client of CAS. Examples of material conflict of interests include: (i) an adviser (or its affiliate) managing a pension plan, administering employee benefit plans, or providing brokerage, underwriting, insurance, or banking services to a company whose management is soliciting proxies; and/or (ii) an adviser maintaining business or personal relationships with participants in proxy contests, corporate directors, or candidates for directorships. If a conflict is identified and deemed "material" by the Chief Compliance Officer, the Firm may determine whether voting in accordance with the proxy voting guidelines outlined below is in the best interests of affected Advisory Clients (which may include utilizing an independent third party to vote such proxies).

If no material conflict is identified pursuant to these procedures, the portfolio manager will decide how to vote the proxy in question. The head trader will deliver the proxy in accordance with instructions related to such proxy in a timely and appropriate manner.

- CAS will vote proxies in the best interests of each particular investment fund. The Firm's policy is to vote all proxies for a specific issuer in the same way for each Advisory Client, absent some qualifying restrictions or a material conflict of interest.
- CAS will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and the selection of auditors, absent conflicts of interest (e.g., an auditor's provision of non-audit services).
- The Firm will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.
- In reviewing proposals, the Firm may also consider the opinion of management, the effect on management, the effect on shareholder value, and the issuer's business practices.

Advisory Clients are not permitted to direct the Firm's vote in a particular proxy solicitation.

Advisory Clients may obtain information regarding how CAS voted its securities by requesting records of the Chief Compliance Officer, who is responsible for retaining all records relating to proxy voting. Additionally, Advisory Clients may obtain a copy of the Firm's Proxy Voting Policies and Procedures, which are included in the Firm's Compliance Manual, upon request of the Chief Compliance Officer.

**Item 17.B.**

Not Applicable; see response to Item 17.A. CAS has authority to vote client securities.

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***Item 18: Financial Information***

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**Item 18.A.**

Not Applicable. CAS does not require nor solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance.

**Item 18.B.**

CAS is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

**Item 18.C.**

Not Applicable. CAS has not been the subject of a bankruptcy petition at any time during the past ten years.