

**ITEM 1
COVER PAGE**

PART 2A OF FORM ADV: FIRM BROCHURE

TWO CREEKS CAPITAL MANAGEMENT, LP

March 30, 2021

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This brochure (this "Brochure") provides information about the qualifications and business practices of Two Creeks Capital Management, LP (the "Investment Adviser," "we," "us," and similar terms). If you have any questions about the contents of this Brochure, please contact us at 212.373.1240. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

This Brochure also relates to Two Creeks Advisors, LLC (the "Fund General Partner"); however, to the extent the qualifications and business practices of the Fund General Partner are substantially similar to those of the Investment Adviser, no specific mention of the General Partner is made herein.

The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about the Investment Adviser also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2
MATERIAL CHANGES

2020. There have been no material changes since our prior Brochure dated March 30,

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ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm.

1. *Two Creeks Capital Management, LP*

Two Creeks Capital Management, LP (the "Investment Adviser," "we," and "us"), is a Delaware limited partnership that was formed in 2014.

We have one office, which is located in New York, NY.

We are controlled by our principal owner, Ryan Pedlow (the "Principal Owner"), who is a limited partner of the Investment Adviser and also acts as the managing member of our general partner, Two Creeks GP, LLC, a Delaware limited liability company and our general partner (the "Investment Adviser General Partner"). The Investment Adviser General Partner has ultimate responsibility for our management, operations and investment decisions.

2. *Two Creeks Advisors, LLC*

Our registration on Form ADV also covers *Two Creeks Advisors, LLC* (the "Fund General Partner"), a limited liability company organized under the laws of the state of Delaware. The Fund General Partner is an affiliate of the Investment Adviser and it serves or may serve as (i) the general partner of pooled investment vehicles that are U.S. partnerships and (ii) the manager of one or more "intermediate funds," subject to the policies and control of the board of directors of the applicable intermediate fund. The Fund General Partner's facilities and personnel are provided by the Investment Adviser.

The Principal Owner is the principal owner and the managing member of, and controls, the Fund General Partner.

B. Description of Advisory Services.

1. *Advisory Services.*

We serve as the investment adviser, with discretionary trading authority, to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "Fund" and collectively, the "Funds"). The Funds include:

- (1) Two Creeks Capital Partners LP, a Delaware limited liability partnership (the "Domestic Fund");
- (2) Two Creeks Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund", and together with the Domestic Fund, the "Feeder Funds");

- (3) Two Creeks Capital Intermediate Fund, Ltd., a Cayman Islands exempted company (the "Intermediate Fund"), into which the Offshore Fund invests substantially all of its assets; and
- (4) Two Creeks Capital Master Fund, Ltd., a Cayman Islands exempted limited partnership (the "Master Fund"), which serves as the master fund into which the Domestic Fund and the Intermediate Fund invest substantially all of their assets through a "master feeder" structure.

The Fund General Partner serves as the general partner of the Domestic Fund and as the manager of the Intermediate Fund.

As used herein, the term "client" generally refers to each Fund.

This Brochure generally includes information about us and our relationships with our clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Regulation D, "qualified purchasers" as defined in the Investment Company Act of 1940, or non-"U.S. Persons" as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

2. Investment Strategies and Types of Investments.

Our objective is to generate repeatable, superior, risk-adjusted returns for the Funds measured over multiple years. We will cause the Funds to primarily invest their capital globally in publicly-traded equities and equity-related securities; however, we continually seek the best risk-adjusted opportunities for the Funds, and may occasionally cause the Funds to invest in fixed income products, derivatives, commodities or currencies, as well as any other financial instruments as we deem appropriate (subject to each Fund's governing documents and offering memoranda).

We seek to accomplish the Funds' investment objectives by investing primarily in equity (including "new issues") and equity-related securities (*e.g.*, common and preferred stock, options, warrants and other derivatives) of companies across a diversified range of sectors. We may at times utilize equity index options and futures on the S&P, NASDAQ and other indices; however, our investment goal is to generate alpha through stock selection (long and short).

Our investment process utilizes a "bottom-up" stock selection process based on fundamental analysis. Our fundamental analysis is driven by experienced analysts, and investment decisions are based on in-depth fundamental research. Such bottom-up analysis is

combined with a thematic or "top-down" view of opportunities across the various sectors and seeks to identify the best long and short opportunities globally. The top-down view also focuses on the overall composition of the Funds in attempting to minimize areas where the Funds may have an unintended exposure in a particular sector, country or macro-economic variable such as interest rates or foreign exchange rates. The expected holding period of both long and short investments is typically measured in years, generally ranging from two to three years.

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

C. Availability of Customized Services for Individual Clients.

Our investment decisions and advice with respect to each Fund will be subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents.

D. Wrap Fee Programs.

We do not currently participate in any Wrap Fee Programs.

E. Assets Under Management.

We manage, on a discretionary basis, approximately \$2,802,560,012 of total regulatory assets under management (rounded to the nearest \$1,000,000), determined as of December 31, 2020. This calculation is based on the aggregate asset value of our various client accounts, and is consistent with the "regulatory assets under management" that we reported in Item 5.F of Part 1A.

We do not manage any assets on a non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees, expenses, and compensation (all of which is qualified by and subject to the language of the applicable Fund's offering documents) is provided below.

1. *Domestic Fund*

Management Fee. Generally, the Domestic Fund pays the Investment Adviser a fee for investment management services (the "Management Fee") for each fiscal quarter (at a blended rate, as further described below) as follows:

- An amount equal to 0.375% (1.5% per annum) of the beginning balance of each investor's capital account for such fiscal quarter if the Master Fund's net asset value, less all direct and indirect non-fee paying capital in the Master Fund (the "Fee Break NAV"), is \$1 billion or less; and
- An amount equal to 0.1875% (0.75% annualized) of the beginning balance of each investor's capital account for such fiscal quarter if the Fee Break NAV is above \$1 billion.

The Management Fee rates described above are applied *pro rata* to the attributable portion of a Limited Partner's investment at a blended rate.

The Management Fee is calculated and paid in advance and will be prorated for any capital contribution or withdrawal by an investor within a fiscal quarter. In the sole discretion of the Fund General Partner, the Management Fee may be waived, reduced or calculated differently with respect to certain affiliates.

Incentive Allocation.

Generally, at the end of each fiscal year of the Domestic Fund, the Fund General Partner is entitled to an incentive allocation in an amount equal to 17.5% of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation) allocated to the investor's capital account for such fiscal year after deducting the Management Fee for such fiscal year, subject to a loss carryforward mechanism.

Under the terms of a separate class of interests in the Domestic Fund, generally, at the end of each fiscal year of the Domestic Fund, in lieu of the incentive allocation described above, the Fund General Partner is entitled to an incentive allocation in an amount (not less than zero) equal to (a) the product of 30% multiplied by the amount by which the net return exceeds a hurdle amount, minus (b) any Management Fee carryforward for prior periods, minus (c) the Management Fee paid for such period.

The incentive allocation will also be determined with respect to interests in the Domestic Fund withdrawn other than at the end of a fiscal year and upon the dissolution of the Domestic Fund. In the sole discretion of the Fund General Partner, the incentive allocation may be waived, reduced or calculated differently with respect to certain affiliates.

2. Offshore Fund

Management Fee. Generally, the Offshore Fund pays the Investment Adviser a Management Fee for each fiscal quarter (at a blended rate, as further described below) as follows:

- An amount equal to 0.375% (1.5% per annum) of the NAV of each series of shares as of the beginning of such fiscal quarter if the Fee Break NAV is \$1 billion or less; and
- An amount equal to 0.1875% (0.75% per annum) of the NAV of each series of shares as of the beginning of such fiscal quarter if the Fee Break NAV is above \$1 billion.

The Management Fee is calculated and paid in advance and will be prorated for any subscription or redemption by an investor within a fiscal quarter. In the sole discretion of the Investment Adviser, the Management Fee may be waived, reduced or calculated differently with respect to certain affiliates.

Incentive Allocation.

Generally, at the end of each fiscal year, 17.5% of the excess of the NAV of a series of shares of the Intermediate Fund that corresponds to the investor's series of shares in the Offshore Fund (taking into account the Management Fee and expenses that are not reflected in the NAV) over the "Highwater NAV" will be reallocated to the Fund General Partner. For purposes of determining NAV and allocations, any taxes that are determined based on an individual investor will be deemed distributed to such investor (without duplication).

Under the terms of a separate class of shares of the Offshore Fund, generally, at the end of each fiscal year of the Intermediate Fund, in lieu of the incentive allocation described above, the Fund General Partner is entitled to an incentive allocation in an amount (not less than zero) equal to (a) the product of 30% multiplied by the amount by which the net return exceeds a hurdle amount, minus (b) any Management Fee carryforward for prior periods, minus (c) the Management Fee paid for such period.

An incentive allocation will also be determined with respect to shares of the Intermediate Fund which correspond to shares within a series that are redeemed other than at the end of a fiscal year and upon the dissolution of the Offshore Fund. The Fund General Partner, in its sole discretion, may elect to reduce, waive or calculate differently the incentive allocation with respect to certain affiliates.

B. Payment of Fees.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis and incentive allocation amounts are generally deducted on an annual basis.

C. Additional Fees and Expenses.

Each of the Domestic Fund and the Offshore Fund bears its own operating and other expenses and its *pro rata* share of the expenses of the Master Fund, including, but not limited to, investment-related expenses (*e.g.*, brokerage commissions and transaction costs, clearing and settlement charges, custodial fees, interest expense, research-related expenses, including, without limitation, third-party research, news and quotation equipment and services (including fees for data and software providers), fees and costs related to portfolio and risk analytics, and third party trading-related software, including trade order management software (*i.e.*, software used to route trade orders)), legal and compliance expenses (which include, without limitation, responding to formal and informal inquiries, indemnification expenses and expenses associated with regulatory filings relating to the Funds and for their respective portfolios), insurance costs incurred in connection with the Funds' business (including, without limitation, acquiring and maintaining D&O and/or E&O insurance for certain Funds' directors and the Investment Adviser, the Fund General Partner and their respective affiliates), accounting, audit and tax preparation expenses, expenses relating to the offer and sale of the interests, taxes, fees and expenses of the Funds' administrator and certain Funds' directors officers (including any anti-money laundering officer), expenses related to the maintenance of certain Funds' registered office, fees and costs related to communications with investors in the Funds, corporate licensing, extraordinary expenses and other similar expenses. For the avoidance of doubt, the expense categories listed above include fees and costs of information technology hardware, software or other technology related to such expense categories (including, without limitation, costs of software licensing, implementation, data management and development). Expenses of the Funds, other than expenses which the Investment Adviser determines in its sole discretion should be allocated to a particular investor in the Funds (*e.g.*, Investor Related Taxes¹), generally will be shared by all of investors in the Funds, (including, for the Domestic Fund, the Fund General Partner), *pro rata* in accordance with each investor's capital account or share class balance.

¹ "Investor-Related Tax" means any tax withheld from the Domestic Fund, the Offshore Fund, the Intermediate Fund or the Master Fund or paid over by the Domestic Fund, the Offshore Fund, the Intermediate Fund or the Master Fund, in each case, directly or indirectly, with respect to or on behalf of an investor or a direct or indirect beneficial owner of the Intermediate Fund (if applicable) or the Master Fund, and interest, penalties and/or any additional amounts with respect thereto, including without limitation, (i) a tax that is determined based on the status, action or inaction (including the failure of an investor or a direct or indirect beneficial owner of the Intermediate Fund (if applicable) or the Master Fund to provide information to eliminate or reduce withholding or other taxes) of an investor or a direct or indirect beneficial owner of the Intermediate Fund (if applicable) or the Master Fund, or (ii) an "imputed underpayment" within the meaning of Section 6225 of the U.S. Internal Revenue Code of 1986, as amended, and any other similar tax, attributable to an investor or a direct or indirect beneficial owner of the Intermediate Fund (if applicable) or the Master Fund, as determined by the Fund General Partner or Investment Adviser (as applicable) in its discretion.

If any of the above expenses are incurred jointly for the account of a Fund and any other investment funds, client accounts and proprietary accounts sponsored by the Fund General Partner, the Investment Adviser or their affiliates (each, an "Other Account"), such expenses will be allocated among the applicable Fund or Funds and such Other Accounts in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the General Partner or the Investment Adviser considers fair and reasonable.

To the extent that any of the Funds' expenses are provided or paid for by the Fund General Partner or the Investment Adviser, the Fund will reimburse the Fund General Partner or the Investment Adviser, as the case may be, for such expenses. However, the Investment Adviser may, in its sole and absolute discretion, bear any of the Funds' expenses; *provided*, that if the Investment Adviser bears any such expenses, it will not be required to continue to bear such expenses and may thereafter cause the applicable Fund to bear such expenses.

There are no sales charges payable to the Fund General Partner, the Investment Adviser, the Domestic Fund or the Offshore Fund in connection with the offering of interests in the Feeder Funds. Neither the Fund General Partner, the Investment Adviser nor either of the Feeder Funds expects to enter into arrangements with placement agents to solicit investors in the Feeder Funds.

D. Prepayment of Fees.

Generally, each client (either directly or indirectly) pays the Investment Adviser a Management Fee quarterly in advance based on the net asset value of each client. In the event that a withdrawal or redemption by an investor in a client is effective within a quarter, the Investment Adviser will pay such client an amount equal to the *pro rata* unearned portion of the Management Fee and such client will distribute such amount to the investor.

E. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products. Please see Item 12 for information about the factors the Investment Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We and our affiliates accept performance-based compensation from every client (other than clients that are not assessed performance-based compensation because it is assessed through another entity in a single master-feeder or similar structure). As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

As a general matter, performance-based compensation may create an incentive for a manager to recommend investments that may be riskier or more speculative than would be recommended under a different fee arrangement.

ITEM 7 TYPES OF CLIENTS

As described above, our clients are the Funds, interests in which are offered to investors on a private placement basis. Investors in the Funds must meet certain suitability requirements as set forth in each Fund's offering memorandum, and/or operative documents. The offering memorandum for each Fund sets forth the required minimum amounts for investment by investors in such Fund, which may be waived in our discretion.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies.

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of its clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Our objective is to generate repeatable, superior, risk-adjusted returns for the Funds measured over multiple years. We will cause the Funds to primarily invest their capital in publicly-traded equities and equity-related securities globally; however, we continually seek the best risk-adjusted opportunities for the Funds, and may occasionally cause the Funds to invest in fixed income products, derivatives, commodities or currencies, as well as any other financial instruments as we deem appropriate (subject to each Fund's governing documents and offering memoranda).

We seek to accomplish the Funds' investment objectives by investing primarily in equity (including "new issues") and equity-related securities (*e.g.*, common and preferred stock, options, warrants and other derivatives) of companies across a diversified range of sectors. We may at times utilize equity index options and futures on the S&P, NASDAQ and other indices; however, our investment goal is to generate alpha through stock selection (long and short).

Our investment process utilizes a "bottom-up" stock selection process based on fundamental analysis. Our fundamental analysis is driven by experienced analysts, and

investment decisions are based on in-depth fundamental research. Such bottom-up analysis is combined with a thematic or "top-down" view of opportunities across the various sectors and seeks to identify the best long and short opportunities globally. The top-down view also focuses on the overall composition of the Funds in attempting to minimize areas where the Funds may have an unintended exposure in a particular sector, country or macro-economic variable such as interest rates or foreign exchange rates. The expected holding period of both long and short investments is typically measured in years, generally ranging from two to three years.

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

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

Risks of Investments Generally. Clients face the risk that the entire amount invested may be lost. We will cause our clients to invest in and actively trade securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets and the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that our clients' investment objectives will be achieved.

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

Assumption of Catastrophe Risks. Our clients may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; war, terrorism and other armed conflicts; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which our clients invest (or has a material negative impact on the operations of the Investment Advisor or its service providers), the risks of loss can be substantial and could have a material adverse effect on our clients.

Coronavirus Risks. In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and

remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on our operations and the performance of our clients is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of our clients.

Discontinuation of LIBOR. It is expected that the U.S. dollar London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate"), will not be published after June 30, 2023 (other than the one-week and two-month tenors, which will not be published after the year 2021). In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which our clients are a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including our clients and their counterparties. With respect to financial contracts to which our clients are parties, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume our clients' resources and may result in disputes with counterparties, the result of which may be adverse to our clients. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which our clients are parties may adversely affect the performance of our clients.

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

Long/Short. The success of our clients' long/short investment strategy depends upon our ability to identify and cause our clients to purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of our clients' long/short investment strategies is a difficult task, and there are no

assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying our clients' positions were to fail to converge toward, or were to diverge further from values we expect, our clients may incur losses. In the event of market disruptions, significant losses can be incurred which may force our clients to close out one or more positions. Furthermore, the financial and valuation models used to determine whether a position presents an attractive opportunity consistent with our long/short strategies may become outdated and inaccurate as market conditions change.

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

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

Leverage; Interest Rates; Margin. The use of leverage has attendant risks and can substantially increase the adverse impact to which our clients' investment portfolio may be subject. The use of leverage will allow us to cause our clients to make additional investments, thereby increasing our clients' exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of our

clients' portfolios. The effect of our use of leverage on behalf of our clients in a market that moves adversely to their investments could result in substantial losses to our clients, which would be greater than if our clients were not leveraged. In addition, any leverage used by our clients is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, any use by our clients of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call", pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off their margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

To the extent that we cause our clients to purchase an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

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

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

Lack of Control. We cause our clients to invest in securities of companies that neither they nor we control, which we may cause our clients to acquire through market transactions or through purchases of securities directly from the issuer. Such securities will be subject to the

risk that the issuer may make business, financial or management decisions with which our clients do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve our clients' interests.

Hedging Transactions. We cause our clients to have both long and short positions and expect that each position will be evaluated as an independent profit generator. We are not required to, and may not attempt to, hedge market risks or other risks inherent in our clients' positions. In addition, we may not anticipate a particular risk so as to hedge against it.

We may cause our clients, however, to utilize a variety of financial instruments (including options and derivatives), both for investment purposes and (to the extent desired) for risk management purposes in order to: (i) protect against possible changes in the market value of our clients' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of our clients' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in our clients' portfolios; (v) hedge the interest rate or currency exchange rate on any of our clients' liabilities or assets; (vi) protect against any increase in the price of any securities that we anticipate causing our clients to purchase at a later date; or (vii) for any other reason that we deem appropriate.

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

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

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

respect to any investment, the judgment or assumptions are incorrect, our clients can suffer losses.

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

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

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

Counterparty Insolvency. We may cause our clients' assets to be held in one or more accounts maintained for our clients by counterparties, including their prime brokers. There is a risk that any such counterparties could become insolvent. The insolvency of our clients' counterparties is likely to impair the operational capabilities or the assets of our clients. Although we regularly monitor the financial condition of the counterparties our clients use, if one or more of our clients' counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of our clients' securities and other assets

from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, we may cause our clients to use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to our clients' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on our clients and their assets. Investors should assume that the insolvency of any client counterparty would result in a loss to that client, which could be material.

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

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

In addition, "position limits" may be imposed by various regulators that may limit our ability to effect desired trades on behalf of our clients. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that our clients' position limits were aggregated with an affiliate's position limits, the effect on our clients and resulting restriction on our investment activities on their behalf may be significant. If at any time positions managed by us were to exceed applicable position limits, we would be required to liquidate positions, which might include positions of our clients, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, we might have to cause our clients to forego or modify certain of their contemplated trades.

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

therefore limited in their ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

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

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

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

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

Initial Public Offerings. Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are

involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of our clients' portfolios (and the interests of any investors in our clients, to the extent applicable).

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

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

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

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

C. Risks Associated With Particular Types of Securities and Other Investments.

We do not recommend a particular type of investment instrument to our clients, but rather, we recommend and invest in multiple investment instruments. Given the broad discretion we have in managing our clients' portfolios, any one or more of the risks listed in the previous section may be incurred by our clients.

However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within our clients' portfolios:

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

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

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which we may cause our clients to participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on our clients.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact our clients, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements

add costs to the legal, operational and compliance obligations of the Investment Adviser and our clients, and increase the amount of time that the Investment Adviser spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to our clients.

These rules are operationally and technologically burdensome for the Investment Adviser and our clients. These compliance obligations require employee training and use of technology, and there are operational risks borne by our clients in implementing procedures to comply with many of these additional obligations.

These regulations may also result in our clients forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants ("FCMs")), as the use of other parties may be more efficient for our clients from a regulatory perspective. However, this could limit our clients' trading activities, create losses, preclude our clients from engaging in certain transactions or prevent our clients from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or "EMIR") and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over "security-based swaps" and the CFTC has regulatory authority over "swaps". EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on our clients:

Reporting

Most swap transactions have become subject to anonymous "real time reporting" requirements, meaning that information relating to transactions entered into by our clients will become visible to the market in ways that may impair our clients' ability to enter into additional transactions at comparable prices or could enable competitors to "front run" or replicate our clients' strategies.

Central Clearing

In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives, including EMIR, are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for our clients in many respects (for instance, they may reduce the counterparty risk to the dealers to which our clients would be exposed under non-cleared derivatives), our clients could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, our clients may not be able to hedge its risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. Our clients may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that our clients may be subject to more onerous and more frequent (daily or even intraday) margin calls from both our clients' FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject our clients to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on our clients. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require our clients to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to our clients. In addition, clearinghouses may not allow our clients to portfolio-margin its positions, which may increase our clients' costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which our clients would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and our clients' FCM, subjecting our clients to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

Swap Execution Facilities

In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms such as swap execution facilities ("SEFs"), which require our clients to subject themselves to regulation by these venues and subject our clients to the jurisdiction of the CFTC.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive ("MiFID II"). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues. The SEC has yet to finalize rules related to security-based swap execution facilities.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for our clients to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

Margin Requirements for Non-Cleared Swaps

Rules issued by U.S., EU and other regulators globally (the "Margin Rules") impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that our clients will be required to post to swap counterparties may increase by a material amount, and as a

result our clients may not be able to deploy capital as effectively. Additionally, to the extent our clients are required to segregate initial margin with a third party custodian, additional costs will be incurred by our clients.

Call and Put Options. Our clients may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option's strike price or (ii) in the case of a put option, the excess, if any, of the option's strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option's time value (*i.e.*, the component of the option's value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the "style" of the option.

Uncovered option writing (*i.e.*, selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether our clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Our successful use of index futures contracts on behalf of our clients is also subject to our ability to correctly predict movements in the direction of the market.

Credit Default Swaps. Credit default swaps can be used to implement the Investment Adviser's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, our clients may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of our clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Our clients may also buy credit default protection with respect to a referenced entity if, in the Investment Adviser's judgment, there is a high likelihood of credit deterioration. In such instance, our clients will pay a premium regardless of whether there is a credit event.

Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the our clients' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent our clients from promptly liquidating unfavorable positions and subject our clients to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Non-U.S. Futures Transactions. Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, our clients may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Forward Contracts. Our clients may enter into forward contracts and options thereon, including non-deliverable forwards. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of our clients. In its forward trading, our clients will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which our clients trade. Our clients assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for our clients in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject our clients to the risk of loss.

Contracts for Differences. Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is

based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on our clients' obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase our clients' financial risk.

Failure to Enter into Offsetting Trade. To the extent our clients invest in a futures contract or long option, unless an offsetting trade is made, our clients would be required to take physical delivery of the commodity underlying the future or option. To the extent the Investment Adviser fails to enter into such offsetting trade prior to the expiration of the contract, our clients may suffer a loss since neither our clients nor the Investment Adviser has the operational capacity to accept physical delivery of commodities.

Exotic Options. Exotic options are typically, but not always, traded over-the-counter. OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. Our clients may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (*i.e.*, the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (*i.e.*, the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out

only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

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

High Volatility. The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which our clients' portfolio assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Our clients' portfolios are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

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

Currency trading is subject to risks different from those of other securities transactions. Because exchange rate control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to our

clients if we are unable to cause our clients to deliver or receive currency or funds in settlement of obligations. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation. The ability to establish and close out options on currency futures is subject to the maintenance of a liquid market, which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

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

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

Exchange Traded Funds. Exchange Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (*e.g.*, Management Fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

Commodities. The values of commodities that underlie commodity futures contracts and other types of financial instruments in which our clients may invest generally are affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from

time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. We have no control over the factors that affect the price of commodities. Accordingly, the value of our clients' investments could change substantially and in a rapid and unpredictable manner.

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

ITEM 9 DISCIPLINARY INFORMATION

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

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

Neither we nor any of our management persons are registered as broker-dealers and none of us have any application pending to register with the SEC as a broker-dealer or a registered representative of a broker-dealer.

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

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

C. Material Conflicts of Interest Relating to Other Investment Advisers.

We do not recommend or select other investment advisers for our clients.

ITEM 11
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

A. Code of Ethics.

Our Code of Ethics (the “Code of Ethics”) sets forth a standard of conduct that all employees are expected to uphold as fiduciaries to our clients, which includes the following principles: (i) employees must place the interests of clients first; (ii) employees must conduct all personal securities transactions in a manner consistent with the Code of Ethics and seek to avoid or mitigate actual conflicts of interest and the appearance thereof; and (iv) employees must not take any inappropriate advantage of their positions.

Our Code of Ethics includes, among other things, restrictions on personal trading. As a general matter, employees are not permitted to invest in individual public company securities. Employees may invest in certain types of securities that are not likely to present a conflict of interest, such as mutual funds and money-market securities. Employees may also invest in privately issued securities, including interests in private funds, subject to pre-approval by the compliance team. We also require employees to disclose their personal securities holdings and transactions to the compliance team on a regular basis.

We also maintain insider trading policies and procedures that are designed to prevent the misuse of material, non-public information, including trading on such information and communicating such information to others in violation of the securities laws. Employees are required to certify their compliance with our insider trading policies and procedures on a periodic basis.

In addition, our Code of Ethics also includes limits on giving and receiving gifts and entertainment, political contributions, service on outside boards of directors and other outside business activities generally. All employees are required to confirm annually that they understand and agree to comply with the Code of Ethics.

Clients and prospective clients may request a copy of the Code of Ethics by contacting us at the address or telephone number listed on the first page of this document.

B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.

1. *Cross Trades*

We do not currently engage in transactions where we transfer securities from one client to another (each such transfer, a “Cross Trade”). In the future, we may determine that it would be in the best interests of certain clients to engage in Cross Trades for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If we decide to engage in a Cross Trade, we will determine that the trade is in the best interests of each client

involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

We generally execute Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two clients may occur as an "internal cross", where we instruct the custodian for the clients to book the transaction at the price determined in accordance with our valuation policy. If we effect an internal cross, we will not receive any fee in connection with the completion of the transaction.

2. Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by the us and our personnel, we will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by us (or on of our affiliates), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code of Ethics places restrictions on personal trades by employees. As a general matter, employees are not permitted to invest in single-name, publicly-traded securities in their personal accounts. Exceptions to this prohibition require pre-approval by our compliance team. The compliance team takes into account any potential conflicts of interest in determining whether to approve any transactions and if approved, whether to place any limits on such transactions. The Code of Ethics also requires employees to disclose their personal securities holdings and transactions on a periodic basis.

We have established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest.

D. Conflicts of Interest Created by Contemporaneous Trading.

Our policy is to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time; however, our current clients are part of a single master-feeder structure and trading is generally conducted at the master fund level. We believe, therefore, that the possibility of a contemporaneous trading conflict of interest is extremely small. To the extent that we are engaged by additional clients, we will adopt additional procedures designed to ensure that we are able to fulfill our general allocation policies.

ITEM 12 BROKERAGE PRACTICES

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

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. Our authority is limited by our own internal policies and procedures and each Fund's investment guidelines.

We seek to obtain best execution for our client portfolio transactions. Portfolio transactions will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following: (i) pricing, (ii) size and nature of the transaction and the market for the security, (iii) timing of the transaction, (iv) difficulty of execution, (v) broker or dealer's expertise in the relevant market or sector, (vi) the extent to which the broker or dealer makes a market in the security or has access to such market, (vii) the broker or dealer's skill in positioning the relevant market (viii) the broker or dealer's facilities, reliability, promptness and financial stability, (ix) the broker or dealer's reputation for diligence and integrity (including in correcting errors), (x) confidentiality considerations, (xi) the quality and usefulness of research products and services and investment ideas presented by the broker or dealer, and other factors deemed appropriate by the Investment Adviser. From time to time, based on the same factors, we may also decide to execute transactions through electronic communications networks.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in certain situations may be higher than those charged by other brokers or dealers who may not offer such services. Subject to our obligation to seek best execution, we are not required to solicit competitive bids and do not have an obligation to seek the lowest available commission cost or spread. We maintain policies and procedures to review the quality of execution, including periodic reviews by our investment and compliance teams.

1. Research and Other Soft Dollar Benefits.

From time to time, we may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. We will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). We believe it is important to our investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Funds may be used by us to service one or more other clients, including clients that may not have paid for the soft dollar benefits. We do not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to us (*i.e.*, a "mixed use" item), we will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of our allocation of the costs of such benefits and services between those that primarily benefit us and those that primarily benefit the Funds.

When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for such products or services. We may have an incentive to select or recommend a broker-dealer based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution. We believe, however, that this conflict is mitigated because, pursuant to the Funds' offering documents, the Funds are otherwise required to pay for such research expenses.

We maintain various procedures to monitor the receipt of soft dollar benefits. These procedures include periodic meetings of our Brokerage Committee, which reviews, among other things, amounts of commissions paid, results of the broker review conducted by our investment team, soft dollar benefits and payments made, proposals to initiate relationships with new brokers, and any changes from prior periods.

2. Brokerage for Client Referrals.

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

3. Directed Brokerage.

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

B. Order Aggregation.

If we determine that the purchase or sale of a security is appropriate with regard to multiple clients, we may, but are not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by us. In the event of a partial fill, allocations may be modified on a basis that we deem to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by us. As a result, certain trades in the same security for one client (including a client in which we and our personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

ITEM 13
REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans.

Our investment team, led by our portfolio manager, reviews each client's portfolio on a frequent and regular basis. Such reviews may include, among other things, discussion of specific investment ideas, in-depth research, portfolio performance and exposures, liquidity and risk management.

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

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

C. Content and Frequency of Account Reports to Clients.

The administrator of each of the Funds will send each investor statements on a monthly basis. Generally, we will send exposure reports to investors in the Funds on a monthly basis.

In addition, we issue investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of a Fund's fiscal year.

Each investor is invited to meet with the authorized representatives of the applicable Fund to discuss with, ask questions of, and receive answers from, such persons concerning the terms and conditions of this offering of their interests in the applicable Fund, and to obtain

additional information, to the extent the Fund possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained herein. An investor may request additional information and reporting, and other investors may not receive some or all information provided in response to such requests. Such information could affect an investor's decision to request a redemption of its interests in the Fund.

We may, on a discretionary basis, provide reports to investors in the Funds more frequently than as stated herein.

ITEM 14

CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

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

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

ITEM 15

CUSTODY

We are deemed to have custody of client funds and securities because we have the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent to us by qualified custodians.

We are subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, we are not required to comply (or are deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because we comply with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

ITEM 16

INVESTMENT DISCRETION

We serve as the investment manager with discretionary trading authority to each Fund. Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

We or one of our affiliates have entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which we or that affiliate was granted discretionary trading authority.

ITEM 17

VOTING CLIENT SECURITIES

A. Policies and Procedures Relating to Voting Client Securities.

As part of our discretionary management of client portfolios, we have the authority to vote securities held by our clients. Investors in the Funds may not direct our vote in a particular proxy solicitation. Conflicts of interest may arise between the interests of our clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Our policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a manner that serves the best interests of our clients, as determined in our discretion and in accordance with each client's investment objectives, and taking into account all relevant factors, including, but not limited to: (i) impact on the value of the securities; (ii) anticipated costs and benefits associated with the proposal; (iii) effect on liquidity of the securities; and (iv) customary industry and business practices. For routine matters, our policy is to vote in accordance with the recommendation of a company's management. However, in certain circumstances, particularly regarding non-routine matters, we may vote against such recommendation. In addition, we may abstain or refrain from voting Proxies where we believe that abstaining or not voting is in the best interests of our clients. In making such a determination, we will consider various factors, including, but not limited to: (i) costs associated with voting; (ii) any legal restrictions on trading resulting from the exercise of a proxy; and (iii) whether we have sold the underlying securities since the record date for the proxy. We will generally refrain from moving securities to segregated accounts for the purpose of ensuring that we have the ability to vote, unless we determine that it would be in the best interests of the Funds to do so. Not actively segregating securities could potentially result in a loss of ability to vote the shares, if they are re-hypothecated or otherwise unregistered to vote as of the record date.

ITEM 18

FINANCIAL INFORMATION

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.