

Part 2A of Form ADV

Firm Brochure

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This brochure provides information about the qualifications and business practices of GTS Asset Management (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 212-521-5856 or jkirch@gtsam.com. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

This is the initial filing of the Form ADV Part 2A for the Adviser and as such, there are no material changes to report. In the future, this Item will provide a summary of material changes that were made to the brochure.

Item 3. Table of Contents

Item 2.	Material Changes	2
Item 3.	Table of Contents	3
Item 4.	Advisory Business	4
Item 5.	Fees and Compensation	4
Item 6.	Performance-Based Fees and Side-by-Side Management	5
Item 7.	Types of Clients	5
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9.	Disciplinary Information	19
Item 10.	Other Financial Industry Activities and Affiliations	19
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	19
Item 12.	Brokerage Practices	20
Item 13.	Review of Accounts	22
Item 14.	Client Referrals and Other Compensation	22
Item 15.	Custody	22
Item 16.	Investment Discretion	22
Item 17.	Voting Client Securities	23
Item 18.	Financial Information	23

Item 4. Advisory Business

The Adviser is an investment adviser with its principal place of business in New York, New York. The general partner of the Adviser is MANG Investments LLC which is wholly owned by GTS Holdings Group Limited, which is majority owned by GTS Equity Partners LLC, which is wholly owned by LVS Partners Limited, which is wholly owned by GTS Worldwide Limited, which is majority owned by GTS Management Partners LLC, which is wholly owned and controlled by Ari Rubenstein and David Lieberman. The Adviser commenced operations as an investment adviser on November 1, 2020.

The Adviser provides discretionary investment advisory services to institutions and other business entities in pooled investment vehicles ("Private Funds") and separately managed accounts (collectively, the "Clients").

The Adviser provides investment advice to Clients based on specific investment objectives and strategies. The Adviser's Clients primarily invest in private investment funds managed by third-party investment managers that employ various strategies, including equity, commodity and credit strategies. The Adviser will agree to tailor advisory services to the individual needs of certain Clients.

The Adviser has approximately \$32,841,842 in regulatory assets under management, all of which is managed on a discretionary basis.

Item 5. Fees and Compensation

Asset-Based and Performance-Based Compensation. The Adviser is paid a periodic asset-based investment management fee with respect to each Client (the "Management Fee"). Management Fees charged to Clients, which are described in each Client's investment advisory agreement, range from 0% to 4 % per annum of the total market value of the assets in the Clients' account. The Management Fee is negotiable based on the size of the account and its strategy.

The Adviser or an affiliate of the Adviser receives performance-based compensation from certain Clients (the "Incentive Compensation"), which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a Client account. The compensation ranges from 0% to 25%. The Incentive Compensation is negotiable based on size of the account and its strategy.

Expenses. In addition to paying the Management Fees and, if applicable, Incentive Compensation, Client accounts are also subject to other investment expenses in accordance with the client's investment management agreement, such as: brokerage commissions and other transaction charges related to the Client transactions; custodial fees and expenses of the Client; applicable taxes, governmental charges and other reporting expenses of the Client; external legal, compliance, administrative, tax and financial accounting fees and expenses of the Client as well as auditor fees and expenses of the Client or the Adviser incurred in connection with the management of the Client, including, for the avoidance of doubt, the fees and expenses of any public accountant incurred in connection with any independent verification of the Client's funds and securities; and all applicable expenses incurred as a result of the Client's obligation to indemnify the Adviser in accordance with the Client's investment management agreement.

The allocation of expenses by the Adviser between it and a Client and among Clients represents a conflict of interest for the Adviser. The Adviser will adopt an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each Client in accordance with the Client's investment advisory agreement. The Adviser seeks to allocate any shared expenses for products and services benefitting multiple Clients or both the Adviser and a Client, and not covered in the Client's investment advisory agreements, in a fair and reasonable manner.

Item 6. Performance-Based Fees and Side-by-Side Management

The Adviser or an affiliate of the Adviser is entitled to be paid Incentive Compensation by certain of its Clients. Such Incentive Compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such Incentive Compensation arrangements. In addition, certain Client accounts may have higher asset-based fees or more favorable Incentive Compensation arrangements than other Client accounts or have asset-based fees or Incentive Compensation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one Client account, a potential exists for one Client account to be favored over another Client account. In addition, certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts or have asset-based fees or performance-based compensation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees, Incentive Compensation, or compensation that is paid at different times or over different time intervals.

The Adviser advises multiple Client accounts. The management of multiple Client accounts creates a conflict of interest because the Adviser may have an incentive to favor one Client account over another. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with the same or substantially similar investment objectives, strategies and restrictions are treated equitably.

Item 7. Types of Clients

The Adviser's clients consist of Private Funds and separately managed accounts for institutions and other business entities. The Adviser does not have any requirements for opening or maintaining an account. Any minimum subscription amounts of the Private Funds are disclosed in the Private Funds' governing documents.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies.

The Adviser's investment objective and strategy is to seek to achieve long-term appreciation within a framework of managed volatility. To achieve this goal, the Adviser employs a blended portfolio allocation strategy including traditional equity and fixed income investments, primarily through investments in underlying alternative investment vehicles (the "AIVs", and each, an "AIV"), managed by other third-party advisers (the "Sub-Advisers", and each, a "Sub-Adviser").

B. Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. Clients and potential Clients should refer to the Client's investment advisory agreement for a further discussion of the applicable risks.

General Economic and Market Conditions. The success of 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 Clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars,

terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of Clients' investments. Volatility or illiquidity could impair Clients' profitability or result in losses. Clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Layering of Fees. With respect to a Client's investments, such Client's direct fees and expenses, coupled with its indirect portion of the fees and expenses of AIVs, including the compensation of any Sub-Advisers to such AIVs, results in greater fees and expenses than would be associated with direct investment in AIVs. However, the exact timing and amount of such fees may vary among the various AIVs, in accordance with the terms of the governing documents of each such AIV. A Client's expenses thus may constitute a higher percentage of net assets than expenses associated with other investment entities.

Possible Adverse Effects of Increasing the Assets Managed by Sub-Advisers. It may be difficult or impossible for a Sub-Adviser to take or liquidate a position in a particular financial instrument in accordance with its trading systems, methods or strategies due to the size of the accounts which are or may be managed by such Sub-Adviser. A Sub-Adviser may be limited in the amount of assets which it can successfully manage by both the difficulty of executing substantially larger trades in order to reflect larger equity under management and the restrictive effects of speculative position limits or restraints on disposition and possible market illiquidity. The rates of return recognized on the investment and/or trading of a limited amount of assets may have little relationship to those a Sub-Adviser can reasonably expect to achieve trading larger amounts of funds. A Sub-Adviser may not have agreed to limit its assets under management, even if doing so might be in the best interests of a Client. There can be no assurance that the Sub-Advisers' strategies will not be adversely affected by the additional equity represented by additions to the AIVs or otherwise.

Selection Process for Sub-Advisers. Sub-advisers generally are selected based upon the Adviser's determination that the investment objectives of the applicable AIVs align with the Adviser's investment objectives for a Client. Certain Sub-Advisers, among other things, may have a limited performance track record and/or limited assets under management.

Disadvantages of Multi-Advisor Trading Structure. The use of multiple Sub-Advisers to conduct trading has several potential disadvantages. Each Sub-Adviser that is paid performance-based fees will be paid such fees solely on the basis of its AIV. A Client therefore could have periods in which it is directly or indirectly charged substantial fees by one or more Sub-Advisers even though the Client as a whole has a loss for the period.

Allocations among Alternative Investment Vehicles. The Adviser may, in its discretion, from time to time select new Sub-Advisers and change the percentage of Client assets allocated to each AIV. Allocation changes could occur, for example, (i) because of performance differences among the AIVs and (ii) as a result of a Client receiving additional capital contributions during periods when certain AIVs may no longer be accepting additional funds. In the latter case, the additional capital would have to be allocated to AIVs accepting additional funds, which would increase the percentage of the assets allocated to such "open" AIVs and decrease the percentage allocated to "closed" AIVs. There is no assurance that any of the AIVs will accept additional capital. Accordingly, a Client might have to invest some or all of any additional capital in new AIVs. A Client's success depends, therefore, not only on the AIVs the Adviser may initially select for a Client and its ability to allocate the assets successfully among those AIVs, but also on the Adviser's ability to identify new AIVs.

Investment and Due Diligence Process. Before making investments, the Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Adviser 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, the Adviser will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Adviser 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. The Adviser may make investment decisions based on incomplete or limited information and based on assumptions that may not be accurate.

Diversification and Concentration. The Adviser is not subject to any diversification or concentration limits with respect to its management of Client accounts. As a result, the Adviser may select investments that are highly concentrated in a very limited number or type of securities. In addition, Clients' portfolios may become highly 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 Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Short Selling. Clients may 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 Clients may engage in short sales will depend upon the Adviser's investment strategy and opportunities. 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 Clients of buying those securities to cover the short position. There can be no assurance that Clients will be able to maintain the ability to borrow securities sold short. In such cases, 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 the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Leverage; Interest Rates; Margin. The use of leverage has attendant risks and can substantially increase the adverse impact to which Clients' investment portfolios may be subject. The use of leverage will allow Clients to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of Clients' portfolios. The effect of the use of leverage by Clients in a market that moves adversely to its investments could result in substantial losses to Clients, which would be greater than if Clients were not leveraged. In addition, any leverage used by 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 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 its 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 Clients 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.

Hedging Transactions. The Adviser is not required to attempt to hedge portfolio positions in Client accounts. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. The Adviser may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of Clients' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of Clients' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in

Clients' portfolios; (v) hedge the interest rate or currency exchange rate on any of Clients' liabilities or assets; (vi) protect against any increase in the price of any securities Clients anticipate purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate.

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

Counterparty Risk. Clients expect to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit Clients to trade in any variety of markets or asset classes over time. However, there can be no assurance that Clients will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Clients' trading activities, create losses, preclude Clients from engaging in certain transactions or prevent 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 could have a significant impact on Clients' business due to Clients' reliance on such counterparties.

Clients may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, Clients enter into a contract directly with dealer counterparties, which may expose Clients to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, Clients may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if Clients had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that Clients post collateral.

If there is a default by a counterparty, Clients under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of Client accounts being less than if Clients had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Clients' securities from such counterparty or the payment of claims therefor may be significantly delayed and Clients may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether Clients may terminate its agreement with an insolvent counterparty.

Collateral that Clients post to their counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, Clients may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, Clients may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to Clients' assets are subject to substantial limitations and uncertainties. Because of the range

of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on Clients and their assets. Clients should assume that the insolvency of any such counterparty would result in significant delays in recovering Clients' securities from or the payment of claims therefor by such counterparty and a loss to Clients, which could be material.

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. The Adviser relies 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 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. Clients' assets may be held in one or more accounts maintained for Clients by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of Clients' counterparties is likely to impair the operational capabilities or the assets of Clients. Although the Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of 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 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.

Highly Volatile Markets. The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which Clients' portfolios' 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. Clients' portfolios are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

Competition; Availability of Investments. The markets in which Clients may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced investment returns. There can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other Clients and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce Clients' opportunities for profit by generally increasing prices on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.

Exposure to Material Non-Public Information. From time to time, the Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, 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. Clients may 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. Clients, however, value their securities in U.S. dollars. Clients may or may not seek to hedge their 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 Clients wish to use them, or that hedging

techniques employed by 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 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 for Clients.

Furthermore, Clients may 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 Clients at one rate, while offering a lesser rate of exchange should Clients desire immediately to resell that currency to the dealer. Clients will conduct its 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 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 Clients.

Non-U.S. Investments. Clients invest their assets on a global basis, including in securities of non-U.S. companies which are traded in non-U.S. markets. 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, other income or gross sale or disposition proceeds; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict 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, Clients may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce 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 "CFTC") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to Clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Non-U.S. Exchanges. Clients may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Discretion of the Adviser; New Strategies and Techniques. While the Adviser will generally seek to employ the representative investment strategies and techniques discussed herein, the Adviser has considerable discretion in the types of securities and sectors in which Clients may trade, and has the right to modify the investment strategies and techniques of Clients without the consent of investors. New investment strategies and 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 Clients. In addition, any new investment strategy or technique developed by Clients may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in Client accounts.

C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks)

Alternative Investment Vehicles. Investments in AIVs generally are subject to legal or contractual restrictions on their resale. If a Client requests a complete or partial withdrawal of its interest in an AIV, the adviser of such AIV generally may, in its discretion or at the election of the Client, (i) not satisfy a Client's withdrawal request with respect to the portion of such investment's assets represented by illiquid investments until the disposition of those illiquid investments, (ii) satisfy a Client's withdrawal request with an in-kind distribution of illiquid investments (either directly or through an in-kind distribution of interests in a special purpose vehicle or other investment vehicle established to hold such illiquid investments), or (iii) in some cases, satisfy the withdrawal amount by valuing illiquid investments at the lower of cost or market or otherwise in the sole discretion of the applicable adviser. If a Client receives distributions in-kind from an investment, such Client may incur additional costs and risks to dispose of such assets. In addition, certain AIVs may require maintenance of investment minimums and/or have holding periods and/or other withdrawal provisions more restrictive than those of a Client. These may include, but are not limited to, lock-ups, "side pockets," withdrawal "gates" and fees, suspensions and delays of withdrawals and other similar limitations.

Equity Securities. Certain of the AIVs in which a Client may invest are expected to trade equity securities. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The AIVs may acquire long and short positions in listed and unlisted common equities, preferred equities and convertible securities of issuers domiciled in developed or in emerging countries. The AIVs may invest in equity securities regardless of market capitalization, including micro- and small-cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. The AIVs may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

Small- to Micro-Cap Stocks. At any given time, the AIVs in which a Client may invest may have investments in small- to micro-cap companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification and competitive strength of larger corporations. In addition, the AIVs may be unable to sell certain small- or micro-cap stocks at an advantageous time or price. In many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an investment in these stocks may be considered less liquid than an investment in many larger-capitalization stocks, making purchases or sales at desired prices or in desired quantities more difficult. When making large sales, the AIVs may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, such stocks may be required to be held for a lengthy period of time and often require more time to sell and result in higher selling expenses than does the sale of securities for which there is an active market.

Non-Reporting Stocks. The AIVs in which a Client may invest may make investments in public companies whose shares are quoted on the "pink sheets". Pink sheet stocks are over-the-counter securities that do not meet the listing standards required to trade on Nasdaq, the American Stock Exchange or other major stock exchanges due to their limited capitalization, the limited number of shares outstanding and/or its non-reporting status. Pink sheet stocks are small, thinly-traded issues that often carry a great deal of risk. For instance, pink sheet stocks are not very liquid, and as such, bid/ask spreads are wide. In addition, online quotes for these securities are not firm, but rather merely provide indications of price. Accurate information about pink sheet stocks is often difficult to obtain because many companies whose shares are traded on

the pink sheets are not required to file their financial reports with the SEC. Pink sheet stocks are also speculative in nature because many of these firms are still in the early development stages and have no proven track record. While many are legitimate businesses, the lack of reliable data and readily available public information makes them susceptible to fraud and manipulation.

New Issues. The AIVs in which Clients may invest may themselves invest in “new issues” (defined as any initial public offering of an equity security). The purchase of “new issues” involves greater risk than securities trading in general. The prices of new issues may not increase as expected and, in fact, may decline more rapidly. There is no guarantee that new issues will trade at a premium to their issue price until they are liquidated.

Private Placements. Certain AIVs in which Clients may themselves invest in private investments, which share many of the same risk characteristics as venture capital investing, offering the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more expansive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. The AIVs may invest in the form of equity or “equity linked” securities. As a result, the rights or claims of the AIVs may be subordinate to those of other parties, including debt or senior equity holders, in the event of the failure of any company in which the AIVs invest. The companies in which the AIVs invest may be thinly traded and undercapitalized and therefore may be more sensitive to adverse business or financial developments. In the event that a company in which the AIVs invest is unable to generate sufficient cash flow or raise additional equity capital to meet its projected cash needs, the value of the AIVs’ investment in such company could be significantly reduced or even lost entirely. Business risks may be more significant in smaller or development-stage companies in which the AIVs invest, including intense competition, changing business and economic conditions or other developments that may adversely affect their performance. Profits of the AIVs, if any, may be derived from a relatively small number of their investments in private placements. The goal of making investments in companies that will provide superior investment returns will be difficult to achieve. The ability of the AIVs to liquidate their positions and generate profits from their investments in private placements may also be adversely affected by a failure of the companies in which they invest to comply with registration, conversion, exchange or other obligations under the agreements pursuant to which such securities have been sold to the AIVs.

Illiquid Investments. The financial instruments and other assets in which the AIVs may invest include assets that are subject to legal or contractual restrictions on their resale (e.g., financial instruments issued by privately-held entities) or for which there is a relatively inactive trading market, making purchases or sales at desired prices or in desired quantities difficult or impossible. Further, as part of its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular instrument, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilize or fix exchange rates, restricting or substantially eliminating trading in the affected currencies. Illiquid financial instruments may be required to be held for a lengthy period of time and often require more time to sell and result in higher brokerage charges or dealer discounts and other selling expenses than does the sale of financial instruments eligible for trading on national securities exchanges or for which there is an active over-the-counter market. In addition, due to thin trading in certain financial instruments or assets, investments in such financial instruments or assets may be less liquid than alternative investments for which there is a more active trading market, which could cause an AIV to suspend its net asset value calculations and/or withdrawals and/or to designate all or a portion of its assets as side pockets. Therefore, the AIVs’ investments in illiquid or thinly-traded financial instruments or assets may reduce the returns of the applicable AIVs because they may be unable to sell the illiquid or thinly-traded financial instruments or assets at an advantageous time or price.

Over-the-Counter and Other Derivative Instruments in General. The AIVs may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including the following: (i) *Tracking*: When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent a Sub-Adviser from achieving the intended hedging effect or expose the AIV to the risk of loss; (ii) *Liquidity*: Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Sub-Adviser may not be able to close out a position without incurring a loss for the AIV; (iii) *Leverage*: Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by an AIV and could cause its assets to be subject to wider fluctuations than would be the case if such AIV did not use the leverage feature in derivative instruments; (iv) *Over-the-Counter Trading*: Certain derivative instruments may not be traded on an exchange. Over-the-counter financial instruments that may be purchased or sold by the AIVs may include swap transactions, forward foreign currency transactions and bonds and other fixed income securities. Over-the-counter financial instruments, unlike exchange traded financial instruments, are two-party contracts with price and other terms negotiated by the buyer and the seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the AIV can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. Because performance of over-the-counter financial instruments is not guaranteed by any exchange or clearinghouse, the AIVs will be subject to the risk of the inability or refusal to perform with respect to such financial instruments on the part of the counterparties with which they trade. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject the AIVs to substantial losses; (v) *Lack of Regulation*: Financial instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded financial instruments and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The counterparty to an over-the-counter financial instrument entered into by an AIV may not be subject to the same credit evaluation and regulatory oversight as are members of exchange based markets. The same may be true with respect to financial instruments traded on certain types of alternative exchanges (e.g., exempt commercial markets) that are less regulated than traditional securities, commodities and futures exchanges; and (vi) *Market Conditions*: Past events in the financial markets resulting in the failure of large institutions that serve as counterparties to many over-the-counter financial instruments have resulted in greater illiquidity of such instruments and heightened concern for counterparty risk. Similar events in the future may produce similar results.

Commodities and Futures Trading. The AIVs in which a Client may invest may themselves invest in commodities and futures contracts. Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

Fixed-Income Investments. The AIVs in which a Client may invest may themselves invest in fixed-income financial instruments. The value of fixed-income financial instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income financial instruments can be expected to rise. Conversely, when interest rates rise, the value of such financial instruments can be expected to decline. Investments in lower rated or unrated fixed-income financial instruments, while generally providing greater opportunity for gain and income than investments in higher rated financial instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such financial instruments).

Trading in Options. The AIVs in which a Client may invest may themselves trade in options. An option is a right, purchased for a certain price, to either buy or sell the underlying instrument or product during or at the end of a certain period of time for a fixed price. The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for

profit or loss than an equivalent investment in the underlying asset. For example, if an AIV buys an option (either to sell or buy an underlying instrument or product), it will be required to pay a “premium” representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, the AIV may lose the entire amount of the premium. Conversely, if an AIV sells an option (either to sell or buy an underlying instrument or product), it will be credited with the premium but will have to deposit margin with such AIV’s broker due to its contingent liability to deliver or accept the underlying instrument or product in the event the option is exercised. Sellers of options are subject to unlimited risk of loss, as the seller will be obligated to deliver or take delivery of an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may be restricted in the event that trading in the underlying instrument or product becomes restricted.

Trading in ETFs. The AIVs in which a Client may invest may themselves invest in exchange-traded funds (“ETFs”). ETFs are funds that track a particular basket or index of securities traded on a public exchange. In this manner, ETFs are similar to open-ended index mutual funds. However, ETFs are traded like stocks on stock exchanges such as the American Stock Exchange. Accordingly, although investments in mutual funds and ETFs are subject to similar risks, ETFs have certain unique risks not shared by mutual funds. Some of the risks of investments in ETFs include the following: (i) *General Risks:* An investment in ETFs comprised of publicly traded stocks are subject to the risks that impact the portfolio of underlying stock, including market risks resulting from such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. In addition, investment techniques such as short selling and margin debt may be used with ETFs which would expose the AIVs to the risks associated with those investment techniques; (ii) *ETF Trading:* It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole. Risk is also involved in ETF selection. Unlike open-ended mutual funds, ETFs may potentially trade above or below the value of their underlying portfolios. While most ordinary mutual funds can only be bought or sold at the end of the day at the calculated net asset value of the fund, ETFs may be purchased or sold throughout the day at prices that are not guaranteed to match the underlying value of the stocks in the portfolio. Accordingly, the AIVs could be exposed to corrective forces if they inadvertently purchase an ETF at a premium to the underlying value of the stocks in the ETF; (iii) *Layering of Fees:* With respect to the AIVs’ investments in ETFs, a Client’s direct fees and expenses, coupled with its indirect fees and expenses at both the AIV and ETF levels, results in multiple levels of fees and greater expense than would be associated with direct investment; (iv) *International ETFs:* ETFs comprised of foreign securities may be highly volatile in nature. In general, foreign markets are not as liquid and do not have pertinent information disseminated as efficiently as United States markets. International investments may also involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations; (v) *Trading in Specialty or Sector ETFs:* The AIVs may invest a portion of their assets in ETFs that are industry, sector or capitalization specific, and thereby may be subject to the volatility attendant with such a specialized focus; (vi) *Distributions from ETFs:* The tax regulations pertaining to ETFs generally cause them to distribute their taxable gains in the form of a dividend near year-end. The share price of the ETF would generally drop by a corresponding amount on the ex-dividend date of the distribution. Such distributions are made on a *pro rata* basis without regard to the actual gains or losses an individual ETF shareholder may have sustained. Accordingly, investors who have real economic gain less than the amount of the dividend may then have a motivation to sell those ETF shares to claim the drop in share price as a capital loss and thereby offset the income distribution. However, wash sale rules require that the investor not re-invest for 31 days in order to claim the capital loss deduction. Accordingly, tax strategies employed by other investors may increase the price volatility of ETF shares and of securities owned by such ETFs at times near to the distribution of such a dividend. Similarly, the AIVs may elect to manage their taxable income by avoiding certain ETFs during their income distributions, thereby introducing an additional element of risk into their timing models.

Credit Default Swaps. The AIVs in which a Client may invest may themselves enter into credit default swaps. In general, a credit default swap is a type of over-the-counter credit derivative between two

counterparties whereby one counterparty (the “purchaser”) is obligated to pay the other counterparty (the “seller”) a periodic stream of payments (“premiums”) over the term of the contract, in return for the seller’s obligation to pay the purchaser upon the occurrence of a credit event (e.g., bankruptcy, failure to pay, obligation acceleration or restructuring) with respect to an underlying reference obligation or reference obligor. The AIVs may stand on either side of a credit default swap (i.e., either as the purchaser or the seller). Credit default swaps are non-standardized, privately negotiated transactions and the payment by the seller to the purchaser is contingent upon the occurrence of a credit event as defined in the swap transaction documents, which definition may be more expansive or narrow than what would normally be viewed as a default by the reference obligor, whether under the reference obligation or otherwise. In addition to the risk of non-performance of the counterparty, there is an inherent risk in being able to predict the likelihood of a credit event under a credit default swap. Also, credit default swaps generally are traded over-the-counter and not on an organized market, which may make them illiquid and difficult to value. If an AIV is the purchaser under the swap agreement and no credit event occurs, the AIV will not recoup the premiums it paid to the seller. Likewise, if the AIV is the seller under the swap agreement, it may be required to pay an amount upon the occurrence of a credit event that far exceeds the periodic premium payments received by the AIV under the swap agreement. Certain AIVs may rely on the use of credit default swap transactions to hedge their exposure to the debt of underlying issuers. Any significant dislocation in the financial markets may make it more difficult for AIVs to enter these transactions and, therefore, may increase the costs to the AIVs of hedging such exposures (or prevent them from doing so entirely), potentially resulting in lower returns and/or greater risk to investors.

Security Futures Contracts. The AIVs in which a Client may invest may trade security futures contracts. Security futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, are subject to the joint jurisdiction of the SEC and the CFTC. Security futures contracts are subject to the same risks as other securities, as well as to the greater volatility and risks of futures trading. Since they are relatively new products, security futures contracts have relatively low liquidity and limited trading history.

Exchanges for Related Products. The AIVs in which a client may invest may themselves engage in exchange for related positions (“EFRPs”) transactions, including in exchanges of futures for physical (“EFPs”). An EFRP is a transaction permitted under the rules of many futures exchanges in which two parties may exchange futures positions without making an open, competitive trade on the exchange. In general, the buyer of the physical commodity buys the corresponding futures contract, while the seller of the physical commodity sells that futures contract. The prices at which such transactions are executed are negotiated between the parties. If an AIV were prevented from such trading as a result of regulatory changes, the AIV’s performance could be adversely affected.

Forward Trading. The AIVs in which a client may invest may themselves enter into forward contracts in the over-the-counter markets. Forward contracts and options thereon, unlike exchange traded futures contracts and options on futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals that deal in the forward markets are not required to continue to make markets in the commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities 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.

Trading in Currencies. The AIVs in which a Client may invest may themselves trade currencies and related financial instruments in interbank and forward contract markets. An AIV may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the AIV’s position. A Sub-Adviser may trade currencies and financial instruments in interbank and forward contract markets which such Sub-Adviser believes to be well-established and of recognized standing. A Sub-Adviser may effect such trades with brokers and other market participants which it believes to be creditworthy.

Repurchase Agreements and Reverse Repurchase Agreements. The AIVs in which a Client may invest may themselves enter into repurchase and reverse repurchase agreements. Repurchase agreements involve the sale of a financial instrument by an AIV and its agreement to repurchase the financial instrument at a specified time and price (thereby financing the AIV's acquisition of such financial instrument). If the party to whom such financial instrument is sold should default, as a result of bankruptcy or otherwise, an AIV may not be able to recover the financial instruments sold, which could result in a loss to the AIV if the value of such financial instruments has increased over their repurchase price. Similarly, entering into reverse repurchase agreements involves certain risks. A reverse repurchase agreement involves the purchase of a financial instrument by an AIV from a broker that agrees to repurchase the financial instrument at the AIV's cost plus interest within a specified time. Under a reverse repurchase agreement, an AIV continues to receive any principal and interest payments on the underlying financial instrument during the term of the agreement. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, an AIV may seek to sell the securities which it holds, which action could involve procedural costs or delays in addition to a loss on the financial instruments if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, an AIV's ability to dispose of the underlying financial instruments may be severely restricted.

High Yield Securities. The AIVs in which a Client may invest may themselves invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Financial instruments in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated financial instruments and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They also are generally considered to be subject to greater risk than financial instruments with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated financial instruments, the yields and prices of such financial instruments may tend to fluctuate more than those of higher-rated financial instruments. The market for lower-rated financial instruments is thinner and less active than that for higher-rated financial instruments, which can adversely affect the prices at which these financial instruments can be sold. In addition, adverse publicity and investor perceptions about lower rated financial instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated financial instruments. Investments in sovereign debt involve special risks in that in the event of default, an AIV's recourse against the issuer may be limited.

Asset-Backed Securities. The AIVs in which a client may invest may themselves invest in asset-backed securities ("ABS"). ABS are debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from underlying financial assets, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Issuers of ABS are primarily banks and finance companies, captive finance subsidiaries of non-financial corporations or specialized originators such as credit card lenders. An ABS is typically created by the sale of assets or collateral to a conduit, generally a bankruptcy-remote vehicle such as a grantor trust or other special-purpose entity, which becomes the legal issuer of the ABS. Interests in or other securities issued by the trust or special-purpose entity, which give the holder thereof the right to certain cash flows arising from the underlying assets, are then sold to investors through an investment bank or other securities underwriter. The structure of an ABS and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all ABS are similar, individual transactions can differ markedly in both structure and execution. Holders of ABS bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. In addition, concentrations of ABS of a particular type, as well as concentrations of ABS issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject an AIV to additional risk. Credit risk is an important issue in ABS because of the significant credit risks inherent in the underlying collateral and because issuers are primarily private entities. Credit risk arises from losses due to defaults by the borrowers in the underlying collateral or the issuer's or servicer's failure to perform. Market risk arises from the cash-flow characteristics of the security, which for many ABS tend to be predictable. The greatest variability in cash flows comes from credit performance, including the presence

of wind-down or acceleration features designed to protect the investor if credit losses in the portfolio rise well above expected levels. Interest-rate risk arises for the issuer from the relationship between the pricing terms on the underlying collateral and the terms of the rate paid to security holders and from the need to mark to market the excess servicing or spread account proceeds carried on the balance sheet. Liquidity risk can arise from increased perceived credit risk. Liquidity can also become a significant problem if concerns about credit quality, for example, lead investors to avoid the securities issued by the relevant special-purpose entity. Operations risk arises through the potential for misrepresentation of asset quality or terms by the originating institution, misrepresentation of the nature and current value of the assets by the servicer and inadequate controls over disbursements and receipts by the servicer. Structural risk may arise through investments in ABS with structures (for example, the establishment of various security tranches) that are intended to reallocate the risks entailed in the underlying collateral (particularly credit risk) in ways that give certain investors less credit risk protection (i.e., a lower priority claim on the cash flows from the underlying pool of assets) than others. As a result, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. Investments in ABS also entail legal risks, including the risks that the investors may not have an enforceable agreement against the issuer or a valid security interest in the underlying collateral, as well as the risk that events that materially affect the value of the underlying collateral (for example, a default on an underlying loan or derivative instrument) may not be tied directly to the rights of the ABS holders (for example, by triggering the declaration of a default on the ABS). As a result, the AIVs' investments in ABS could decline substantially in value.

Mortgage-Related Securities. The AIVs in which a Client may invest may themselves invest in mortgage-related securities. Generally, mortgage-related securities tend to be sensitive to changes in interest rates. Therefore, during a period of rising interest rates, such mortgage-related securities may exhibit additional volatility. In addition, mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgage sooner than expected. This can reduce the returns of an AIV because the AIV may have to reinvest that money in lower prevailing interest rates. Special risks may also be associated with investments in fixed or adjustable rate mortgage pass-through securities, and fixed or adjustable rate collateralized mortgage obligations, real estate mortgage investment conduits and stripped mortgage-backed securities ("SMBs"). For example, SMBs are structured with two or more classes of securities that receive different proportions of the interest and principal distributions on a pool of mortgage assets. In some cases, one class will receive all of the interest while the other will receive the entire principal. The yield to maturity of SMBs may be extremely sensitive to the rate of principal payments on the underlying mortgage loans. A rapid change in the rate of principal payments may have a material adverse effect of the yield to maturity of SMBs. It is therefore possible that an AIV may incur losses on its investments in SMBs regardless of their ratings by rating agencies such as Standard & Poor's and Moody's.

Subordinated Securities. The AIVs in which a Client may invest may themselves invest in mortgage-backed securities and other securities that are subordinate to one or more senior classes. Generally, such subordinated securities bear the first risk of loss on the mortgages or other collateral underlying such securities. As a result, changes in the value of the performance of subordinated securities are expected to be greater than the change in the value or payment performance of the underlying mortgages or other collateral. In the event of a default, proceeds from any realization on the underlying mortgages or other collateral will first be allocated to the senior classes of securities in accordance with the priority of payments prior to any allocation to the subordinated securities held by the AIVs.

Bank Debt. The AIVs in which a Client may invest may themselves invest in various forms of bank debt. Bank debts are not traded on regulated exchanges, are not registered with U.S. or other governmental authorities and are not subject to the rules of any self-regulatory organization. There are varying sources of statistical default rate data for term bank debts and numerous methods for measuring default rates. The historical performance of the term debt market is not necessarily indicative of its future performance. Should increases in default rates occur with respect to the type of collateral securing the bank loans in which an AIV invests, the actual default rates of the bank loans held by the relevant AIV may exceed the hypothetical default rates used by the applicable Sub-Adviser in determining to purchase such bank debt. An AIV may invest in bank debt participations, which involve certain risks in addition to those associated with direct loans. A bank debt participant has no contractual relationship with the borrower of the underlying bank

debt. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the bank debt agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such bank debt agreement. A participant in a syndicated bank debt generally does not have voting rights, which are retained by the lender. In addition, a bank debt participant is subject to the credit risk of the lender as well as the borrower, since a bank debt participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying bank debt. An AIV may invest in bank debt assignments, which involve certain risks. A Sub-Adviser may purchase a bank debt assignment with a conduit vehicle created solely for the purchase of bank debt assignments. Therefore, in the context of a bank debt assignment, the relevant AIV would become an owner of such conduit vehicle, and as such, would have no rights other than as an investor under the charter document of the conduit vehicle. Such AIV is subject to the credit risks of both the borrower and the conduit vehicle. Interest-Rate Risks of Investments in Bank Debt: The value of bank debt in which an AIV invests generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the receivables underlying specific investments are pre-payable, the value of such securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline.

Additional Risks Relating to the Adviser

Systems and Operational Risks. The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in Clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, Clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

Cybersecurity Risk. The information and technology systems of the Adviser and of key service providers to the Adviser and Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

Systemic Risk. Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which Clients interact, as well as Clients, are all subject to systemic risk. A systemic failure could have material adverse consequences on Clients and on the markets for the securities in which Clients seek to invest.

Assumption of Business, Terrorism and Catastrophe Risks. Opportunities involving the assumption by Clients of various risks relating to particular assets, markets or events may be considered from time to time. Clients' portfolios are subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other

natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by Clients in assuming these risks and, depending on the size of the loss, could adversely affect the return of Clients.

Effects of Health Crises and Other Catastrophic Events. Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

The Adviser is registered as a commodity pool operator and a commodity trading advisor. In connection with the Adviser's registration as a commodity pool operator and a commodity trading advisor, certain of the Adviser's management persons are registered as associated persons of and/or as principals of the Adviser.

The Adviser is affiliated with GTS Securities LLC ("GTS Securities"), a FINRA-registered broker-dealer. The Adviser does not execute any Client transactions through GTS Securities.

The Adviser is affiliated with GTS Execution Services LLC ("GTS Execution Services"), a FINRA-registered broker-dealer. GTS Execution Services acts as prime broker, execution broker, and introducing broker for the Adviser.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's Clients before its own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting the Adviser's Chief Compliance Officer by email at jkirch@gtsam.com, or by telephone at 212-521-5856. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell

or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its supervised persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to clients. The Adviser or its supervised persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its clients with respect to that same security. Due to the Adviser's quantitative investment strategy, there may be times when trades made by the Adviser's systems inadvertently conflict with trades by the Adviser or its supervised persons. Such practices present a conflict when, because of the information an Adviser has, the Adviser or its supervised persons are in a position to trade in a manner that could adversely affect the Adviser's clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its supervised person's objectivity, these practices by the Adviser or its supervised persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its supervised persons to preclear only certain limited offerings and initial public offerings in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's supervised persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's supervised persons are also required to provide monthly or quarterly brokerage statements. Trading in the personal accounts of the Adviser's supervised persons is reviewed by the Chief Compliance Officer.

The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account. In order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client, the Adviser has adopted the procedures described above.

Item 12. Brokerage Practices

Due to the nature of its investment strategies, the Adviser does not typically utilize broker-dealers to execute securities transactions. To the extent the Adviser utilizes broker dealers to execute client securities transactions in the future, it will seek to adhere to the following brokerage practices.

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions. The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to reputation, financial strength and stability, efficiency of execution and error resolution, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or

other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders will meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

1. Research and Other Soft Dollar Benefits. The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with Client securities transactions. This is known as a "soft dollar" relationship. The Adviser limits the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser will periodically review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination is viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other Client accounts. The Adviser does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

In determining whether to direct Client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer, traders and portfolio managers review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

In some instances, the Adviser may obtain a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by the Adviser's personnel. The proportion of the product or service

attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by Client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources.

2. Brokerage for Client Referrals. The Adviser does not direct brokerage to brokers for client referrals.

B. Order Aggregation

Due to the nature of its investment strategies, the Adviser does not have the opportunity to aggregate the purchase or sale of securities for various client accounts. If in the future, the Adviser has the opportunity to aggregate client orders, the Adviser will disclose the conditions under which the Adviser will aggregate securities transactions for various client accounts.

Item 13. Review of Accounts

A. Frequency and Nature of Review. Each Client account will be reviewed by the Adviser on an ongoing basis to determine whether investments should be maintained in light of current market conditions. Matters to be reviewed will include specific securities held, adherence to investment guidelines and the performance of each Client.

B. Factors Prompting a Non-Periodic Review of Accounts. Significant market events or changes in the investment objectives or guidelines of a particular Client may trigger reviews of Client accounts on an other than a periodic basis.

C. Content and Frequency of Regular Account Reports. Each Client account will receive account reports as indicated in the Client's investment advisory agreement.

Item 14. Client Referrals and Other Compensation

This Item is not applicable.

Item 15. Custody

Clients will receive account statements from a broker-dealer, bank, administrator or other qualified custodian and Clients should carefully review those statements.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to Clients.

Prior to assuming investment discretion in managing a Client's assets, the Adviser will enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser will have the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among Clients: (i) a Client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; (viii) account liquidity, account requirements for liquidity and timing of cash flows; and (ix) amount of transaction fees.

Securities acquired by the Adviser for its Clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those Client accounts eligible to hold such securities. Eligibility will be based on the legal status of the Clients and the Clients' investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a Client incurs a trade error as a result of the Adviser's violation of the standard of care that is applicable to the Client, the Adviser will reimburse the Client for losses attributable to such violation. Trade errors that do not result from the Adviser's violation of the standard of care applicable to the Client are borne by the Client. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

Item 17. Voting Client Securities

The Clients do not hold interests that require proxy voting. To the extent the Adviser has been delegated proxy voting authority on behalf of the Clients, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of the Clients. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action. Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies by contacting the Chief Compliance Officer at 212-521-5856 or jkirch@gtsam.com.

Item 18. Financial Information

This Item is not applicable.

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