

**Part 2A of Form ADV: Firm Brochure**

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**This brochure provides information about the qualifications and business practices of Leap Investments LP. If you have any questions about the contents of this brochure, please contact us at (312) 205-8900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Leap Investments LP is registered as an investment adviser with the SEC. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.**

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

**Item 2:       Material Changes**

This brochure is our initial brochure filed with our application for registration as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. As such, there are no material changes to be disclosed. In the future, this Item 2 will discuss any material changes made to this brochure since it was last updated. We will also reference the date of the last update to this brochure.

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

Leap Investments LP (“we” or “us”) is a Delaware limited partnership formed in April 2019. We provide discretionary investment and portfolio management services to clients primarily utilizing automated and proprietary quantitative trading strategies based on quantitative research and statistical analysis. From inception, we have provided such services solely to private investment funds whose underlying investors are either entities affiliated with us or certain senior and otherwise highly sophisticated employees of our affiliates (or their trusts or family companies).

This brochure has been prepared in connection with our application for registration with the Securities and Exchange Commission (“SEC”) as an investment adviser pursuant to the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). As of the date of this brochure, we manage entities consisting solely of proprietary and employee assets for which we receive no compensation. Accordingly, we do not currently have any clients for purposes of the Advisers Act nor do we advise any client assets. We are registering as an investment adviser with the SEC in reliance on Rule 203A-2(c) because we have a reasonable expectation to be eligible for SEC registration within 120 days from the date our registration becomes effective. Specifically, we intend to begin to receive compensation for our advisory services in respect of the entities we currently manage within the 120-day period. In doing so, our managed entities will become our clients and the assets of those entities will become client assets. This brochure is based on the advisory services we propose to provide and the practices, policies and procedures we propose to adopt.

We are part of a group of affiliated entities controlled by, or under common control with, Jump Financial, LLC, a Delaware limited liability company (“Jump Financial” and, collectively, “Jump Trading Group”), which focus on engaging in and/or supporting technology-driven, quantitative and high frequency and other proprietary trading strategies in various financial products and markets globally. We use the services of investment and trading personnel, infrastructure and administrative support provided by certain of our affiliates within Jump Trading Group.

Our general partner is Leap GP LLC, a Delaware limited liability company (the “General Partner”). The General Partner is wholly owned and controlled by Jump Financial. William J. DiSomma and Paul A. Gurinas founded Jump Trading Group in 1999 and jointly indirectly control Jump Financial.

We provide discretionary advisory services to our private investment fund clients based on a specific trading objective established for each client described in the client’s offering memorandum (if any), subscription documents, and/or related governing documents (collectively, “Fund Documents”). We tailor our advisory services to a client’s overall trading objective, and not to the needs of any underlying investor therein. In seeking to achieve a client’s trading objective, we may pursue one or more trading and investment strategies, which may be the same or similar across our clients. Our analytical methods and principal investment strategies are further described in Item 8 below.

We may invest globally in a wide range of securities, financial instruments, derivatives and other assets, including listed equities, futures, options, debt securities, currencies, commodities, swaps,

and other derivative instruments. There are no material limitations on our investment discretion, the investment strategies we deploy, or the assets, financial products, instruments, markets, or jurisdictions in which we trade or invest. As to any particular client, there are also no material limitation on the percentage of the client's assets that may be committed to any market, instrument, or strategy. In addition, as described in Item 12 below, we have discretion with respect to the selection of broker-dealers and other counterparties for investment transactions, as well as the amount of commissions or other compensation to be paid.

We act as a discretionary portfolio manager to Leap Master Fund, Ltd. ("Leap Master Fund"), a statistical arbitrage-focused private investment fund which serves as the "master" fund for two "feeder" funds, each of which invests substantially all of its assets in Leap Master Fund (collectively, the "Leap Funds"). Our U.S.-organized affiliated entities and employees of our affiliates who are U.S. taxpayers (or their trusts or family companies) indirectly invest in Leap Master Fund through direct investments in a "feeder" fund organized as a Delaware limited liability company, and employees of our affiliates who are not U.S. taxpayers (or their foreign-organized trusts or family companies) indirectly invest in Leap Master Fund through direct investments in a "feeder" fund organized as a Cayman Islands exempted company. All investment and trading activity currently takes place at the Leap Master Fund level. As described above, we currently receive no compensation from the Leap Funds or underlying investors therein in connection with our discretionary advisory services to the Leap Funds. We do not manage any assets on a non-discretionary basis.

We also may in the future serve as the discretionary investment or portfolio manager or adviser (or sub-adviser) to other private investment funds or institutional clients. We do not expect to act as an investment adviser to any separately managed client accounts, nor do we participate in any wrap fee programs.

As described elsewhere in this brochure, including in Item 10 below, we are subject to various conflicts of interest, particularly as a result of being a part of Jump Trading Group and the activities of those of our affiliates within Jump Trading Group which conduct market-making activities and/or employ proprietary trading and investment strategies, including quantitative-based strategies similar to ours, and with which we share certain research, development, technical and operational functionality. The existence of these conflicts of interest may influence or provide incentives for us to act contrary to the best interests of our clients. This brochure contains information about how we seek to manage those conflicts.

The Fund Documents of the Leap Funds describe various risk factors and considerations, as well as certain conflicts of interest, that generally is more extensive in scope and detail than those described in this brochure. Accordingly, as to the Leap Funds, including, but not limited to, their trading and investment strategies, underlying investments, fees and other costs associated an investment in the Leap Funds, risk factors and conflicts of interest applicable to our management of the Leap Funds, this brochure and the information set forth herein are qualified in their entirety by reference to the content and disclosures in such Fund Documents. Underlying investors (and prospective investors) in the Leap Funds are referred to such Fund Documents.

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

We do not charge any asset-based or management fees to the Leap Funds, although we may determine to do so in the future. However, as further described in Item 6 below, we or certain of our affiliates are entitled to compensation in the form of an incentive allocation based on the performance achieved by the Leap Funds over a specified measurement period, generally a fiscal year. In addition, the Leap Funds will be responsible for the payment of certain expenses.

Our fees, including the rates charged, the basis for calculation, and the timing of payment, applicable to a private investment fund client, including the Leap Funds, are set forth in the client's Fund Documents and are not negotiable. We are permitted to reduce or waive, in our sole discretion, applicable fees for certain underlying investors in our clients, specifically including our affiliated entities and certain employees of ours or our affiliates. Fees generally are calculated and deducted from client assets. We reserve the right to launch or manage other clients with different fee structures and/or different expense responsibilities.

The Leap Funds (and therefore indirectly underlying investors therein) bear and are responsible for various direct costs and expenses in connection with or otherwise related to their trading and investment activities, including brokerage commissions and other costs of executing transactions; investment expenses (whether or not such investments are consummated) and all other expenses (including, without limitation, all commissions, clearing fees, exchange fees, valuation, interest charges, financing charges and applicable withholding and other taxes) related to the purchase, sale, transmittal or custody of trading assets and related items; expenses related to any financing arrangements; any taxes and duties payable in any jurisdiction in connection with trading and operations; custody fees and expenses; third-party administration fees and out-of-pocket expenses and the costs of middle-office and back-office support as provided by third parties; legal, audit, and other professional fees; extraordinary costs and expenses (such as arising out indemnification obligations or any litigation involving the Leap Funds); and, for the "feeder" funds into Leap Master Fund, a proportionate share of the direct costs and expenses of Leap Master Fund. For the Leap Funds, we or our affiliates bore the organizational and initial offering costs, including, without limitation, legal, compliance, accounting and filing fees and other out-of-pocket expenses. However, a future client may bear its organizational and initial offering costs to the extent set forth in the client's offering memorandum (if any), subscription documents and/or related governing documents. Brokerage, including the factors we consider in selecting or recommending brokers for client transactions and determining the reasonableness of their compensation (e.g., commissions), is further discussed in more detail in Item 12 below.

We bear certain organizational costs and overhead expenses (such as salaries, bonuses, and other employee compensation expenses and office rent) and all other expenses relating to our use of investment personnel, infrastructure, support and other resources provided by certain affiliates within Jump Trading Group and which intercompany expenses are typically allocated among Jump Trading Group trading entities, including us. All or a portion of our organizational and overhead expenses are reimbursed by Jump Financial through an expense pass-through charged solely against interests in the Leap Funds held by Jump Financial. Although we and Jump Financial seek a fair and reasonable allocation of expenses to us based on our utilization of Jump Trading Group resources, Jump Financial retains significant discretion in establishing the allocation methodology

(which may change over time) and determining our allocation in any circumstance or for any period. There may be other reasonable allocation methodologies that would yield different results. The allocation of expenses to us involves subjective determinations, which may involve conflicts of interest. Although such expenses are only borne by Jump Financial itself, the amount may be material, both on an absolute basis and as a percentage of the net assets of the Leap Funds, and will in any case result in a diminution of the investment capital of the Leap Funds. Jump Financial may, in its sole discretion, determine to reinvest capital in the Leap Funds to offset the investment capital impact of all or a portion of such expense allocation, but it has no obligation to do so.

We (or one of our affiliates) may pay and advance costs and expenses which are the responsibility of the Leap Funds (or any future client) directly out of our own (or such affiliate's) account, and we (or such affiliate) would thereupon be entitled to reimbursement therefor. In such circumstances, we generally will deduct or direct the payment of reimbursed amounts from the applicable client's account. We (or our affiliates) reserve the right to directly bear or assume the responsibility for a client's costs and expenses without seeking reimbursement therefor from such client, but doing so will not limit, modify or waive that or any other client's general responsibility to pay for or reimburse such costs or expenses.

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

We currently only manage the Leap Funds, and do not manage any other clients or accounts on a side-by-side basis. With respect to the Leap Funds, we are entitled to receive performance-based compensation structured as an incentive allocation calculated as a percentage of net profits or net capital appreciation (including realized and unrealized gains) generated over a specified measurement period (typically a fiscal year). Our entitlement to any incentive allocation is subject, in certain cases, to a "high-water mark" which provides that no such incentive allocation is made or paid until any prior net loss has been offset by subsequent net profits.

The applicable incentive allocation percentage is determined by us in our sole discretion following the end of each fiscal year, subject to a cap of 35%. Accordingly, such percentage may vary from year to year. Any incentive allocation will only be applied against the accounts of underlying Leap Fund investors for which performance-based compensation is applicable. In addition, we will not allocate or charge any performance-based compensation to any underlying investor that is not a "qualified client" under and as defined in Section 205-3 of the Advisers Act.

Any applicable incentive allocation, including the discretionary percentage thereof (subject to the 35% cap referenced above), generally is determined, communicated to clients (and underlying investors), and then made in arrears within 30 days after the end of the applicable measurement period, generally a fiscal year. If an underlying investor in the Leap Funds for which an incentive allocation is applicable withdraws or redeems capital at any time other than at the end of the applicable measurement period, the withdrawal or redemption date generally is deemed the end of the measurement period for purposes calculating any incentive allocation applicable to the withdrawn or redeemed capital. In addition, upon any termination of our advisory agreement with a client, the termination date generally is deemed the end of the measurement period for purposes of calculating any applicable incentive allocation. For the Leap Funds, where an incentive allocation is calculated at any time other than the end of a fiscal year, the applicable incentive

allocation will be applied at the maximum percentage of 35% without rebate or offset regardless of any determination by us to apply a lesser percentage following the end of the fiscal year.

The potential to earn performance-based compensation provides an incentive for us to invest client assets in an aggressive or speculative manner in order to maximize profits and receive a greater incentive allocation. Moreover, since we are responsible for determining the value of the assets against which client performance, and therefore the amount of our performance-based compensation, is measured, we have an incentive to inflate the value of client assets. Our written policies and procedures, including our standards of business conduct set forth in our Code of Ethics as described in Item 11 below and our valuation policy, are designed to mitigate such conflicts.

## **Item 7:       Types of Clients**

As described in Item 4 above, we provide discretionary investment and portfolio management services to private investment funds, the underlying investors of which are limited to certain of our affiliates within Jump Trading Group and certain senior and otherwise highly sophisticated employees of our affiliates (including their trusts and family companies). Our services are provided directly to the private investment funds, and not to any underlying investor therein, and our services to, and transactions executed by us on behalf of, such private investment funds are not based on the individual needs of any underlying investor therein. Currently, we provide such services only to the Leap Funds. However, there are no restrictions on our ability to manage other funds or accounts in the future, including those that follow or utilize the same or similar investment objectives, philosophies, techniques, strategies or other intellectual property as those used for the Leap Funds or any other then-existing clients (including in respect of third-party capital).

In general, private investment fund clients that serve as “feeder” funds are not offered or solicited to invest in private investment fund clients that serve as “master” funds, but do so solely by virtue of the fund structure described in the client’s Fund Documents. Interests in the Leap Funds are offered to underlying investors that meet certain qualification and eligibility standards pursuant to applicable exemptions from registration under the U.S. Securities Act of 1933, as amended. The minimum initial investment in the Leap Funds is generally \$100,000, which, in any particular case, may be waived by us in our sole discretion (subject to any applicable statutory minimums).

The proprietary trading and investment activities of our affiliates within Jump Trading Group may impact our trading and investment activities and flexibility on behalf of our clients, as well as the profitability of our clients. As a result, a client could be disadvantaged. For example, certain of our affiliates within Jump Trading Group engage in high-frequency quantitative and algorithmic proprietary trading which may adversely affect our ability to manage client portfolios and could result in losses which would not otherwise be incurred by our clients in the absence of such proprietary trading activity. Moreover, a client could be exposed to certain liabilities or reputational risks related to the proprietary trading and investment activities of our affiliates. The proprietary trading and investment activity of our affiliates also may result in legal or other restrictions affecting our clients or reduced liquidity for client transactions.



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

### **Methods of Analysis**

In formulating investment advice and in managing assets on behalf of our clients, we primarily employ automated and proprietary quantitative trading strategies. The design and implementation of our strategies relies primarily on quantitative research and statistical analysis.

We implement our strategies generally through the use of proprietary mathematical models which analyze certain available data sources that we believe have predictive value. Our models are implemented using automated computer algorithms. These algorithms make trading (i.e., buy and sell) decisions on a systematic basis using quantitative analysis. Execution of client orders will typically be automated, although we retain the flexibility to override the signals generated by our trading systems and to otherwise trade manually, including for risk management purposes, in the case of significant market disruption or dislocation, or for other reasons.

We believe our long-term success on behalf of our clients requires a combination of skill in performing quantitative research and the design and implementation of automated trading strategies, as well as access to numerous other high-quality inputs that are intended to work in harmony with the foregoing, including, for example, data, trading infrastructure, telecommunications services, financing, trade execution, and prime brokerage services. We further believe that our strategies must continue to evolve over time, and we seek to rely on the findings from continuous research, development and refined implementation. As such, we anticipate that we will continue to enhance our current analytical methods and will from time to time develop and implement new methods.

### **Investment and Trading Strategies**

Our investment and trading strategies are intended to be consistent with our goal of achieving a client's trading objective, although as with all investment and trading activity, we may not be successful in doing so. are developed or incubated within Jump Trading Group. For the Leap Funds, we currently employ quantitative investment and trading strategies generally involving statistical arbitrage. Certain of our investment and trading strategies, methodologies and technology and the related quantitative research, statistical analysis, mathematical models, computer algorithms, and execution methods we employ have been developed and are owned by Jump Trading Group and will be utilized by or overlap with Jump Trading Group's own high-frequency and other proprietary trading and investment activities. As such, Jump Trading Group may from time to time employ or access the same or similar strategies, research, analysis, models, algorithms, and/or execution methods, although we expect the strategies we deploy on behalf of our clients to hold positions for longer, on average, compared to the typical holding periods of many of Jump Trading Group's own strategies. Moreover, in implementing our strategies, we incorporate additional proprietary inputs, forecasts, analyses, model adjustments, and execution plans which we deploy solely for our clients.

We may use a single or multiple models as part of a client's overall trading strategy. Where we use a single model, all or substantially the entirety of the client's portfolio will be reliant on that

model. Where we use multiple models, our trading activities are intended to be flexible. We have discretion to allocate a client's capital among our models and at any point in time we may emphasize or de-emphasize any particular model. Moreover, over time, we expect our strategies and models to expand, evolve and change, perhaps materially. Accordingly, we may modify, add or remove investment strategies (or sub-strategies) and/or models at any time.

There are no material limitations on the strategies we may deploy or on the assets, financial products, instruments, markets, or jurisdictions in which we may trade or invest client assets, or the percentage of a client's assets that may be committed to any market, instrument, or strategy, or on the identity of the trading teams and personnel whose strategies we may deploy for our clients. Currently, our trading activities for the Leap Funds are focused on listed U.S. and foreign (primarily Europe and Asia) equity securities, including exposure to both cash equity positions and total return swaps. However, we have complete flexibility to transact in other types of financial instruments, including, without limitation, other listed equities, futures, options, debt securities, currencies, commodities, swaps, and other derivative instruments. We may take either long or short positions.

We expect to employ substantial leverage in our trading activities on behalf of our clients. There generally are no limitations on the amount of leverage we may use for a client, and the level of leverage applicable to a client is expected to vary over time. We may use or incur leverage in any form, on a secured or unsecured basis, from any counterparty (including prime brokers and/or other financial institutions), and for any purpose. Leverage may also be obtained through investing in derivative instruments, such as options, futures, forward contracts, and swaps, there are inherently leveraged. We also expect to lend client securities to others.

### **Risk of Loss and Other Material Risks**

An investment in any of our clients is highly speculative, is not intended as a complete investment program, is designed only for sophisticated and qualified investors, and involves substantial risks. As to any client, there can be no assurance that we will achieve the client's trading objective or that the client will be profitable or avoid losses. **Trading and investing in securities and financial instruments involve risk of loss which our clients and underlying investors should be prepared to bear. Losses could be substantial, up to and including a total loss.**

There are other material risks involved in our analytical methods and trading and investment strategies and activities, as well as in our business and operations generally, which are summarized below. These and other applicable material risks unique to investing in private investment funds and in "master-feeder" fund structures, such as the Leap Funds (including, among other things, material limitations on underlying investor liquidity, risks of substantial withdrawals/redemptions by underlying investors, exposure to substantial costs and expenses and impact of expense timing mismatches, and the application of broad exculpation/indemnification provisions), are described in detail in each private investment fund client's Fund Documents. Not all of the material risks summarized below will be equally relevant to each of our clients, nor will the exposure of any particular client to any given risk be present at all times or be constant over time.

### Analytical and Principal Strategy Risks

*Quantitative Trading.* We engage in automated quantitative trading. Quantitative trading strategies are highly complex, difficult to implement, and require numerous mathematical calculations and complex computer programs. These trading strategies are highly dependent on various computer systems and telecommunications technologies. In addition, the difference between the expected price of a trade and the price at which a trade is executed, or “slippage,” may be significant and may result in losses.

*Evolving and New Investment Approaches.* Our investment approach and trading techniques and models will evolve over time. Such changes may come, for example, as a result of changing market dynamics, ongoing research and development, or the addition of new personnel. We may take an opportunistic approach to applying any new or evolved investment and trading processes to any given client’s investment program. Such changes may lead to the implementation of strategies that involve different performance, asset classes, geographies, or risks. During a “ramp-up period” of a new strategy, a client’s portfolio may not be fully deployed, which may reduce returns. We may have limited experience in applying any new techniques, strategies, models and approaches and they may not be successful. We are not required to provide any client, and a client thus may not receive, notice when we implement changes.

*Resource-Intensive Strategy.* Deploying our trading strategies is a resource-intensive exercise. Our quantitative research, computer programming, and model implementation, and trading will be performed and overseen by Jump Trading Group personnel. Jump Trading Group will be competing with other market participants to attract and retain personnel skilled in these disciplines.

*Model Risk.* We make use of certain proprietary, quantitative valuation and analytical models to identify instruments in which potentially to transact. As market dynamics shift over time, previously successful models often become outdated or otherwise perform poorly. There can be no assurance that we will be successful in obtaining, developing, and/or maintaining models. Our models employ assumptions that abstract a limited number of variables from complex financial markets or instruments, and such assumptions could prove to be incorrect. Inputs into various of our models rely on data, the accuracy of which is not verified or verifiable. If the models rely on inaccurate data, substantial losses could result. Other market participants may take actions designed to manipulate quantitative trading models. This “gaming” by other market participants may cause material losses.

*Failure of Algorithms.* We will use sophisticated models to automatically determine and execute trade entry and exit conditions and manage risk. While we take steps to test model (and underlying code) releases and changes to ensure that the algorithms we employ operate as intended, it is possible that a defect in algorithm design, implementation, or risk management could unexpectedly manifest and cause sustained long-term or virtually instantaneous catastrophic losses. Moreover, we may rely on trade execution and other software developed and operated internally or by brokers and other third parties. A client may incur substantial losses and may not have legal recourse if these systems do not perform well or as expected.

*Discretionary Aspects of Quantitative and Algorithmic Strategies.* We have broad discretion in our trading activities for our clients, including the selection of the models and algorithms we employ. Our quantitative and algorithmic strategies and research methodologies also have certain discretionary aspects. In particular, our personnel use discretion throughout the research, creation, and implementation of models, for example, in interpreting data, choosing signals and ranking their importance. In addition, decisions to adjust the sensitivity of a model to certain inputs, adjust the size of positions indicated by the systematic strategies, determine the instruments to trade and choose the method of order entry require input from our personnel. Although our models are, in large part, wholly systematic once they are operational, discretionary decision-making by us during the research, creation, implementation, and operation of such models may ultimately result in losses, which could be material. We may turn “off” models, in whole or in part, and may manually liquidate positions. Any decision not to trade, to liquidate positions, or to override our models may potentially cause a client to miss profit opportunities or incur losses.

*Trade Error Risk.* Due to the speed and volume of transactions, as well as possible errors in computer code, software, hardware and modes of transmission, trades may be executed in error. Trade errors include, but are not limited to, the incorrect entry of information (in terms of instrument name, order size, buy/sell instruction, etc.) into the trade execution systems we utilize. While we intend to implement electronic systems designed to reduce the likelihood and impact of trade errors, such systems cannot guarantee that trade errors will not occur or will not result in losses. Any automated trading error (including trading system/computer code malfunctions) or human trading error, or combinations thereof, will be for the account of the affected client, which will suffer the losses, or in some cases enjoy the profits, from any such trading error.

*Increased Regulatory Scrutiny of Quantitative Trading.* Automated and/or algorithmic trading strategies continue to be the focus of extensive regulatory scrutiny by U.S. federal, state and foreign regulators, self-regulatory organizations and media outlets (including in the popular press), and such scrutiny may continue. As compared to certain other pooled investment vehicles, such as mutual funds, quantitative trading funds operate in a relatively unregulated environment. It is possible that the quantitative trading industry will be subject to more restrictive rules and regulations in the future. Due to the algorithmic nature of our trading, the investment and trading strategies we employ likely will be particularly sensitive to any change in regulation that affects trade execution or financing, market access, technological systems or other factors typically associated with the quantitative trading industry. Any change in regulation could negatively impact our trading strategies, make it impractical for us to implement our strategies and/or result in material, or even total, losses to our clients.

*Competition; Potential Strategy Saturation; Availability of Investments.* We compete with numerous other managers of private investment funds, including those that deploy automated quantitative trading strategies, and other financial institutions (both diversified and specialized), as well as other investors, which may have substantially greater resources, focus, and/or expertise. The amount of capital committed to alternative investment strategies (and, in particular, to automated quantitative trading strategies) has increased dramatically during recent years. At the same time, market conditions have become significantly more challenging. The profit potential of the investment and trading strategies we deploy for our clients may be materially reduced as a result of this “saturation” of profit opportunities.

### Portfolio and Trading Risks

*Leverage; Financing Arrangements; Availability of Credit.* Leverage is an integral part of our trading strategies. The levels of leverage used by our clients will vary from time to time and are expected to be very substantial. This likely will result in a client owning assets worth substantially more than the value of its equity. While leverage can amplify positive returns, the use of leverage exposes clients to additional risks, including: (1) greater losses than would otherwise have been the case had the leverage not been used; (2) margin calls or interim margin requirements which may force premature liquidations of investment positions; and (3) the costs of obtaining leverage. There can be no assurance that we will be able to maintain adequate financing arrangements for our clients or to avoid having to close out positions at losses. Losses amplified by leverage may even cause the loss of all or substantially all of a client's equity. Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, entering into repurchase agreements or securities lending agreements, and entering into other forms of direct or indirect borrowings. If market conditions or client performance deteriorate, we may find it difficult or expensive to obtain leverage. In addition, any leverage obtained, if terminated on short notice by the lender, could result in our being forced to unwind positions quickly and at prices far from what we estimate to be fair value. As a general matter, the banks, dealers, brokers, custodians and other counterparties that may provide financing to our clients may be permitted to apply discretionary margin, risk or other requirements. Changes by such counterparties to such requirements, or the imposition of additional limitations or restrictions may result in large margin calls, loss of financing, forced liquidations at disadvantageous prices and even default. Any such adverse effects may be magnified in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants. Additionally, in the ordinary course of business we will effect the borrowing and lending of client securities. In doing so, we will lend securities to, and borrow securities from, third parties. Third parties that borrow securities from a client may not be able to return these securities on demand, possibly causing the client to default on its obligations to other parties.

*High Turnover; Holding Period of Investment Positions.* Our quantitative trading strategies involve frequent trading of securities and it is anticipated that a substantial portion of our clients' portfolios will turn over on a daily basis. Frequent trading can adversely affect investment performance, particularly through substantial brokerage commissions and other transactions charges and costs and taxes, which must be offset by trading gains in order for a client to be profitable. Notwithstanding our expectation of high turnover in client portfolios, we typically do not know the maximum (or even the expected) duration of any particular position at the time of initiation. The length of time for which a position is maintained varies significantly.

*No Material Restrictions; No Diversification Requirements.* In managing client portfolios on a discretionary basis, we intend to opportunistically implement whatever strategy or strategies we choose in seeking to achieve the client's trading objective. The strategy or strategies we utilize may involve higher levels of risk than others that we could have utilized. There can be no assurance that we will be successful in deploying any strategy or in achieving a client's trading objective. We will not be subject to any formal requirements to diversify client portfolios among geographies, asset classes, issuers, instruments, markets, strategies, or other factors. Client portfolio concentrations could ultimately result in greater losses than if the client's portfolio were more diversified.

*Risk of Insolvency or Failure of Market Participants.* We are not restricted from dealing with any particular counterparty with respect to client transactions, or in the size of the exposure which a given client may have to a given counterparty. Our clients are subject to the risk of the insolvency or failure of counterparties (such as broker-dealers, commodity brokers, banks or other financial institutions, custodians, exchanges or clearinghouses). A client's assets could be lost or impounded during a counterparty's bankruptcy or insolvency proceedings and a substantial portion or all of a client's assets may become unavailable for years or even permanently. If a counterparty goes bankrupt or becomes insolvent, we might decide to suspend withdrawals/redemptions from our clients, or to liquidate, suspend, limit or otherwise alter trading, perhaps resulting in significant missed profit opportunities. Even if a client ultimately does not lose any of its assets on deposit with a bankrupt or insolvent counterparty, the disruption of our trading as a result of the counterparty's inability to continue to function could result in material losses to the client. We may not be able to open, close out, or hedge positions held by our clients, which may result in substantial losses. There are increased risks in dealing with offshore financial institutions, including the risk that client assets may not benefit from the protections afforded to "customer funds" deposited with regulated U.S. brokers-dealers or futures commission merchants. A client may be required to post margin for transactions with counterparties who are not required to segregate customer funds. In the case of a bankruptcy, a client may not recover its assets.

*Hedging.* We are not required to hedge risks. Even if we seek to do so, hedging transactions may not be available or effective. Correlations between financial instruments may change, and hedges may not work as intended. While we may enter into hedging transactions on behalf of a client to seek to reduce the client's risk, hedging transactions may actually result in worse overall performance. Moreover, client positions will be exposed to certain risks that cannot be hedged (such as certain counterparty credit risk), at all or in a cost-effective manner.

*Currency Exposure.* We may trade in financial instruments denominated in non-U.S. dollar currencies. However, securities and financial instruments in client portfolios are valued in U.S. dollars. We may determine to hedge a client's non-U.S. dollar currency exposure by entering into currency hedging transactions, but there can be no guarantee that hedging techniques we employ will be effective. To the extent that a client's non-U.S. dollar denominated positions are unhedged, their value will fluctuate with U.S. dollar exchange rates, as well as with price changes of the underlying position. Such fluctuations may result in losses, which could be material.

*Correlated Strategies.* Many market participants deploy quantitative trading strategies that are similar and can be highly correlated with each other. Losses by these trading strategies can thus be amplified. For example, if similar strategies suffer substantial losses at the same time, they may all seek to liquidate similar positions at the same time, causing a vicious cycle of further losses and liquidations. This type of correlation could dramatically amplify losses in client portfolios, which could be material.

*Market Risks.* Our investment and trading strategies are subject to multiple dimensions of market risk. Accordingly, our clients may be subject to sudden and dramatic losses as a result of market events. Additionally, a client may incur major losses as a result of disrupted markets and other extraordinary events. The risk of loss is compounded by the fact that the models we utilize in our trading activities are developed based on certain assumptions and historical experience. Further,

the financing available to our clients from banks, dealers, and other counterparties could be reduced in disrupted markets.

*Volatility.* The prices of client positions may experience excessive volatility. Although volatility can create profit opportunities, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur potentially substantial losses. On the other hand, certain strategies implemented on behalf of the client may benefit from higher volatility.

*Lack of Market Liquidity.* The models we deploy in our quantitative trading strategies are highly dependent on sufficient market liquidity, and, in the event our models are unable to execute all or a portion of client orders at attractive prices, the client may suffer losses, which could be material. Moreover, if other market participants are seeking to execute similar orders at the same time, market liquidity may be impaired or depleted.

*Equities.* Client portfolios will include long and short positions in common stocks and other equity and equity-related instruments and derivatives. Equity prices fluctuate in response to many factors, including the activities and financial condition of individual companies, as well as general market and economic conditions. We may trade equities without restriction as to market capitalization or other factors. The prices of the equity securities of some smaller companies may be subject to more abrupt or erratic movements. We may be active in any available equities trading market.

*Derivative Instruments.* We will transact in derivative financial instruments for client portfolios for hedging or speculative purposes. Derivatives may include, for example, swaps, futures, options, and contracts for differences. The use of derivatives involves a variety of material risks, including the high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance, as well as of material and prolonged deviations between the theoretical and realizable value of a derivative. The market in derivative instruments is often less liquid than the market in the underlying reference asset. These anticipated risks (and other risks that may not be anticipated) may make it difficult as well as costly to the client to close out positions in derivative instruments to either realize gains or limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

*Non-U.S. Markets.* We will actively trade in non-U.S. markets for client portfolios. Trading in non-U.S. markets involves certain considerations not typically associated with trading in U.S. markets. These considerations include political and social instability, expropriation, imposition of punitive and retroactive taxes, less market liquidity, materially greater impediments to short selling, additional disclosure requirements, less available issuer-specific information, higher transaction costs, less government regulation and/or supervision of financial institutions and issuers, different (and less reliable) clearance and settlement procedures, difficulty in enforcing contractual obligations, uncertainties as to the status, interpretation and application of laws, lack of uniform accounting and auditing standards, and greater price volatility. The economies of individual countries may also differ favorably or unfavorably from the U.S. economy as a result of changes in gross domestic product, inflation, currency exchange rates, and other economic factors.

### Business and Operational Risks

*Reliance on Jump Trading Group.* We, and therefore our clients, are highly reliant on Jump Trading Group personnel and resources. As a result of our affiliation with Jump Trading Group, any adverse Jump Trading Group regulatory, reputational, trading, financial, or other event could have a material adverse effect on us and our clients. For example, any Jump Trading Group financial stress may cause (1) counterparties to decline to do business with us or on worse terms; (2) Jump Financial, which is and is expected to continue to be the largest indirect investor in Leap Master Fund, to withdraw all or a material portion of its capital; or (3) Jump Trading Group to redeploy resources away from us. Similarly, we or our Jump Trading Group affiliates may have operational difficulties, which may have an adverse effect on our clients.

*Cybersecurity Breaches.* We and service providers and counterparties to us and our clients are subject to risks associated with a possible cybersecurity breach or incident. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users or other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs with respect to us or any of our or our client’s service providers or counterparties, we and/or the client may incur substantial costs, including investment losses from sabotaged trading systems; unauthorized use of proprietary information; litigation; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose us and/or the client to civil liability as well as regulatory or self-regulatory inquiry and/or action.

*Risks Related to Systems Failure, Deterioration or Disruption.* Our strategies and trading capabilities will be highly dependent on the proper functioning of our internal and external computer, communication and information technology systems, as well as those of our service providers and counterparties. Accordingly, any systems failure, deterioration or disruption, whether due to internal or third-party failures upon which such systems are dependent, the failure of our or a third-party’s hardware or software or other causes, could disrupt trading, result in the submission of incorrect orders or make trading impossible until such failure is remedied, among other adverse consequences. There are also periods when even an otherwise highly successful system incurs major losses due to external factors dominating the market, such as natural catastrophes and political interventions. Any such failure, deterioration or disruption, and consequential inability to trade or manage risk (even for a short time), could, in certain market conditions, cause a client to experience significant trading losses, to miss opportunities for profitable trading, or to become exposed to other risks. Any such systems failures, deteriorations or disruptions also could cause delays in generating reports for investors. Although we intend to utilize back-up facilities provided by Jump Trading Group for our information systems and we are subject to Jump Trading Group’s overall technology and business continuity programs, there can be no assurance that these will be sufficient to mitigate the harm that may result from any such failure, deterioration or disruption.

*Computer Hardware and Software.* Components of our or a third-party’s computer hardware or software may have flaws, may not be redundant, may be leased rather than owned or may be



provided in whole or in part by another party. Should these components fail or be inaccessible, there is no certainty that we will be able to recover promptly, and a client's trading performance may suffer materially as a result. In addition, computer hardware and software may be shared with Jump Trading Group, and our clients may suffer losses as a result of errors, flaws, or failures caused by Jump Trading Group personnel, strategies, or activities.

*Outbreaks.* Countries and regions in which we invest or where we or Jump Trading Group has offices or does business are susceptible to epidemics, pandemics and other outbreaks of serious contagious diseases. The occurrence of an outbreak could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or outbreak). Protective measures taken by governments and the private sector, including Jump Trading Group, to mitigate the spread of an outbreak, including travel restrictions and outright bans, quarantines, and work-from-home arrangements, and the spread of any such illness within our offices or the offices of Jump Trading Group and/or any of our or Jump Trading Group's service providers or counterparties, could severely impair operational capabilities, and could adversely affect our client's investment program and performance and/or Jump Trading Group's business.

*Substantial Investment of Jump Financial.* A substantial percentage of the aggregate capital of the Leap Funds (considered at the "master fund" level) has been contributed by Jump Financial. We expect that Jump Financial will at all times represent at least a majority of the capital base of the Leap Funds. We further expect that Jump Financial would be the largest investor in other private investment fund clients we may launch or manage in the future. As such, we are reliant on the availability and stability of Jump Financial's capital to conduct our trading activities for client portfolios. Jump Financial will have the ability to withdraw capital from the Leap Funds without any material limitation. Should Jump Financial withdraw capital from a private investment fund client, which it may do at any time and for any reason (including reasons entirely unrelated to client performance), the effect on the client and underlying investors could be materially adverse. It is possible that substantial withdrawals by Jump Financial from a private investment fund client over a short time period could necessitate the liquidation of a significant portion of a client's trading positions on materially disadvantageous terms. In the event of a substantial withdrawal by Jump Financial, the resulting reduction in a client's portfolio assets could make it more difficult to generate a positive rate of return, implement diversification, or recoup losses due to a reduced equity base, and could increase the proportionate expenses incurred by remaining underlying investors.

#### **Item 9:           Disciplinary Information**

We have no information to report with respect to this Item 9.

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

As described in Item 4 above, we are controlled by Jump Financial and are a part of Jump Trading Group. Jump Trading Group operates multiple lines of business and a variety of entities within Jump Trading Group are active market participants within the global financial industry. Jump Trading Group's primary business has historically been, and is currently expected to continue to

be, the operation of various high frequency and other proprietary trading strategies using its own capital. In conducting Jump Trading Group's proprietary trading and investment activities, certain of our affiliates within Jump Trading Group conduct market making activities and are members of various securities and commodities exchanges around the world.

We are highly reliant on personnel, operational, and infrastructure resources and support from Jump Trading Group. Our personnel, including our trading and investment personnel, are employed by affiliated entities within Jump Trading Group which provide operational and administrative services to us and our other Jump Trading Group affiliates. Certain personnel who perform services for us may also perform services for other Jump Trading Group affiliates for which their compensation may be more directly based. They are not required to devote any specified portion of their time to their activities for us. As such, they may have an incentive to focus their efforts on Jump Trading Group's other proprietary strategies rather than on us or our clients. To enable and support our trading activities on behalf of our clients, Jump Trading Group provides us with non-exclusive connectivity and colocation services, network path and circuit capacity between data centers, access to licensed or leased space, computer hardware support (and related power and environmental controls), and computer-related management and other technological services. Jump Trading Group's overall business, including its proprietary trading and investment activities, and global footprint requires the devotion of substantial time and resources, which may result in resources being diverted away from us and our clients. Personnel and/or resources may be re-allocated from us to other Jump Trading Group functions or affiliates at any time, and the incentive for Jump Trading Group to do so may be substantial. To the extent that Jump Trading Group's other proprietary trading and related activities requires more resources or personnel, our management of client portfolios could suffer. Neither we nor the Leap Funds have any ownership of or property interest in intellectual property developed by Jump Trading Group.

Jump Trading Group is continually developing new strategies and modifying existing strategies for its proprietary businesses and Jump Trading Group is not obligated to share any trading strategy or quantitative research with us. Instead, Jump Trading Group's proprietary strategies are not generally available for investment by others, including most employees of Jump Trading Group, and Jump Trading Group controls those strategies which will be implemented for our clients. Jump Trading Group may decide to allocate or re-allocate any trading strategy to us, or to retain any trading strategy for itself. Situations may arise in which a trading strategy developed for Jump Trading Group's other proprietary accounts that would have been suitable for our clients is not, for various reasons, pursued by, or made available to, us or, if so, is subject to limitations imposed by Jump Trading Group. We expect that the strategies we deploy on behalf of our clients generally will be relatively longer duration as compared to those typically and historically employed by Jump Trading Group, although that may change over time. More specifically, we do not currently intend to deploy Jump Trading Group's shortest-term strategies, including those that are "high frequency" in nature. However, it is possible that in the future our or similar strategies may be deployed, in whole or in part, both by us for our clients as well as directly by Jump Trading Group for its proprietary accounts.

We (for client accounts) and Jump Trading Group (for proprietary accounts) actively engage in transactions in the same securities and markets. Jump Trading Group proprietary trading strategies

trade frequently and will often trade the same or correlated instruments immediately before, at the same time, or immediately after, transactions we execute for client accounts. As such, Jump Trading Group may take positions opposite to, ahead of, and after transactions for our clients and will be competing with our client transactions. Jump Trading Group strategies also may trade more quickly, and may execute at better prices, to the detriment of our clients. In some instances, our client orders may unintentionally match with Jump Trading Group orders in the market. Simultaneous identical portfolio transactions executed for our clients and for Jump Trading Group proprietary accounts may tend to decrease the prices received, and increase the prices required to be paid, by our clients. Because many Jump Trading Group strategies are higher frequency and lower latency than our strategies, Jump Trading Group will have a timing advantage over us in executing trades, which may result in Jump Trading Group's proprietary accounts achieving better performance than our clients on otherwise identical or similar trades. In general, as compared to our clients, Jump Trading Group may achieve higher returns on its proprietary capital, with higher Sharpe ratios.

Certain regulations impose limitations on, or certain disclosure or other obligations based on, the amount of securities or other instruments held by related parties. Jump Trading Group may determine that certain of these regulations do or may require the aggregation for regulatory purposes of securities and instruments held by our clients. As a result, we may be prevented from acquiring or selling particular securities or instruments or may be subject to limitations on the amount of particular securities or instruments that we may acquire or sell for our clients. We may also be required to publicly disclose our clients' ownership of such securities or other instruments.

Certain research, signals, processes, algorithms, forecasts, predictions, techniques or other information or knowledge we use as inputs in or to otherwise inform our quantitative models or implement our strategies for our clients will be available to and may be used by (or useful to) Jump Trading Group (and vice versa), and which may equally, or more, valuable in Jump Trading Group's other proprietary trading activities. Jump Trading Group's proprietary trading may benefit, perhaps materially, from the sharing, discovery or use of such overlapping data, even though our clients may not benefit materially (if at all). In the event Jump Trading Group proprietary accounts liquidate positions in which our clients are also invested, such liquidations could have an adverse effect on client positions, potentially causing substantial losses.

Jump Trading, LLC and Jump Execution, LLC, each an affiliate of ours within Jump Trading Group, are registered with the SEC as broker-dealers. Jump Trading, LLC is a proprietary trading and market-making entity. Jump Execution, LLC has a broker-dealer registration application pending with the Financial Industry Regulatory, Inc. Certain of our personnel are registered representatives of our affiliated broker-dealers. In connection with their trading, market-making or brokerage activities, our broker-dealer affiliates may take positions or execute transactions that are opposite those taken by us or may act, for compensation, as broker for other parties in transactions we execute for our clients. However, as described in Item 11 below, we have no current plans for either of our broker-dealer affiliates to provide any brokerage or other services to us or our clients.

Jump Capital LLC is an investment adviser exempt from registration with the SEC pursuant to Section 203(l) of the Advisers Act due to the fact that it manages only "venture capital funds" as

defined in Rule 203(l)-1(a) promulgated thereunder. We share common ownership and certain back-office resources, but Jump Capital LLC generally operates independently from us.

There are no material limitations on our or our Jump Trading Group affiliates' ability to conduct any other business, including any business within the financial or securities industry, or trading or investment activity, now or in the future. Accordingly, we and our Jump Trading Group affiliates are, and will in the future become, involved in other business ventures and trading and investment activities, including without limitation sponsoring additional investment funds or accounts that implement investment strategies substantially similar to, or different from, those of our clients. Those other businesses and trading and investment activities may be materially more profitable than, and may compete with, the trading objectives and/or investment strategies we employ on behalf of our clients. Moreover, our clients will not share in the rewards or profitability of such other ventures or trading or investment activities, even though they may pose certain risks to our clients. Certain of such businesses may be subject to additional or even greater regulatory oversight. In addressing regulatory requirements across its various businesses, Jump Trading Group may need to take steps that may adversely impact us or our clients. Moreover, a material or significant reputational incident related to Jump Trading Group may adversely impact us or our clients.

The directors of Leap Funds that are governed by a board of directors are employed by affiliates of ours within Jump Trading Group. Such affiliated directors do not receive any direct compensation for such services.

There are significant conflicts of interest that arise by virtue of our and our Jump Trading Group affiliates' business and trading activities, including the proprietary trading and brokerage activities of our affiliates within Jump Trading Group, as well as the inter-relationships (contractual and otherwise) among us and such affiliates. We have established certain procedures, including information and systems barriers, between us and the investment and trading personnel of our Jump Trading Group affiliates designed to mitigate such conflicts of interest and to protect against the unauthorized access, misappropriation or misuse of our and our client's information by our Jump Trading Group affiliates, although there can be no guaranty that such procedures will be sufficient.

We currently are exempt from registration with the CFTC as a "commodity pool operator" or otherwise with respect to the operation of the Leap Funds. To the extent our qualification for an available exemption from CFTC registration in respect of the Leap Funds changes, we will take appropriate steps to register. We will similarly address any required registration with the CFTC for any other client we may manage in the future.

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

**Code of Ethics**

We have adopted a written Code of Ethics as part of our overall compliance program and in furtherance of our commitment to compliance and to maintaining high ethical standards. Our Code

of Ethics recognizes our fiduciary duty to our clients and is intended to ensure that we and our personnel adhere to the standards of care and diligence required of an investment adviser. Our Code of Ethics also addresses certain areas in which our interests or the interests of our personnel may conflict with the interests of our clients.

As baseline standards of business conduct, our Code of Ethics establishes our expectation that all supervised persons subject to our Code of Ethics (1) act at all times with competence, dignity and integrity, and in a professional and ethical manner, when dealing with clients and prospective clients (and underlying investors), the public, third-party service providers, their fellow colleagues, others in the investment profession, and other participants in the global markets; (2) adhere to the highest standards with respect to any potential conflicts of interest with clients; (3) put our clients' interests before their own; and (4) act honestly and fairly in all respects in dealings with clients. Among other provisions, our Code of Ethics incorporates policies and procedures governing personal securities transactions (as further described in this Item 11) and includes limitations on the ability of supervised persons to engage in certain outside business activities that may present, or have the appearance of presenting, a conflict of interest or involve other ethical issues. Our Code of Ethics also expressly requires supervised persons to strictly comply with U.S. federal securities laws, specifically including a prohibition on, and policy and procedures designed to detect and prevent, insider trading.

We will provide a copy of our Code of Ethics to any client or prospective client, or underlying investor or prospective investor in a private investment fund client, upon request.

#### **Participation or Interest in Client Transactions**

Jump Financial maintains a substantial investment in the Leap Funds, and is, and we expect will continue to be, the Leap Funds' largest investor. We further expect that Jump Financial would be the largest investor in other private investment fund clients we may launch or manage in the future. Moreover, the other underlying investors in the Leap Funds are all senior and otherwise highly sophisticated employees of our affiliates (or their trusts or family companies).

We currently do not intend to knowingly engage in any principal transactions, which are transactions where a client buys securities from (or sells securities to) us or an affiliate of ours, acting as principal. Moreover, we do not intend to knowingly engage in any agency cross transactions, which are client transactions executed with or through any of our broker-dealer affiliates acting for another person. Principal and agency cross transactions pose the potential for conflicts of interest between us and our clients since we have an incentive to act based on our own financial interests. Accordingly, to the extent we consider engaging in any principal or agency cross transaction, we will address any conflicts of interest and will comply with applicable law, including disclosing the transaction to the client in writing and, where required, obtaining the client's written consent prior to completion of the transaction. However, in the ordinary course of business, we do not intend to take steps to prevent our client orders from unintentionally matching with Jump Trading Group orders in the market.

We have an interest in the securities and instruments in which we invest and trade for our clients by virtue of our affiliates within Jump Trading Group transacting in the same securities and

instruments for proprietary accounts as described in Item 10 above. For the same reason, we may recommend to clients, or buy or sell for client portfolios, securities in which we or certain of our affiliates within Jump Trading Group have a material financial interest. Our material financial interest, and the resulting conflicts of interest, principally arises from the fact that we are part of, and commonly controlled by, Jump Trading Group and that we are entitled to performance-based compensation as described in Item 6 above.

### **Personal Trading**

Personal securities transactions potentially implicate a variety of ethical concerns, including front-running client transactions (generally understood to be personally trading ahead of client accounts), use of firm time, information and property for personal benefit, and illegal insider trading. We do not prohibit our personnel from engaging in securities transactions for their own accounts. Thus, it is possible that our personnel may trade securities for their own accounts or otherwise for their personal benefit which we are trading for client accounts. Moreover, because we allow our personnel to invest in securities in which we may transact for client portfolios, there is the potential for profit from market and trading activity by our client in a security held in a personal account. However, to address the inherent conflicts and ethical issues and to ensure compliance with applicable law, we have adopted policies and procedures governing personal securities transactions by those of our personnel that are access persons under Section 204A-1(e)(1) of the Advisers Act.

We require access persons to report, both initially and annually, each outside account in which a personal securities transaction covered by our policies and procedures could be executed, and to timely report any changes to their accounts or any new accounts. In addition, access persons are required to report on a quarterly basis all personal securities transactions executed in the prior calendar quarter. All contemplated securities transactions by an access person in or for the benefit of a personal account must be pre-approved by our chief compliance officer, with limited exceptions which we believe do not pose a potential conflict of interest. Personal securities transactions may be approved or disapproved for any reason in our chief compliance officer's sole discretion, although any proposed transaction in a security that is subject to a trading prohibition because we are in possession of material non-public information regarding the issuer of the security will be disapproved. Once approved, personal securities transactions are subject to a minimum holding period.

### **Item 12: Brokerage Practices**

We have discretion to select the broker-dealer to effect transactions in securities and financial instruments for our clients. Our selection of broker-dealers for client transactions is guided by the principal objective of seeking best execution. Best execution does not necessarily mean obtaining the lowest possible price for any particular transaction, rather it generally means executing trades at the best net price considering all relevant circumstances surrounding the trade, including, among other factors, price, including commissions; access to liquidity; execution speed and latency; quality of trade execution platform; availability of financing and prime brokerage services; risks taken in positioning a block of securities; broad market coverage resulting in a continuous flow of information regarding bids and offers; the full range of brokerage services provided by the broker-

dealer; the broker-dealer's capital strength, creditworthiness, stability and reputation; access to and the quality of the broker-dealer's investment research; special execution capabilities; clearance; settlement; custody; recordkeeping; and other services provided by the broker-dealer. While we expect reasonably competitive trade execution costs, in seeking best execution, client transactions will not necessarily be executed at the lowest commission or spread available.

In placing and executing client transactions, it is our policy to obtain the best execution for each transaction. We seek to only transact with or through broker-dealers we believe are qualified to provide brokerage services to our clients. In qualifying broker-dealers, we consider a number of general criteria, including the full range and overall quality of services provided by the broker-dealer, as well as, among other factors, the financial stability and reputation of the broker-dealer and the adequacy of the broker-dealer's trading infrastructure, technology and operations. We may also consider the availability of prime brokerage, custodial and other services provided by the broker-dealer that enhance our trading and investment capabilities and efficiencies on behalf of our clients. As a result, we may execute client transactions with broker-dealers affiliated with client prime brokers or custodians of client assets.

In selecting broker-dealers to execute client transactions and assessing what constitutes best execution, we need not solicit competitive bids or seek the lowest available cost, rather our brokerage selection and placement is a function of the facts and circumstances surrounding a particular execution, but generally will be informed by, among other factors: (1) the financial stability and reputation of the broker; (2) the ability of the broker to promptly, reliably and efficiently effect the specific transaction (and related transaction-specific considerations such as market-making, availability of a buyer or seller of a particular security, liquidity/inventory or specialized execution skills); and (3) our assessment of the research, brokerage and other services provided by the broker. Although we make a good faith determination that the amount of compensation paid to a broker is reasonable in light of the products or services provided by a broker, broker compensation rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable rates may result in higher transaction costs than would otherwise be obtainable.

We also exercise significant control over the execution process, although at times we rely more heavily on broker-dealers and other market intermediaries. Our quantitative trading strategies are implemented using automated computer algorithms. These algorithms make buy and sell decisions on a systematic basis using quantitative analysis. Execution of orders will typically be automated, although we retain the flexibility to override the signals generated by our trading systems and to otherwise trade manually. For example, we may trade manually for risk management purposes, in the case of significant market disruption or dislocation, or for other reasons. We have access to a variety of electronic execution methods, including via broker-dealer algorithms and direct market access via broker-dealer trading platforms. We seek to select the most appropriate and efficient available execution method in a given situation and for a given market/exchange/jurisdiction in order to achieve a client's trading objective.

We do not currently have or engage in any formal "soft dollar" arrangements with any broker-dealers to use brokerage commissions from client transactions to receive additional research and brokerage services, and we do not intend to enter into any such arrangements. The use of "soft

dollars” may result in the client’s commission cost for a particular transaction being in excess of that which another broker-dealer would have charged for executing the same transaction and, as a result, creates various conflicts of interest. To the extent we consider entering into any “soft dollar” arrangement in the future or we believe we may otherwise be deemed to have received any “soft dollar” compensation, we expect any use of “soft dollars” to be within the parameters of the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

We do not receive or entertain any client (or underlying investor) referrals from any broker-dealer or third-party and thus that is not a consideration or factor in our selection of broker-dealers. We currently do not permit, or otherwise recommend, request or require, our clients to direct brokerage. Direct brokerage arrangements may result in our being unable to obtain the most favorable execution of client transactions and may be more costly for the client. We currently only manage the Leap Funds, and thus do not allocate or aggregate trades across multiple clients.

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

We provide continuous advisory services to our clients. We periodically (generally quarterly) review the trading activity executed for client portfolios, including confirming compliance with a client’s trading objective. Our investment and trading personnel regularly review the quantitative models and algorithms we utilize in trading a client’s portfolio and day-to-day trading activity. Any proposed material changes to our models and algorithms are subject to a review, testing and approval process prior to deployment. In addition, we monitor the risk and exposures of client trading activity and portfolios.

We currently only manage the Leap Funds. The Leap Funds have engaged a third-party fund administrator to provide day-to-day accounting, administrative, record-keeping, and investor services (including reporting). In addition to the daily operational processes conducted by the administrator, our operations personnel generally reconcile all trading activity on a daily basis with the administrator and broker-dealers to ensure the proper posting and processing of transactions.

Each underlying investor in the Leap Funds will periodically (but not less frequently than quarterly) receive a written statement reporting the investor’s estimated and unaudited capital account or net asset value per share, as the case may be. Underlying Leap Fund investors also will receive annual audited financial statements commencing with the fiscal year in which the Leap Funds become our clients for purposes of the Advisers Act, as well as applicable tax information. Certain underlying Leap Fund investors may request and receive additional or different information in connection with their investment due diligence and monitoring activities than that regularly provided to other (or all) investors.

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

We currently do not have, and do not intend to enter into, any agreement or arrangement whereby we receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to our clients. We do not, nor does any related person or ours, directly or indirectly compensate any person for client referrals.



**Item 15: Custody**

We have or are deemed to have custody of the funds and securities of the Leap Funds. We utilize unaffiliated banks, prime brokers, broker-dealers, futures/derivatives commission merchants, and certain foreign financial institutions to serve as qualified custodians to maintain the assets of the Leap Fund and provide periodic account statements. The Leap Funds are subject to an annual audit performed in accordance with generally accepted accounting principles by an independent auditing firm, and audited financial statements are distributed to the Leap Funds (and underlying investors) within 120 days after the end of each fiscal year. As described in Item 13 above, subject to limited exceptions, each underlying investor in the Leap Funds receives a monthly statement from the administrator reporting the investor's capital account or net asset value per share, as the case may be, as of the end of the applicable month.

**Item 16: Investment Discretion**

We are granted full discretionary authority to manage client assets and portfolios and make investment and trading decisions, including the authority to select and determine the quantitative model we deploy and the identity and amount of securities and other instruments to buy or sell for a client, in each case consistent with the client's trading objective, as well as the broker-dealer to be used, the commission to be paid, and the method of execution, in each case consistent with best execution (as described in Item 12 above).

Our discretionary authority is granted in a client's governing documents (as, for example, a client's limited liability company operating agreement) or a separate investment or portfolio management agreement executed between us and the applicable client. Where applicable, our authority on behalf of a client is subject to the oversight of the client's governing body (as, for example, a client's board of directors).

**Item 17: Voting Client Securities**

We generally have discretionary authority to vote proxies for client securities. However, it is not our practice to vote proxies. Because our investment strategies are algorithmic and quantitative-based, client portfolios generally experience a high turnover rate and a client's trading objective (and therefore our trading activity) does not rely on the outcome of any given proxy vote. As a result, we believe that under ordinary circumstances the research, assessment, and voting of proxies for client portfolios would not be cost-effective or in the best interests of clients since (1) it is unlikely that client securities held on a particular record date would remain in the portfolio on the date of the vote, and (2) the operational burden and distraction would divert resources away from the implementation of our investment strategies on behalf of our clients.

In very limited circumstances outside the ordinary course, we may determine to vote a client proxy. In doing so, we will exercise our discretionary proxy voting authority diligently and in the best interests of the client. As such, our voting of any client proxy generally will be guided by the principle of voting in a manner which we believe will maximize value to the client taking into account the nature of the client's position in the security in light of the client's underlying investment strategy and trading objective. We may, in any given circumstance, consider the

recommendations of an issuer's governing body, an issuer's management, special interest groups, other company stakeholders, and/or an independent third party (including an independent third-party proxy voting service provider or other independent research/analysis firms). In the event we determine to vote a client proxy, we will identify whether any material conflict of interest exists and, if so, will address such conflict in light of the best interests of the applicable client.

We maintain records relating to the voting of proxies as required by applicable law and regulations. Any of our clients, or any underlying investor, may request a copy of our proxy voting policy and procedures, as well as relevant information concerning how we voted client securities, by contacting us at: Leap Investments LP, Attention: Compliance, 600 West Chicago Ave., Suite 600, Chicago, Illinois 60654.

**Item 18: Financial Information**

Not applicable.