



# Company Brochure

**September 28, 2021**

## **Item 1 – Cover Page**

---

This Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Lighthouse Investment Partners, LLC (“Lighthouse”) and its relying advisers, North Rock Capital Management, LLC (“North Rock”), LH NR UK (Management) LLP (“LH NR UK”), Mission Crest Capital Management, LLC (“Mission Crest”), and LHP Ireland Fund Management Limited (“LHP Ireland”). If you have any questions about the contents of this Brochure, please contact us at +1-561-741-0820 or [investor.relations@lighthousepartners.com](mailto:investor.relations@lighthousepartners.com).

**Lighthouse Investment Partners, LLC**  
**3801 PGA Boulevard, Suite 500**  
**Palm Beach Gardens, FL 33418**  
**+1-561-741-0820**  
**[www.lighthousepartners.com](http://www.lighthousepartners.com)**

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

References to “we,” “us” and “our” in this Brochure are to Lighthouse and/or its subsidiaries. References to “clients” are primarily to the pooled investment funds and separately managed portfolios we manage and advise, unless otherwise specified. References to “investors” are to the investors in those pooled investment funds and separately managed portfolios.

Lighthouse is registered as an investment adviser with the SEC. SEC registration does not imply a certain level of skill or training.

## Item 2 – Material Changes

---

The following is a summary of material changes to this Brochure since its most recent annual update on September 27, 2020:

- In Item 5 of this Brochure, we have noted that effective January 1, 2021, certain of our funds adopted a pass-through expense model. We have also updated disclosures regarding potential conflicts of interest related to this change. In connection with adopting this expense model, we furnished relevant disclosures to impacted investors prior to the change and also obtained consents, where applicable.

If you have any questions about the information contained in this Brochure or would like to request a copy of the most recent Brochure you may contact us at +1-561-741-0820 or [investor.relations@lighthousepartners.com](mailto:investor.relations@lighthousepartners.com).

## Item 3 – Table of Contents

---

|   |    |
|---|----|
| Item 1 – Cover Page .....   | 1  |
| Item 2 – Material Changes .....   | 2  |
| Item 3 – Table of Contents .....  | 3  |
| Item 4 – Advisory Business .....  | 4  |
| Item 5 – Fees and Compensation .....  | 7  |
| Item 6 – Performance-Based Fees and Side-by-Side Management .....                                     | 12 |
| Item 7 – Types of Clients.....  | 13 |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....                             | 13 |
| Item 9 – Disciplinary Information.....  | 29 |
| Item 10 – Other Financial Industry Activities and Affiliations.....                                   | 29 |
| Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..... | 30 |
| Item 12 – Brokerage Practices.....  | 31 |
| Item 13 – Review of Accounts .....  | 33 |
| Item 14 – Client Referrals and Other Compensation .....   | 34 |
| Item 15 – Custody .....   | 35 |
| Item 16 – Investment Discretion .....   | 36 |
| Item 17 – Voting Client Securities.....   | 36 |
| Item 18 – Financial Information .....   | 36 |

## Item 4 – Advisory Business

---

### Our Business

Lighthouse is a diversified alternative asset management firm with more than two decades of delivering competitive risk-adjusted returns and innovative solutions to investors. The firm has three distinct businesses: hedge fund solutions, which strategically allocate capital to leading investment managers; proprietary multi-portfolio manager platforms, which include North Rock and Mission Crest; and Platform Services (as defined below), which provides comprehensive structural and administrative expertise to institutional investors.

Lighthouse is a Delaware limited liability company with our principal place of business in Palm Beach Gardens, Florida. Lighthouse and our predecessor entity have been in business and registered with the SEC since 1999. That registration is not an endorsement by the SEC or any other governmental or self-regulatory agency.

Lighthouse owns, directly or indirectly, the following relying advisers:

- 99% of LHP Ireland, an Ireland-based private company limited by shares that manages the assets of Ireland domiciled Managed Account Funds (as defined below);
- 100% of North Rock; a Delaware limited liability company that manages a multi-portfolio manager, long/short equity focused master feeder fund structure and an associated trading entity, which is also a Managed Account Fund;
- 100% of LH NR UK; a United Kingdom-based limited liability partnership that is a subsidiary of North Rock and serves as a sub-investment manager to the trading entity managed by North Rock; and
- 100% of Mission Crest; a Delaware limited liability company that manages a multi-portfolio manager, global macro focused master feeder fund structure and an associated trading entity, which is also a Managed Account Fund.

We are a wholly owned indirect subsidiary of Navigator Global Investments Limited (“NGI”), a publicly traded Australian Stock Exchange listed company formerly known as HFA Holdings Ltd. NGI is the parent company of HFA Lighthouse Holdings Corp., a Delaware corporation owning 99% of LHP Investments, LLC, a Delaware limited liability company, which in turn owns 75.1% of Lighthouse. To our knowledge, no single investor owns 25% or more shares in NGI stock.

### Our Funds and Other Clients

We are a hedge fund solutions provider and primarily provide investment management and advisory services to private investment funds (collectively, the “Lighthouse Funds”), many of which are U.S. and non-U.S. investment funds that are offered to multiple investors or to a single investor (“External Investor Funds”). Many Lighthouse Funds are commonly referred to as funds of hedge funds. North Rock and Mission Crest manage multi-portfolio manager alternative investment funds. We also manage separately managed portfolios for the benefit of certain foreign institutional investors (“Separately Managed Portfolios”). These clients primarily invest in:

- (directly and indirectly) other pooled investment funds managed and advised by us that contract with third-party hedge fund managers who exercise discretionary trading authority over these funds (“Managed Account Funds”); and
- other pooled and single investor funds managed and advised by third-party hedge fund managers (“Unaffiliated Funds”).

Our External Investor Funds include (a) Delaware and Illinois limited partnerships and Delaware limited liability companies, for which we serve as general partner or manager, and (b) offshore companies that are domiciled in the Cayman Islands, or Ireland for which we serve as investment manager or similar capacity. Our External Investor Funds may invest through master-feeder fund structures, or in other Lighthouse Funds (“Lighthouse Master Funds”). External Investor Funds typically issue share classes based on different fees or foreign currency denominations; however, certain External Investor Funds and

Lighthouse Master Funds have issued classes that are comprised of investments of different portfolios. In some cases, these classes hold customized portfolios for a single investor. See the Cross-Class and Cross-Fund Liability Risk factor in Item 8 of this Brochure for additional information. The majority of assets held in aggregate by External Investor Funds are invested, directly or indirectly, in Managed Account Funds. However, certain External Investor Funds may invest a substantial portion of their assets in Unaffiliated Funds depending on strategy, regulatory requirements, or investment mandate.

Lighthouse also offers customized investment funds (“Custom Funds”) to single investors, groups of related investors, or investors that are advised by a single wealth manager.

With respect to LHP Ireland, the Managed Account Funds it manages accepts investments from Lighthouse Funds and an unaffiliated foreign institutional investor. With Respect to North Rock and Mission Crest, the trading entities they manage, respectively, accept investments from Lighthouse Funds as well as their respective master-feeder fund structure for external investors.

For our Managed Account Funds, the legal structures are as follows:

- Cayman Islands segregated portfolio companies (“SPCs”);
- Cayman Islands exempted companies;
- Cayman Islands exempted limited partnerships;
- Delaware limited partnerships;
- Delaware series limited liability companies;
- Irish collective asset-management vehicles (“ICAV”); and
- Irish umbrella unit trusts.

We serve as investment manager, manager, general partner, or similar capacity to the Managed Account Funds. Generally, we enter into a subadvisory agreement (“Subadvisory Agreement”) with a third-party hedge fund manager to serve as a subadviser (“Subadviser”) to each legal structure, or segregated cell within a legal structure with limitations on liability among the segregated cells therein (e.g., SPCs, unit trusts, series liability companies and ICAVs). In some cases, a single fund structure or segregated cell is further sub-divided into separate accounts (“Sub-Accounts”), each of which is advised by a separate Subadviser. See the Managed Account Fund Legal Structures Untested risk factor in Item 8 of this Brochure for additional information.

The Subadviser is responsible for determining the specific securities and other investments to be bought and sold, as well as arranging the execution of all purchase and sale orders on behalf of the applicable Lighthouse Fund or Sub-Account, subject to any constraints agreed upon in the Subadvisory Agreement. In the future, we may create other similar structures in other jurisdictions for our Managed Account Funds.

External Investor Funds, Custom Funds, Managed Account Funds, and funds managed by Lighthouse subsidiaries are exempt from registration as investment companies in reliance on Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended. For certain of our funds, we conduct hedging with respect to share classes that are not denominated in US dollars, and to manage foreign exchange exposure in certain Managed Account Funds. In limited circumstances, we also either directly or via a third-party, conduct hedging for certain macroeconomic or factor-related exposures or for other purposes. Lastly, we direct investment trading on behalf of a Sub-Account within a Managed Account Fund managed by North Rock. This Sub-Account currently does not represent a substantial portion of the overall assets of such Managed Account Fund. In the future, we may expand direct trading within North Rock managed Funds or other Funds managed by Lighthouse or its affiliates.

Most External Investor Funds are designed for multiple investors, where we determine the investment objectives and guidelines of these funds. Custom Funds are customized to meet the particular needs of a single investor, group of related investors, or investors that are advised by a single wealth manager. The investment objectives for both multiple investor and customized funds are provided in the constitutional documents for such fund. Additionally, guidelines of the Managed Account Funds are set forth in the Subadvisory Agreement as mutually agreed upon by the Subadviser and us.

Generally, External Investor Funds are multi-manager, alternative investment products intended to have low correlation to the broad equity and fixed income markets. Some External Investor Funds are more concentrated investment products that have a narrower strategy focus (e.g., long/short equity, credit, global trading, industry, or geography specific). North Rock manages a multi-portfolio manager, long/short equity focused master feeder fund structure and an associated trading entity intended to have low correlation to the broad equity market. Mission Crest manages a multi-portfolio manager, global macro focused master feeder fund structure and an associated trading entity that focuses on a diversified set of discretionary and systematic trading strategies.

The External Investor Funds have varying terms, including, but not limited to, differences in fees charged, redemption rights, functional currency, investment objectives and guidelines, and investment minimums. Custom Funds are tailored to the needs of either a single investor or multiple related investors in those funds and in certain cases are subject to investment restrictions, limitations, and/or guidelines specific to such investors. The investment objective of each Lighthouse Fund, as well as any applicable investment limitation, restriction, or guideline, are generally set forth in that Lighthouse Fund's confidential private placement memorandum or similar disclosure document and/or partnership agreement, limited liability company agreement, subscription document, investor side letter or similar organizational document.

Lighthouse also serves as manager, sub-investment manager or similar capacity to Separately Managed Portfolios housed within separately managed accounts held by an independent custodian or funds controlled by a third party. Separately Managed Portfolios consist of customized portfolios of hedge fund investments designed to meet the particular needs of a single investor.

The investment objectives for and guidelines (if applicable) for such relationships are typically set forth in an investment management agreement between the investor and Lighthouse.

References to "our funds" or "Lighthouse Funds" throughout this Brochure include the External Investor Funds, Custom Funds, Managed Account Funds, Lighthouse Master Funds and/or the funds managed by Lighthouse's subsidiaries, depending on the context. References to "our products" or "Lighthouse Products" throughout this brochure include the Lighthouse Funds and Separately Managed Portfolios. References to the "managers," "third-party hedge fund managers" or "investment managers" throughout this Brochure mean the third-party investment managers to the Unaffiliated Funds and/or the Managed Account Funds, except where we refer to Lighthouse or one of its subsidiaries as the investment manager to our funds.

Our investment management process for Lighthouse Products primarily involves the research, analysis, selection, and monitoring of third-party hedge fund managers for Managed Account Funds and Unaffiliated Funds. We regularly manage Lighthouse Products' portfolio risk through strategy allocations, as well as conducting investment and operational due diligence on third-party hedge fund managers at the beginning and during our investment.

### **Platform Services Provided by Luminae**

Luminae Partners LLC ("Luminae") is a division of Lighthouse and provides investment support services ("Platform Services") globally to established institutional investors that include: (a) "back-office" and "middle-office" support (as more fully described below); (b) data aggregation and processing; (c) risk management and analysis; (d) assisting clients in their direct hedge fund and other investments and (e) other operational and reporting services with respect to their investments, including long-only investments. In the future, we may also perform Platform Services for investments not held through a Lighthouse Managed Fund.

Back-office and middle-office support services typically include a broad range of accounting and financial reporting services, tax reporting services, administrative support services and investor services. We evaluate and coordinate the services of independent administrators for various investor accounts, authorize and/or execute treasury operations (i.e., the movement of cash) directly or through the use of administrators, process and settle subscriptions to/redemptions from funds in which investor accounts

invest, as well as execute and settle derivative contracts designed to ensure that certain investor accounts maintain certain market exposure target ranges and/or hedge their exposure to the U.S. dollar or other currencies.

### **Assets Under Management (“AUM”)**

As of June 30, 2021, the overall AUM of Lighthouse and its subsidiaries was approximately \$13,782,800,000. Approximately \$11,572,800,000 were discretionary assets. Approximately \$2,210,000,000 were non-discretionary assets, based on certain investment restrictions imposed on us in relation to a Custom Fund and certain Funds in our Platform Services offering. See Item 16 of this Brochure for further information on how we determine “discretionary” or “non-discretionary” AUM. We do not participate in any wrap fee programs.

## **Item 5 – Fees and Compensation**

---

We generally receive a management fee (“Management Fee”) from the Lighthouse Product for which we serve as a general partner, investment manager or similar capacity. The Management Fee ranges from 0% to 2.00% per annum of the value of a Lighthouse Product’s AUM. The Management Fee may vary among the Lighthouse Products and among classes of shares or series of interests within each fund. Management Fees are typically paid monthly or quarterly in arrears following the calculation of net asset value of each Lighthouse Fund. The administrator to the Lighthouse Funds calculates the fee amount and communicates the net asset value and fee calculation to us. We confirm the calculations, and then the administrator directs the bank for the applicable Lighthouse Fund to make payment to us. Management Fees are deducted from investors’ assets in the Lighthouse Funds. In certain circumstances, an investor may pay management fees to Lighthouse in a manner outside those described above whereby the investor or investor’s custodian pays Lighthouse directly rather than having the fees deducted from their assets.

In addition to a Management Fee, Lighthouse receives a profit allocation (“Performance Fee”) from certain Lighthouse Products and certain share classes of Lighthouse Funds. The Performance Fee payable to Lighthouse ranges from 4.5%-20% of the net profit allocated to each class of shares or series of interests of each applicable Lighthouse Product during a calendar month, quarter, or year. The performance-based compensation is typically subject to a loss-carryforward or “high water mark” and, if applicable, a “hurdle rate” as set forth in the offering documents or constitutional document of the Lighthouse Products. Certain share classes within External Investor Funds and Custom Funds place additional limitations on the calculation or payment of the Performance Fee related to such share classes, series of interests, and/or funds. If an investor in a fund that is subject to a Performance Fee redeems all or part of its shares or interests in the fund other than as of a date a Performance Fee is calculated, a Performance Fee is paid with respect to the redeemed amount at the time of redemption. Performance Fees are paid by a relevant Lighthouse Fund in accordance with the following: (a) the administrator calculates the amount of the Performance Fee with respect to a Lighthouse Fund (or classes or series of a Lighthouse Fund) by taking into account the net profit for such fund or class or series for the relevant period; (b) communicates the calculation to us; (c) we confirm the calculations; (d) and the administrator directs the bank for the applicable Lighthouse Fund to make payment to us. Performance Fees are deducted from investors’ assets in the Lighthouse Fund.

We may waive, reduce, or rebate the Management Fee or Performance Fee with respect to any investor, either in whole, or in part. In addition, we may enter into side letters with certain investors granting them preferential fee terms. Our determination to offer lower fees may be based on the relevant investor’s investment size or the aggregation of accounts for investors sourced from a certain investment advisor, consultant or other third-party, although we also may consider other factors.

Employees who are permitted to invest in our funds are not subject to a Management Fee or Performance Fee. In certain circumstances, we invest directly in Managed Account Funds and will not bear the costs and expenses of other feeders. At times, we pay part of our Management Fees and

Performance Fees to third parties for assisting in the placement of interests or shares in External Investor Funds.

Fees for our Platform Services (“Platform Services Fees”) are within the range of the Management Fee referenced above and are independently negotiated based on the type of service and size of relationship. Platform Services Fees typically constitute a percentage of notional asset value of a Lighthouse Fund and will be paid in arrears, either monthly or quarterly. The administrator to the Lighthouse Fund calculates the fee amount and communicates the net asset value and fee calculation to us. We confirm the calculations and then submit a payment request to the bank for the applicable Lighthouse Fund, which then arranges for payment to us. Platform Services Fees are either deducted from investors’ assets in a Lighthouse Fund or paid separately by an investor to Lighthouse.

In addition to the Management Fees, Performance Fees or Platform Services Fees deducted from an investor’s assets, each investor also pays a portion of the ongoing investment and operating expenses of such fund; most commonly on a pro rata basis. These expenses include, without limitation: management and performance fees charged by managers or Unaffiliated Funds; the fund administrator’s fees; administrative expenses; investment-related expenses (e.g., expenses that Lighthouse, as investment manager, general partner or similar capacity to a Fund, reasonably determines to be related to the investment of such Fund’s assets, such as brokerage commissions, expenses relating to short sales, financing charges, exchange fees, clearing and settlement charges, custodial fees, bank service fees and interest and financing expenses); fees for recruiting Subadvisers (including business or legal background checks); professional fees relating to investments (including, without limitation, expenses of third-party consultants and services providers relating to compliance, expert networks, risk and portfolio finance); liability insurance premiums; legal and regulatory expenses; tax-related expenses; audit and accounting expenses; research; software and technology expenses (including or related to risk software provided by third parties or developed internally by Lighthouse, middle and back office software and systems, and portfolio management systems); order management and other similar expenses; currency hedging; investment-related travel expenses; corporate licensing; remuneration to independent members of the board of directors of certain funds; fees associated with the registration or other required licensing of members of the board of directors of certain funds; expenses related to the maintenance of a fund’s registered office and other similar expenses; expenses incurred with the offering and sale of fund interests; costs of preparing, printing and mailing reports and notices, including customized reporting requested by investors; fees and expenses related to the funds wind down and liquidation; and other expenses.

Some of our Funds are also subject to certain pass-through expenses from Subadvisers, including but not limited to, errors and omission insurance, technology, regulatory compliance service providers, research expenses, Bloomberg expenses, travel, and in limited circumstances, certain overhead expenses such as salaries and rent.

We manage certain Funds that employ a “pass-through” expense model (the “Pass-Through Funds”). Such Funds incur various expenses in connection with or otherwise related to the operations and activities incurred at various levels of a) the Pass-Through Fund, b) the manager, whether Lighthouse or one of its affiliates, of such Pass-Through Fund (the “Pass-Through Fund Manager”) and c) Pass-Through Fund portfolio managers (the “Portfolio Managers”) (collectively, “Pass-Through Expenses”).

Each Portfolio Manager is typically composed of a team of personnel, which may include portfolio managers, traders, analysts, risk and research personnel, technologists, data scientists and other information technology staff, operations and accounting staff and others. Portfolio Managers can fall into one of the following categories: (a) certain employees of the Pass-Through Fund Portfolio Manager, or an affiliate thereof; (b) third-party advisory firms that are legally separate from, and operated independently of, the Pass-Through Fund Manager; and (c) employees of third-party advisory firms who are seconded



to the Pass-Through Fund Manager or an affiliate thereof by contract. Each Lighthouse Fund that invests in a Pass-Through Fund will be responsible for such expenses.

Pass-Through Expenses include, but are not limited to:

- Investment-Related Expenses: investment expenses (e.g., expenses that the Pass-Through Fund Manager determines to be related to the investment of the Pass-Through Fund's assets, such as brokerage commissions, expenses relating to short sales, financing charges, exchange fees, clearing and settlement charges, custodial fees, bank service fees and interest and financing expenses); currency hedging expenses; legal expenses and professional fees (including, without limitation, expenses of third-party consultants, compliance consultants, expert networks, risk service providers and portfolio finance service providers); valuation expenses; performance-based compensation of Portfolio Managers (if any); asset-based compensation of Portfolio Managers (if applicable); and management fees, performance fees and other costs and expenses payable in respect of any investment by the Pass-Through Fund in another investment vehicle (whether affiliated with Lighthouse or not).
- Organizational and Operating Expenses: Administrator fees, administrative expenses, legal expenses, auditing and tax preparation expenses, expenses for tax or accounting services performed by any third parties; costs of preparing, printing and mailing reports and notices, including customized reporting requested by investors; bonding costs required by ERISA, if applicable; taxes and similar amounts and other related interest, penalties or other expenses; corporate licensing; costs related to regulatory reporting; the fees and expenses of the Pass-Through Fund's board of directors; the fees and expenses of the paying agent (if any); organizational expenses; expenses incurred in connection with the offering and sale of Shares; the Pass-Through Fund Manager's and the Pass-Through Fund's liability insurance premiums (including, without limitation, Errors & Omissions, Directors & Officers, commercial property insurance, employment practices liability insurance, cyber insurance and general liability insurance, including for the Portfolio Managers, the board of the directors of the Pass-Through Fund and Investment Adviser Personnel); expenses related to the maintenance of the Pass-Through Fund's registered office and other similar expenses; fees and expenses related to the Pass-Through Fund's wind down and liquidation; and extraordinary expenses. "Investment Adviser Personnel" means the principals, members, officers and employees of the Pass-Through Fund Manager and the principals, members, officers and employees of Lighthouse or its affiliates who devote substantially all of their professional time to the business and affairs of the Pass-Through Fund Manager.
- Research and Risk Related Expenses: Research-related expenses, including expenses related to Bloomberg and other similar subscription-based services, independent research reports or publications, software, quotation and related financial data services; expenses related to various risk software and systems used by Portfolio Managers and the Pass-Through Fund Manager; investment/research-related travel expenses of Portfolio Managers and the Pass-Through Fund Manager; and Employee Costs (as described below) related to risk and research personnel used by the Portfolio Managers and the Pass-Through Fund Manager.
- Technology Costs: The Portfolio Managers' and the Pass-Through Fund Manager's costs related to information systems, software and technology expenses, including expenses related to risk software provided by third parties or developed internally by the Pass-Through Fund Manager or an affiliate thereof, hardware, Bloomberg, trading systems, order management systems and portfolio management systems, risk management systems, execution systems, middle and back office software systems, investor reporting systems and investor reporting costs, data warehouse expenses, cyber security costs, rack space, storage costs, software development, technology build out, connectivity, and business continuity program/disaster recovery.
- Employee Costs: The Portfolio Managers' and the Pass-Through Fund Manager's expenses related to Portfolio Managers and Investment Adviser Personnel, including employee salaries and bonuses, employee benefits (e.g., medical benefits, dental benefits, retirement benefits including 401(k)

matching costs), recruiting costs (including fees paid to third-party recruiting firms related to the engagement of the Portfolio Managers and Investment Adviser Personnel), severance payments, signing bonuses, deferred compensation, relocation arrangement costs, non-compete covenant costs (i.e., paying someone during a non-compete), buy-out payments, long term compensation plans, employee-related legal costs, consultant costs, costs related to the use of third party human resources service providers, key man life insurance policies, and additional payments intended to compensate certain key personnel of Portfolio Managers for entering into a relationship with, and providing investment advisory services to, the Pass-Through Fund Manager and/or the Pass-Through Fund and/or to compensate key personnel of such Portfolio Managers for giving up certain compensation which they would have received had they not agreed to enter into a relationship with, and provide investment advisory services to, the Pass-Through Fund. Employee costs may be paid to Portfolio Managers and their staff, including Portfolio Managers and staff directly employed by the Pass-Through Fund Manager or an affiliate thereof, as well as Investment Adviser Personnel. For the avoidance of doubt, bonus/incentive compensation paid to Portfolio Managers and Investment Adviser Personnel and treated as employee costs may be calculated based on the performance of specific “books” or the relevant Pass-Through Fund (e.g., a bonus/incentive compensation equal to a certain percentage of the overall profits of specific “books” or Pass-Through Fund). The foregoing employee costs may be fully or partially waived or reduced with respect to certain investors. The amount of any such waiver or reduction will be borne by the Pass-Through Fund Manager or an affiliate and not passed on to the other investors.

- **Compliance Costs:** Costs related to the Portfolio Managers’ and Pass-Through Fund Manager’s compliance programs, including outside legal costs, costs related to the retention of compliance consultants, mock exam costs, costs incurred related to regulatory exams, registration costs, and compliance system, software and other compliance-related technology costs.
- **Facilities Costs:** The Portfolio Managers’ and the Pass-Through Fund Manager’s costs related to rent, depreciation, furniture, fixtures, related insurance costs, utility costs, communications equipment, internet access, cleaning costs, etc.
- **Regulatory Costs:** Costs and expenses relating to the Portfolio Managers’ and the Pass-Through Fund Manager’s U.S. and non-U.S. registration, regulatory and self-regulatory filings, reporting, memberships, taxes and licensing, compliance (including, without limitation, costs of examinations), regulatory and governmental inquiries, subpoenas, and proceedings.
- **Operational Costs:** costs and fees attributable to the general operation and administration of the businesses of the Portfolio Managers and the Pass-Through Fund Manager, including all legal, accounting, auditing, and other professional services (including consulting services) relating to activities of the Portfolio Managers, the Pass-Through Fund Manager, and Investment Adviser Personnel.

Each Lighthouse Fund that invests in a Pass-Through Fund will bear Pass-Through Expenses as described above in respect of its investments in Pass-Through Funds. There is no limit on the amount of Pass-Through Expenses that may be charged to the Fund and borne indirectly by investors, nor is there any limit on the amount of Fund assets that Lighthouse may allocate to such Pass-Through Funds. Because Lighthouse or an affiliate manages each Pass-Through Fund, Lighthouse’s discretion to allocate Fund assets to a Pass-Through Fund involves inherent conflicts of interest. Specifically, Pass-Through Expenses may directly offset costs and expenses Lighthouse or its affiliates would otherwise bear (for example, employee compensation, rent and the other overhead expenses described above). As a result, Lighthouse has an incentive to allocate Fund assets to Pass-Through Funds in order to offset such costs and expenses. Further, Lighthouse has an incentive to allocate Fund assets to the Pass-Through Funds because the Pass-Through Expenses may be used to improve various aspects of its business, including for purposes of developing its technology, data processing capabilities, investment models, information systems and operations, as well as enhancing its recruitment and retention of Portfolio Managers and other Investment Adviser Personnel.

In cases where expenses are shared among multiple Lighthouse Funds, we will allocate the expense pro rata based on such funds' respective net asset value, on the basis of funds that derive the most benefit from the shared expenditure, or another methodology that we believe to be fair. For example, administration fees are apportioned by the administrator, in consultation with Lighthouse, to each Lighthouse Fund based on the level and complexity of administration services received by that fund. Accordingly, Lighthouse Funds that receive fewer services from the administrator will be allocated a smaller percentage of the administration fee compared to Lighthouse Funds that receive more services from such administrator.

Some Lighthouse Fund and investors may have offering terms or arrangements that limit or prohibit them from paying certain expenses related to research and other services that are allocated pro rata based on participating funds' respective net asset value. As a result, expenses that would have been allocated to such Lighthouse Funds will be covered by Lighthouse. At our discretion, Lighthouse may also cover all or a portion of expenses that otherwise would be borne by a Lighthouse Fund.

Furthermore, allocation of expenses among Lighthouse Funds does not guarantee that the benefits associated with each expense will be shared proportionately among such funds or investors therein. For example, certain investors in our funds receive customized reporting on their investments and as a result, derive a greater benefit from certain risk software. The expense related to such software, however, is allocated pro rata among Lighthouse Funds and investors therein.

When Lighthouse is in a position to allocate expenses among different Lighthouse Funds, a potential conflict of interest exists due to different fee terms, affiliations, or arrangements Lighthouse maintains with our funds. Nonetheless, Lighthouse has established procedures in an effort to ensure and monitor expense allocations between accounts to mitigate any conflicts.

In certain circumstances, managers are entitled to additional payments by our funds which are intended to entice the principals of such managers to enter into a relationship with and provide investment advisory services to a Lighthouse Fund and/or to compensate the principals of such managers for giving up certain compensation which they would have received had they not agreed to enter into a relationship with and provide investment advisory services to the applicable Lighthouse Fund(s).

Certain employees of our primary fund administrator devote their full professional attention to Lighthouse and our funds. Some of these employees work from our offices and others perform their functions from the administrator's offices. The cost associated with these employees (e.g., compensation and benefit) are included in the primary administrator's overall fees. In certain limited cases, fees associated with such services are assessed to Lighthouse Funds not administered by our primary administrator.

In addition, each Lighthouse Product incurs similar expenses, with respect to each Unaffiliated Fund and Managed Account Fund in which it invests. However, such expenses are not separately paid by any Lighthouse Product but are incorporated into the calculation of the net asset value of such Unaffiliated Fund or Managed Account Fund.

By investing in Lighthouse Products, investors bear the Management Fees and/or Performance Fees payable to Lighthouse, in addition to any management and performance fees on allocations to the investment managers, if any. Moreover, an investor in a Lighthouse Product bears a pro rata share of the fees and expenses of the fund or Separately Managed Portfolio and, indirectly, similar expenses of the investment managers. Investment managers generally have a performance-based fee, irrespective of the performance of the other managers and the Lighthouse Product. Accordingly, an investment manager with positive performance may receive performance-based compensation from a Lighthouse Product, even if the product's overall performance is negative.

When Lighthouse Products invest in our other Lighthouse Funds, they are generally not subject to a Management Fee or Performance Fee (i.e., typically, there are no "double fees" paid to Lighthouse). However, they do bear their pro rata portion of expenses in such other Lighthouse Funds. Such expenses

are not separately paid by any Lighthouse Fund invested therein, but are incorporated into the calculation of the net asset value of such other fund.

The expenses of operating the Lighthouse Funds (including the fees payable to us and other service providers) could exceed a fund's income, thereby requiring that the difference be paid out of such fund's capital, reducing the value of the fund's investments and potential for profitability.

See products' offering or other relevant disclosure document for a summary of more specific expense disclosures.

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

---

As stated in Item 5, Lighthouse charges some Lighthouse Products a Performance Fee. In some cases, investors will select a fee structure that contains a Performance Fee. The fact that we receive performance-based compensation can potentially create an incentive for us to select third-party hedge fund managers who are likely to make riskier or more speculative investments, in order to generate greater profits, than we would if we were receiving only asset-based compensation. Third-party hedge fund managers receiving performance-based compensation are subject to a similar conflict. In addition, because performance-based compensation is generally based on realized and unrealized gains and losses, we could earn a Performance Fee on gains that investors in certain Lighthouse Products never realize.

In some cases, an External Investor Funds issues more than one class or series of shares or interests where some classes or series are subject to a Performance Fee while other classes or series are not. Similarly, a Lighthouse Product that is subject to a Performance Fee and another Lighthouse Product that is not subject to an incentive fee may both invest through the same Lighthouse Master Fund, Managed Account Fund, or other Lighthouse Fund. In those instances, all investors in the investing Lighthouse Products are subject to the risks discussed in the preceding paragraph (not just the investors that are subject to the Performance Fee) because we manage each such Lighthouse Fund as a single pool of assets. Moreover, the side-by-side management of some Lighthouse Funds that pay performance-based compensation and other Lighthouse Funds that do not pay performance-based compensation could create an incentive for us to favor accounts from which we receive performance-based compensation because we stand to gain greater compensation from those accounts.

We have addressed these conflicts by adopting policies and procedures reasonably designed to ensure that, over time, all Lighthouse Products are treated fairly in the allocation and redemption of investment opportunities. Allocations are not necessarily made on a pro rata basis among the Lighthouse Products. Rather, we allocate investment opportunities among the Lighthouse Products on the basis of numerous considerations, such as: (i) different liquidity needs (e.g., investor inflows, investor outflows, foreign currency trading settlements, credit facility guidelines/limits, fund liquidity profile or other reasons); (ii) the investment timeframe; (iii) the investment capacity of the investment opportunity; (iv) different strategy or investment needs (due to differing performance, changes in investment guidelines, differing capital bases, or other reasons); (v) the percentage of assets that the Lighthouse Product has previously allocated to the same strategy as the investment opportunity; (vi) tax status and client type (onshore, offshore, and/or ERISA); (vii) seeking to avoid the Lighthouse Products having to pay withdrawal fees to Unaffiliated Funds;; (viii) Lighthouse Products not having sufficient cash or unfunded commitments on hand to make an allocation within the required timeframe; (ix) legal considerations; and (x) other considerations that we deem appropriate in our discretion. We do not consider fees paid by an investor or a Lighthouse Product when making allocation and redemption decisions.

Certain Lighthouse Products are treated as “plan assets” for purposes of the fiduciary responsibility standards and prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the parallel prohibited transaction excise tax provisions of Section 4975 of the Internal Revenue Code of 1986. For compliance and other reasons, certain investment funds or their investment managers limit the amount of the investment made by a “plan assets” fund or may

prohibit such investments altogether. As a result, allocations of investments for “plan assets” and non-“plan assets” Lighthouse Products are different due to the ability or inability of different investment funds or their investment managers to accept assets subject to ERISA.

## **Item 7 – Types of Clients**

---

Our clients are primarily the External Investor Funds, Custom Funds, and the Managed Account Funds. We also manage Separately Managed Portfolios on behalf of single investors. Most Lighthouse Product investors are institutions, which include pension plans, insurance companies, banks, corporations, government entities, healthcare organizations, charitable organizations, foundations, and endowments (including those benefitting universities and colleges), religious entities and other business entities. In terms of net asset value size, approximately 12% of our investors are high net worth individuals (including certain of our employees who meet qualification standards), trusts, and family entities. Also, with respect to net asset value size, U.S. investors comprise the single largest jurisdiction at approximately 53%.

Each investor in a Lighthouse Product must generally be (a) an “accredited investor” as defined in Regulation D under the Securities Act of 1933 and (b) either a “qualified purchaser” as defined in the Investment Company Act of 1940 or a “knowledgeable employee” as defined in the regulations thereunder. In the case of certain offshore funds, non-U.S. investors generally need not be “accredited investors” or “qualified purchasers” so long as each such non-U.S. investor is not a “U.S. person” as defined in Regulation S under the Securities Act of 1933, as amended. Certain Lighthouse Products impose other eligibility requirements in addition to those discussed above, such as minimum investment thresholds ranging from \$1,000,000 to \$100,000,000. We reserve the right to waive or reduce any such minimum investment thresholds except those that are required under applicable law.

We offer our Platform Services primarily to investors in the Lighthouse Funds but may offer these services to other clients in the future.

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

---

### **Methods of Analysis**

Lighthouse offers multi-manager alternative investment funds designed to meet the objectives of various strategies we define in the offering documents of the External Investor Funds, or to meet specific objectives requested by investors through a Custom Fund or Separately Managed Portfolio. There can be no assurance that a Lighthouse Product will achieve its investment objective.

Generally, our investment process begins with the identification of specific needs of a Lighthouse Product portfolio by the “Investment Research Committee” or relevant “Strategy Committee” (as both are described in further detail below). Our team of investment analysts is then directed to source third-party hedge fund managers that are expected to meet these objectives. We rely on a variety of tools to source such third-party hedge fund managers, including: (1) existing relationships with current or former managers; (2) other hedge fund investors, friendly competitors, industry participants or former colleagues; (3) Lighthouse investors or service providers; (4) prime brokerage sales at investment banks; (5) capital introduction groups within prime brokers; (6) external service providers such as administrators; (7) recruiting firms; (8) third-party database information; and (9) our proprietary database of research and information developed since the inception of our business.

Upon identifying a potential third-party hedge fund manager, we conduct quantitative and qualitative reviews to analyze a third-party hedge fund manager’s performance record, strategy differentiation, portfolio construction and risk management. Our quantitative testing of the third-party hedge fund manager’s portfolio is used to confirm a third-party hedge fund manager’s trading skill, style, and consistency, while our qualitative testing is used to confirm appropriate staffing, systems, and internal

controls. Our reviews are achieved through a combination of on-site visits and in-person meetings, telephone and electronic communications, and document requests.

In conjunction with the sourcing and selection of third-party hedge fund managers, the Investment Research Committee and relevant Strategy Committees are responsible for portfolio construction of a Lighthouse Product, by managing allocations to certain third-party hedge fund managers and monitoring strategy exposures and returns. In some case, smaller groups of members of the Investment Research Committee (typically, 2-3) are designated to focus on specific Lighthouse Products based on a given portfolio mandate and/or strategy focus. Overall portfolio construction relies on analysis of current economic and market environments, liquidity of individual third-party hedge fund manager portfolios, diversification of common strategy exposures, capacity constraints, and other factors.

Sourcing, selection of third-party hedge fund managers and portfolio construction for Custom Funds may be directed by, or conducted in consultation with, the end investor and/or their adviser(s). While specific Lighthouse Product objectives vary, the Lighthouse Products generally seek attractive risk-adjusted returns with low correlation to traditional assets.

On an ongoing basis, our investment personnel review the results of operational due diligence for qualitative purposes. For our Managed Account Funds, where Lighthouse receives daily access to third-party hedge fund manager trade files and manages counterparty exposures, we are able to conduct more frequent assessments of a third-party hedge fund manager's portfolio for quantitative purposes than for our Unaffiliated Funds, where such information is generally limited to month-end summaries received from those third-party hedge fund managers. We allocate and reallocate Lighthouse Product assets among the Managed Account Funds and Unaffiliated Funds on an ongoing basis and may change a portfolio composition as market conditions change and as liquidity constraints permit.

Generally, the Co-Chief Investment Officers, Messrs. Sean McGould and Kelly Perkins, of Lighthouse have ultimate authority on asset allocations and portfolio construction for the Lighthouse Products, in consultation with the other members of the Investment Research Committee.

LHP Ireland, under the control and supervision of its board of directors, is responsible for managing the assets of certain Lighthouse Funds. While LHP Ireland delegates certain investment management functions to Lighthouse, it retains asset allocation and portfolio construction authority.

North Rock sources managers for its funds outside of the typical committee structure described above. Instead, it relies on certain dedicated personnel who devote their attention to identifying prospective managers. The ultimate authority for selecting managers, however, rests with Messrs. Sean McGould and Kelly Perkins.

Portfolio management of a specialized Lighthouse Fund, which seeks to meet the needs of specific investors, known as "Inlet Point," is directed by Sean McGould and another Lighthouse Managing Director.

## **Investment Strategies**

Third-party hedge fund managers to Lighthouse's Managed Account Funds and Unaffiliated Funds use a wide variety of investment strategies that include, but are not limited to, the following (as further described below):

- Credit
- Distressed
- Event-Driven
- Fixed Income
- Global Trading
- Long/Short Equity
- Market Neutral Equity
- Short Selling
- Multi-Strategy
- Relative Value
- Opportunistic



### **Credit**

This strategy seeks to profit from inefficiencies in the markets for distressed, stressed and performing debt securities. Third-party hedge fund managers generally will use a fundamental and rigorous, credit-intensive approach to identify and capture these inefficiencies. They will attempt to control risk through diversification of holdings across individual issuers, industries, sectors, and geography, as well as, through hedged and direct short positions. Sub-strategies may include capital structure arbitrage, event-driven credit, credit long/short, long distressed, and fixed income lending, among others.

### **Distressed**

Distressed strategies invest in securities and claims of companies that are in weak or unstable financial conditions with the anticipation that returns may be realized by reorganization of the financial structure and/or operations of the company.

### **Event-Driven**

Event-driven strategies involve investing in opportunities created by significant transactions and/or events, such as spin-offs, mergers and acquisitions, bankruptcy reorganizations, recapitalizations, and share buybacks.

### **Fixed Income**

Fixed income strategies attempt to profit from movements in bond prices. Fixed income strategies, like relative value arbitrage, involve the pairing of one instrument believed to be of higher value with another closely related instrument believed to be of lower value. Fixed income arbitrage can involve corporate, government, or mortgage assets.

### **Global Trading**

Global trading strategies involves statistically and fundamentally-based trading in the global interest rate, equity, currency and commodity futures, swaps, and options markets. A common type of trading is “trend following” whereby a third-party hedge fund manager identifies a series of indicators that may predict a certain trend in an underlying instrument. Based on the indicators, the third-party hedge fund manager will either take long or short positions in the instrument. Typically, these types of trades last from a few weeks to several months. Investment advisers that do not employ trend-following models will trade both systematic and discretionary programs based on fundamental information, pattern-recognition, counter-trend and volatility-based strategies.

### **Long/Short Equity**

Similar to market neutral equity, long/short equity strategies involve the purchase of a long basket of stocks hedged by a short basket of stocks. Unlike market neutral equity, there are no constraints on the percentage of long securities versus short securities. For example, a third-party hedge fund manager might be 80% long and 20% short or 60% long and 40% short exposing the net portfolio balance to broader market risk factors. Long/short equity can be broad in terms of security selection or very focused on a particular sector or geography.

### **Market Neutral Equity**

Market neutral equity strategies attempt to profit from discrepancies between a basket of long and short positions in similar proportions. The decision to purchase or sell a security can be driven by computer models or by fundamental research. Typically, the long equity portion of the portfolio will include stocks with solid balance sheets, improving earnings and strong financial ratios. The short equity positions will include stocks with weak balance sheets, declining earnings, outdated products, and poor financial ratios. Some market neutral equity strategies concentrate on specific sectors or geographies.

### Short-Selling

Short-biased investment managers are long/short equity and credit managers that typically invest both long and short, but they normally have a net short exposure that is generally greater than 20%. Short-biased investment managers generate returns primarily from the decline of stock prices, and may take short exposure through the use of short-selling or exchange traded or over-the-counter derivative instruments, such as futures, options and swaps. Short-biased investment managers may have niche strategies, focusing on growth or value stocks, small or large capitalization companies, or a particular geographical region or sector.

### Multi-Strategy

This strategy generally involves third-party hedge fund managers exercising discretion in allocating capital among several types of investment strategies. Capital is allocated to each strategy based on opportunity set changing with market conditions.

### Relative Value

Relative value is an investment strategy that involves taking positions based on the pairing of one instrument that is believed to be overpriced with another closely related instrument that is believed to be underpriced. Examples include merger, credit, and convertible bond arbitrage. Merger arbitrage generally involves buying the common stock of a company involved in a takeover or merger attempt where the current market price is less than the offered price on the transaction's expected closing date. Credit arbitrage seeks to take advantage of price discrepancies between common stock, bonds, options and credit derivatives of the same issuer or other related company or companies. Convertible bond arbitrage involves the purchase of a convertible bond while a short position is taken in the underlying company's common stock. This allows for trading of both the convertible bond and common stock against each other as one instrument becomes overvalued or undervalued relative to the other.

### Opportunistic Strategies

To implement the opportunistic strategy, Lighthouse focuses on investment managers that attempt to take advantage of investment opportunities in the medium term (i.e., 3-7 years) liquidity market that Lighthouse believes presents an attractive risk/return profile. Investment managers that Lighthouse selects for the opportunistic strategy may implement event-driven, credit, or any other investment strategy. Lighthouse has found investment opportunities with investment managers who focus on asset-backed securities, collateralized loan obligations, collateralized debt obligations, long/short credit, bank loans, distressed debt, secondary loans, whole mortgages, and other products with exposure to the credit markets both in the United States and internationally. For the opportunistic portfolio, Lighthouse may also invest assets in non-credit focused opportunities, including, but not limited to, investments in distressed hedge fund interests trading at a discount in the secondary market and co-investment opportunities in individual securities alongside investment funds. Certain investment funds implementing opportunistic strategies can have exposure to publicly and privately traded securities.

Generally, third-party hedge fund managers are neither limited in the markets (either by location or type, such as large capitalization, small capitalization, or non-U.S. markets) in which they invest nor the investment discipline that they may employ (such as value or growth or bottom-up or top-down analysis). The investment guidelines set forth in the Subadvisory Agreements for the Managed Account Funds specify restrictions and investment strategies. However, the offering documents of Unaffiliated Funds may not subject the third-party hedge fund managers to any formal limitations as to the investments permitted or strategies in effect.

The investment strategies of the External Investor Funds themselves are generally multi-strategy, long/short equity, market neutral equity, credit, and managed futures. We also manage Lighthouse Funds that are geographically focused (i.e., Asian markets) and concentrated in one particular industry (i.e., healthcare and technology). See the Assets May Not Be Diversified risk factor in Item 8 of this Brochure for additional information.



In certain circumstances, Lighthouse invests with investment managers that implement certain hedging activity, including programs customized for the Lighthouse Products. Such strategies generally invest in highly liquid financial derivatives and other securities that investment managers expect will provide a hedge against certain macroeconomic or factor-related exposures for our Lighthouse Products.

While most third-party hedge fund managers we select have established operations, we also seek to identify and invest with newly or recently formed third-party hedge fund managers that have significant portfolio management experience. Lighthouse Products that indirectly invest with these third-party hedge fund managers may bear a significant portion of such third-party hedge fund managers' operating expenses.

## **Risk of Loss**

Investing in securities involves a substantial risk of loss that investors in the Lighthouse Products should be prepared to bear. Further, past performance of a Lighthouse Product is not indicative of future performance. There are material risks associated with a fund of funds structure and with the investment strategies employed by the third-party hedge fund managers of the Unaffiliated Funds and Managed Account Funds, as summarized below. This summary does not attempt to describe all of the risks associated with an investment in a Lighthouse Product, or all risks associated with the strategies employed by the Lighthouse Products. Although no summary can fully describe all of the risks associated with an investment in the Lighthouse Products, investors should also review the risk factors stated in the offering documents or relevant constitutional document for each of the Lighthouse Products, which are tailored to the specific strategies and investment structures employed, and consult with their own financial advisors prior to making an investment.

## **Risks Related to Lighthouse Fund Structures and Offering Terms**

### **Investment Strategies and Third-Party Hedge Fund Manager Risk Generally**

The success of the Lighthouse Products depends on our ability to select and allocate assets to individual managers or Unaffiliated Funds. Success also depends on each manager's or Unaffiliated Fund manager's ability to select individual investments, to correctly interpret market data, predict future market movements and otherwise implement its investment strategy. Managers to investment funds are generally not limited in their investment discretion and could engage in intentional or inadvertent deviations from a predefined investment strategy (including excessive concentration, directional investing outside of predefined ranges, excessive leverage, or new capital markets), fraud, or simply poor judgment. Although we will actively allocate and reallocate assets among various Managers or Unaffiliated Funds, there can be no assurance that the Lighthouse Product always will be able to invest in a particular investment fund or with a particular third-party hedge fund manager, or that we will be able to react quickly with our allocations given the limited liquidity of the underlying securities.

There can be no assurance that what Lighthouse or third-party hedge fund manager perceives as an investment opportunity will not result in substantial losses due to one or more of a wide variety of factors. From time to time, the economic viability of an entire strategy may deteriorate due to excessive concentration of investors implementing the same approach or general economic events that disrupt the source of profits that the strategy sought to exploit. The Lighthouse Products can only be successful if the third-party hedge fund managers are able to invest successfully. No assurance can be given that the investment strategies to be used by the Lighthouse Products or any third-party hedge fund manager will be successful under all or any market conditions.

### **Multiple Managers**

Each manager trades independently of the others. A Lighthouse Product's use of a multi-manager approach at times results in certain managers' losses offsetting profits that other managers achieve. This offsetting could lead to a significant reduction in a Lighthouse Product's assets. Various managers will from time to time compete with the others for the same positions, potentially affecting the value of the positions in a manner adverse to the Lighthouse Products. Conversely, opposite positions that Managed Account Funds or Unaffiliated Funds hold will be economically offsetting.

### *Other Clients of Managers*

The managers may also manage other accounts (including other funds and accounts in which the managers have an interest) that may employ different or similar trading strategies, and that together with accounts already being managed could increase the level of competition for the same trades the Lighthouse Products might otherwise make, including the priorities of order entry. This could make it difficult or impossible to take or liquidate a position in a particular security or futures contract at a price or on the terms sought by a manager.

### *Reliance on Management and Key Employees*

The success of the Lighthouse Products depends on our expertise in selecting managers and the Lighthouse Products are, therefore, largely dependent on the continuation of the services and skills of Lighthouse, its officers, and employees. The loss of Lighthouse's services or that of one of its key personnel could materially and negatively impact the value of the Products as it will lead to the loss of the use of the proprietary investment methodology developed by Lighthouse.

### *Valuations in Unaffiliated Funds*

In order to determine net profits and losses, the securities and other positions held by Lighthouse Products in Unaffiliated Funds must be valued. In valuing a Lighthouse Product's assets in Unaffiliated Funds, Lighthouse will generally rely on the valuations provided by the various third-party managers and/or the administrators to such Unaffiliated Funds. Although Lighthouse will review the valuation procedures used by the third-party managers, Lighthouse will have little or no means of independently verifying valuations provided by such third-party managers. In calculating its net asset value, although Lighthouse Products will review other relevant factors, the Lighthouse will rely significantly on values reported by the third-party managers for such Unaffiliated Funds and/or their administrator. These valuations will typically be estimates only and will be subject to revision based on the annual audit for each Unaffiliated Funds. Revisions to a Lighthouse Product's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the annual audits of the Unaffiliated Funds are completed. Should these valuations prove to be incorrect, such Lighthouse Products may experience losses.

### *Multiple Levels of Fees and Expenses*

Lighthouse Products will incur management, performance, advisory, sponsorship, administrative or other fees and expenses when investing in funds advised by third-party managers, in addition to the fees payable to Lighthouse. Such fees will be payable irrespective of profitability and may be substantial even during losing fiscal periods. A Lighthouse Product may be required to pay performance-based fees to particular third-party manager at times when the Lighthouse Product as a whole has not realized a profit. In addition to the fees of third-party managers, investors in our funds will be subject to the management fee and/or performance fee payable to Lighthouse.

### *Performance Fees*

The performance fees payable to the third-party managers based on their performance (and not the combined performance of all third-party managers) may create an incentive for them to make investments that are riskier or more speculative than would be the case in the absence of such performance fees. The performance fees are based in part upon unrealized gains (as well as unrealized losses), and such unrealized gains and losses may never be realized by the Lighthouse Products. In addition, a Lighthouse Product may pay performance fees to certain third-party managers during periods when such Lighthouse Product is not profitable on an overall basis. Performance fees payable to Lighthouse could create an incentive for Lighthouse to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.

### Liquidity

Interests in Lighthouse Funds are not freely transferable and there is no market for these interests. Investors may liquidate their investments in the Lighthouse Products only at certain withdrawal periods, with prior written notice to Lighthouse and/or its administrator based on an agreed upon notice period. Such terms are subject to a waiver or reduction, at our discretion. There are significant restrictions on redemptions, as well as “holdbacks” on redemptions pending the completion of a fund’s annual audit. Consequently, investors may not be able to liquidate their investment readily in the event of an emergency or for any other reason. Certain Lighthouse Products may also impose fund-level or investor-level “gates.” In general, investors cannot transfer, assign, or pledge shares and interests in the Lighthouse Funds without Lighthouse’s prior written consent. No market for the Lighthouse Funds’ shares and interests will exist at any time. Also, managers to Unaffiliated Funds in which Lighthouse Products may invest could subject the Lighthouse Product to similar restrictions on liquidity, such as withdrawal “gates” and “lockups” (where investors are prohibited from redeeming their capital for a specified period following investment in such Unaffiliated Funds), which in turn will limit the liquidity of interests held by investors in the Lighthouse Products. Some managers can limit redemptions with respect to “side pocket” investments, where a particular investment is classified as “illiquid” or “designated” and investors generally cannot receive their allocable share until that investment is liquidated or otherwise realized. Subadvisers to Managed Account Funds can contractually limit termination rights under the applicable Subadvisory Agreement and trade in illiquid securities.

### No Current Income and Potential for In-Kind Distributions

An investment in the Lighthouse Products will not be suitable for investors seeking current income for financial or tax planning purposes. Although we reserve the right to declare and pay special dividends or distributions, we do not anticipate such dividends or distributions being paid except in unusual circumstances. Upon an investor’s redemption, distributions may be made partly in cash and partly in-kind. An in-kind distribution may consist of securities that are not readily marketable and may be subject to restrictions on resale. An in-kind distribution may also consist of an interest in a liquidation vehicle formed to hold certain fund interests on behalf of redeeming investors.

### Effect of Redemptions

If significant redemptions are requested, it may not be possible to liquidate a fund’s investments at the time such redemptions are requested, or a fund may be able to do so only at prices which we believe do not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. In addition, although it is expected that on termination of the fund, the fund will liquidate all of the fund’s investments and distribute only cash to the investors, there can be no assurance that this objective will be attained.

### Passive Currency Hedging

With regard to the certain share classes of our funds denominated in foreign currencies (“Foreign Currency Share Classes”), the fund enters into forward currency contracts as part of currency hedging transactions (“Hedging Transactions”), intended to manage (not eliminate) the currency exchange rate fluctuation risk between the certain foreign currencies and the U.S. Dollar. There is no assurance that the Hedging Transactions with regard to Foreign Currency Share Classes will be successful. Fluctuations in exchange rates are unpredictable and can have a significant impact on the return on investment to Foreign Currency Share Classes. As a result of the costs of the Hedging Transactions with regard to the Foreign Currency Share Classes, investors in such share classes may receive a lower return than the U.S. Dollar denominated Classes. Hedging involves special risks, including the possible default by the counterparty to the transaction and the risk of error in establishing a Hedging Transaction. The costs and liabilities associated with the hedging will be borne by a fund and allocated to the Foreign Currency Share Classes. With regard to the risk of failure or default by the counterparty to a Hedging Transaction, the fund will have contractual remedies pursuant to the agreements related to the transaction (which may or may not be meaningful depending on the financial position of the defaulting counterparty). We will seek to minimize the fund’s counterparty risk through the selection of financial institutions and types of Hedging Transactions employed.

### **Assets May Not Be Diversified**

Although we expect to establish internal diversification guidelines, the Lighthouse Products are not required to diversify their investments and can have a high concentration in certain positions. Also, because the Lighthouse Products invest in multiple third-party hedge fund managers who make their trading decisions independently, it is theoretically possible that one or more of such third-party hedge fund managers may, at any time, take investment positions that overlap with the positions taken by other third-party hedge fund managers. Accordingly, a Lighthouse Product's assets may be subject to greater risk of loss than if they were more widely diversified, since the failure of one or a limited number of investments could have a material adverse effect on the Lighthouse Product.

### **Lack of Control**

Substantially all decisions with respect to the management of the Lighthouse Products are made exclusively by us or our senior management that serves as directors of the Lighthouse Funds. Investors have no right or power to take part in the management of any Lighthouse Fund, unless otherwise provided in a Custom Fund or Separately Managed Portfolio. In the event of the withdrawal or bankruptcy of Lighthouse, generally the Lighthouse Products will be liquidated.

### **Disparate Information Rights**

Lighthouse may provide certain investors information regarding a Lighthouse Product not generally available to other investors, including but not limited to, information about Managed Account Funds, Unaffiliated Funds, or managers. Because the Lighthouse Products generally permit voluntary redemptions, an investor with that information may redeem from a Lighthouse Product based on that information and avoid losses when other investors would not have that information to rely upon in assessing whether they should redeem.

### **Limited Information from Unaffiliated Funds**

Although we will receive information from third-party hedge fund managers to Unaffiliated Funds regarding their investment performance and investment strategy, we may have little or no means of independently verifying this information. Such third-party hedge fund managers may use proprietary investment strategies that are not fully disclosed to us, which may involve risks under some market conditions that are not anticipated. The performance of the Lighthouse Product may therefore depend on the success in selecting third-party hedge fund managers to Unaffiliated Funds and the allocation and reallocation of our fund assets among them.

### **Cross-Class and Cross-Fund Liability Risk**

Certain Lighthouse Funds may issue multiple classes and/or invest through Lighthouse Master Funds. Each such fund is a single legal entity, while the classes of a fund are not separate legal entities. Creditors of a Lighthouse Fund that issues multiple classes may, absent contrary contractual provisions, enforce claims against all assets of that Lighthouse Fund, even if the creditors' claims relate to a single class of that Lighthouse Fund. Similarly, creditors of a Lighthouse Master Fund may, absent contrary contractual provisions, enforce claims against all assets of that of that Lighthouse Master Fund. Therefore, in the unlikely event of the deficit in one class of shares in Lighthouse Fund or a Lighthouse Master Fund, assets of another class of the relevant fund will be available to cover the deficit. That risk also applies to a Lighthouse Fund's currency hedging activities with respect to any non-U.S. dollar denominated class, and to a Lighthouse Fund's allocation to opportunistic strategies. As a result, if non-U.S. dollar denominated shares of a Lighthouse Fund experience losses that deplete the assets of the relevant class, those losses may be offset against U.S. dollar shares or other non-U.S. dollar denominated shares (as applicable) of that Lighthouse Fund. Also, if a Lighthouse Master Fund defaults on a credit facility, including due to increased borrowing amounts from currency hedging activities or in order to meet capital calls for opportunity strategy classes, a Lighthouse Fund's investments in that Lighthouse Master Fund may be reduced (or lost) in paying off that facility even if that Lighthouse Fund or any particular class, was not otherwise benefiting from the borrowing from that facility.

### **Managed Account Fund Legal Structures Untested**

Certain of Lighthouse's Managed Account Funds are Cayman Islands SPCs and an Irish unit trust. As an SPC and Unit Trust, the Managed Account Funds can operate segregated portfolios and sub-trusts with the benefit of statutory segregation under Cayman Islands law or Irish law of assets and liabilities between each segregated portfolio or each sub-trust, respectively. Although not judicially tested, the principal advantage of an SPC or Unit Trust is that it protects the assets of one segregated portfolio or sub-trust, as the case may be, from the liabilities of the other segregated portfolios and sub-trusts. However, it is uncertain whether such segregation of assets and liabilities would be enforced in jurisdictions outside of the Cayman Islands or Ireland. If the assets of the other segregated portfolios in the SPC, or other sub-trusts in the case of the Unit Trust, could be accessed for the purpose of covering the deficit of one segregated portfolio or sub-trust, this could result in losses for Lighthouse Products invested therein.

Certain Managed Account Funds may be further sub-divided into separate accounts, each of which is subadvised by a third-party hedge fund manager. The assets and liabilities of the separate accounts of such a Managed Account Fund will not be considered segregated from one another. Rather, the assets and liabilities of all separate accounts of such Managed Account Fund will be considered on an aggregate basis. As a result, liabilities of one separate account of a Managed Account Fund may be enforced against another separate account of the same Managed Account Fund.

### **Third-Party Hedge Fund Managers with Limited or No Track Record**

Certain third-party hedge fund managers in which our products invest are newly formed businesses in their early years of operations. This may lead to increased risk as such third-party hedge fund managers may still be developing their operational processes and refining their approach to portfolio construction and risk management. Early-stage managers may have little or no track record. While we will attempt to verify prior performance by the key personnel of the managers at previous fund managers, this may not always be possible. Operational risk may increase with early-stage managers as they may have fewer resources, as well as procedures that are still being developed and have not yet been tested in real world situations. Additionally, unlike established managers which may be more risk adverse in order to protect their capital base, early-stage managers may have a greater incentive to deliver high returns. This may lead to unintended risk as their risk management processes may still be under refinement.

### **Third-Party Hedge Fund Managers Consisting of a Single Principal**

In some cases, third-party hedge fund to whom our products allocate capital consist of only one principal. If that individual dies or becomes incapacitated, our product may sustain losses.

### **Litigation Risk**

Some of the activities that Lighthouse engages as part of its operations may result in litigation. Our products could be a party to lawsuits either initiated by it, or by a company in which the Lighthouse Products invest other shareholders, or state, federal and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of any Lighthouse Product.

### **Cyber Security Breaches and Identity Theft**

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The information and technology systems of Lighthouse, our products and their respective investments are vulnerable to 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 Lighthouse has implemented various measures 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, the Lighthouse Products and/or their investments may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Lighthouse's, our products' and/or their respective investments'



operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Lighthouse's reputation, subject Lighthouse or the Lighthouse Products to legal claims and otherwise affect their business and financial performance.

## Risks Related to the Investment Strategies Employed by Third-Party Hedge Fund Managers to Unaffiliated Funds or Managed Account Funds

### General Economic Conditions

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of the Lighthouse Products. None of these conditions is within our control and no assurances can be given that we will anticipate these developments.

### Market Risk Generally

The profitability of a significant portion of our products' investment programs depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we or third-party hedge fund managers will be able to predict accurately these price movements. With respect to the investment strategies used by our products and third-party hedge fund managers, there is always some, and occasionally a significant, degree of market risk. Both the credit and equity markets experienced unprecedented turmoil during 2008-2009, resulting in the credit markets becoming illiquid, credit spreads widening and the equity markets losing substantial value. Such market conditions caused many private investment funds to suffer material losses.

### Hedge Strategies

Third-party hedge fund managers engage in a wide range of investment and trading strategies. Many of these strategies are sometimes referred to as "hedge" strategies because they use short sales, futures and other derivatives in an effort to protect assets from losses due to declines in the value of the investment fund's portfolio. However, there can be no assurances that the hedging strategies used by the third-party hedge fund managers will be successful in avoiding losses, and hedged positions may perform less favorably in generally rising markets than unhedged positions. Furthermore, no assurance can be given that third-party hedge fund managers will employ hedging strategies with respect to all or any portion of a given investment fund's assets.

### Relative Value Strategies

The use of certain "relative value" or "market-neutral" hedging or arbitrage strategies does not imply that the Lighthouse Products' investments in those strategies are without risk. A Managed Account Fund or Unaffiliated Fund may incur substantial losses on "hedge" or "arbitrage" positions. Illiquidity and default on one side of a position can effectively lead to losses on both sides of the position, and/or transforming the position into a directional position. Many relative value managers employ strategies that are somewhat directional, which expose the Managed Account Funds or Unaffiliated Funds to market risk.

### Event Strategies and Low Credit Quality Securities

The success of event strategies depends on one successfully predicting whether various corporate events will occur or be consummated. A variety of factors can prevent or delay the consummation of, or cause a change in the terms of, mergers, exchange offers, tender offers, and other similar transactions. If a proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities that a Portfolio Fund purchases may decline sharply and lead to losses. In many transactions, a Portfolio Fund will not be "hedged" against these types of market fluctuations.

### **Opportunistic Strategies**

Investments in Unaffiliated Funds employing opportunistic strategies are unlikely to be redeemable at the option of the Lighthouse Products making the investments. These Unaffiliated Funds may not make distributions for an extended period of time. These Unaffiliated Funds may require capital calls from their investors, including the Lighthouse Products. Moreover, Lighthouse will have to manage the allocation of the Lighthouse Products' assets in order to meet capital calls, the frequency and amount of which Lighthouse cannot predict. Failure of a Lighthouse Product to meet a capital call could have adverse consequences.

### **Use of Swaps and Other Derivatives**

Certain investment funds may invest in derivatives. Derivatives are financial contracts whose value depend on, or are derived from, the value of an underlying asset, reference rate or index. An investment fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. If an investment fund invests in a derivative instrument, it could lose more than the principal amount invested. Finally, the assets of an investment fund may be pledged as collateral in swap and other derivatives transactions. Thus, if the investment fund defaults on such an obligation, the counterparty may be entitled to some of all of the assets of the investment fund as a result of the default.

### **Equity Securities**

Investments held by the Unaffiliated Funds and Managed Account Funds may include long and short positions in common stocks, preferred stocks and convertible securities of U.S. and non-U.S. issuers. Such funds also may invest in depository receipts relating to non-U.S. securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and general market and economic conditions. Any of these actions could have an adverse effect on such funds' ability to achieve its investment objective.

### **Convertible Securities**

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a fund is called for redemption, the fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the fund's ability to achieve its investment objective.

### **Fixed-Income Securities**

The value of fixed-income securities in which an investment fund invests will change in response to fluctuations in interest rates. For fixed-rate debt securities, when prevailing interest rates fall, the values of already-issued debt securities generally rise. When interest rates rise, the values of already-issued debt securities generally fall, and they may sell at a discount from their face amount. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability, or soundness of economic policies. Valuations of other fixed-income instruments, such as mortgage-backed securities, may fluctuate in response to changes in the economic environment that can affect future cash flows.

### **Futures and Commodity Contracts**

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

directly. The investment funds are also subject to the risk of the failure of any of the exchanges on which the third-party hedge fund manager trades or its clearinghouses. None of these factors can be controlled by a third-party hedge fund manager and no assurance can be given that the third-party hedge fund manager's advice will result in profitable trades for its investment fund or that the fund will not incur substantial losses.

### **Short Selling**

Some of the third-party hedge fund managers will engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows an investment fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. For these reasons, short selling is considered a speculative investment practice. The SEC and other foreign jurisdictions have also imposed bans and limitations on short selling, which could materially adversely affect the third-party hedge fund managers' ability to implement their strategies.

### **Securitized Credit Products**

Securitized credit products are vulnerable to prepayment, credit, liquidity, market, structural, legal, and interest (among other) risks. A variety of factors can affect the performance of a securitized credit product, including the level and timing of the payments and recoveries on the underlying assets and the adequacy of the related collateral. Special risks may be associated with a Managed Account Fund's or Unaffiliated Fund's investments in securitized credit products, which include collateralized debt obligations, synthetic credit portfolio transactions, and asset-backed securities. For example, synthetic portfolio transactions may be structured with two or more tranches, each of which receives different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of any given tranche may be extremely sensitive to the default rate in the underlying reference portfolio.

### **Increased Competition in Alternative Asset Investments**

In recent years, there has been a marked increase in the number of, and flow of capital into, investment vehicles established in order to implement alternative asset investment strategies, including the strategies implemented by the managers in which our products invest. While the precise effect cannot be determined, such increase may result in greater competition for investment opportunities or may result, under certain circumstances, in increased price volatility, decreased liquidity or lower returns with respect to certain positions. Additionally, various managers will from time to time compete with the others for the same positions, potentially affecting the value of the positions in a manner adverse to the Lighthouse Products. Conversely, opposite positions that Managed Account Funds or Unaffiliated Funds hold will be economically offsetting.

### **Systems Malfunctions and Other Operational Failures**

Certain managers may implement strategies that rely to a material extent on trading and analytical systems. These systems could malfunction at any time, and such malfunction may not be identified for some period of time during which material losses could be incurred. The risk and magnitude of potential trading errors can also be materially increased by the use of computerized trading systems. It is reasonable to assume that the risk of a non-override computer malfunction may be higher in the case of a start-up or developmental stage manager than in the case of an established manager.

### **Failure to Follow Agreed-Upon Strategies**

A manager could fail to follow agreed-upon investment strategies and could provide false reports of operations to disguise such misconduct. In situations where we detect such misconduct and believe it would be in our Managed Account Fund's interest, we may attempt to take control of the management of the account owned by our Managed Account Fund in order to manage a liquidation of the account's assets.



However, we are not experienced in all investment strategies that may be implemented by a manager and to the extent we engage in direct trading on behalf of an account, such trading could result in substantial losses.

### ***Risks Relating to the Use of Third-Party Research Consultants and “Expert Networks”***

The managers may employ third party research consultants and expert networks and such relationships give rise to communications or discussions of material nonpublic information. Expert network is a term that is generally applied to a consulting firm that facilitates communications between their consulting clients and retained third-party professionals who possess particular business expertise and experience and agree to help the consulting clients better understand products, services, companies, business issues and industries. One potential risk of using an expert network is that the retained expert may communicate material nonpublic information about a company in breach of a confidentiality agreement, another duty, or otherwise in violation of federal or state securities laws. The inadvertent disclosure of material nonpublic information to the managers may potentially limit the Products’ ability to participate in certain investment opportunities or otherwise limit the investment decisions made when managing the Managed Account Funds and Unaffiliated Funds. Another potential risk of using an expert network is that the expert may communicate trade secrets or other proprietary or confidential information about a company in breach of a duty of confidentiality or loyalty, the use of which may violate state law.

### ***Misuse of Confidential Information***

In the past there have been a number of widely reported instances of participants involved in corporate takeovers and in risk arbitrage having violated the securities laws through the misuse of confidential information. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized and for penalties. If a manager to an Unaffiliated Fund or Managed Account Fund commits any such violation, the Lighthouse Products could be exposed to significant losses.

### ***Use of Leverage: Margin on Futures Contracts***

The third-party hedge fund managers also may use leverage by purchasing instruments with the use of borrowed funds, or by trading derivative contracts. Borrowing for investment purposes, which is known as “leverage,” is a speculative investment technique and involves certain risks. Although such techniques increase the opportunity for a higher return on investment, they also increase the risk of loss. Certain third-party hedge fund managers’ strategies involve substantial leverage, which could result in immediate and substantial losses. The leverage employed by a third-party hedge fund manager in its strategy can vary substantially from month to month. The cumulative effect of the use of leverage, directly or indirectly, in a market that moves adversely to the investments of the entity employing the leverage could result in a loss that would be greater than if leverage were not employed.

### ***Distressed Securities***

An investment fund may invest in “below investment grade” securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers.

### ***Structured Investments***

Lighthouse Products may invest in Unaffiliated Funds through structured notes linked to the performance of an Unaffiliated Fund or through a swap or other contract paying a return equal to the total return of the Unaffiliated Fund. These types of structured investments involve many of the same risks as direct investments in the Unaffiliated Funds. Moreover, structured investments expose the Lighthouse Products to the risks associated with derivatives markets, including the risk of counterparty default and liquidity risks.

### *Sector Risks*

Certain investment funds focus their investment activities in certain industry sector or market segments. The investment portfolio of such an investment fund may be subject to more rapid changes in value than would be the case if the portfolio maintained a wide diversification among industries, companies, and types of securities.

### *Options on Securities*

The Unaffiliated Funds and Managed Account Funds may make use of call options in their investment strategies. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e., the writer holds a long position the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are similar risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (received to establish the short position) of the underlying security if the market price rises above the exercise price of the option. The seller of an uncovered put option assumes the risk of decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

### *Trading in Options on Commodity Interest*

An option on a commodity or a commodity futures contract is a right, purchased for a certain price, to either buy or sell a particular type of commodity or commodity futures contract during a certain period of time for a pre-established price. The third-party hedge fund managers may engage in such trading. Although successful commodity options trading would require many of the same skills as successful commodity futures trading, the risks involved are somewhat different. For example, if an investment fund buys an option (either to sell or purchase a commodity or commodity futures contract), it will be required to pay a “premium” representing the market value of the option. Unless it becomes profitable to exercise or offset the option before it expires, the fund will lose the entire amount of such premium. Conversely, if such fund sells an option (either to sell or purchase a commodity futures contract), it will be credited with the premium but will have to deposit margin (which will in all cases exceed the premium received) due to its contingent liability to take the underlying futures position in the event the option is exercised. Traders who sell options are subject to the entire loss that may occur in the underlying commodity or commodity futures position (less any premium received). Commodity options trading on U.S. exchanges is subject to regulation by both the Commodity Futures Trading Commission (“CFTC”) and such exchanges.

### *Virtual Currency Derivatives*

The Funds to invest with certain Subadvisers that may invest in cash-settled virtual currency derivatives, including futures contracts on various virtual currency that are listed on U.S. exchanges that are regulated by the CFTC. Virtual currency derivatives settle against reference rates calculated based on trading activity in the underlying virtual currency. The underlying virtual currency markets are not subject to CFTC oversight and generally are not subject to any government regulation or supervision. The lack of regulation of the underlying virtual currency markets may increase the risk of market manipulation and lead to price distortions. These price distortions will affect the prices at which virtual currency derivatives are settled.

### **Suspensions of Trading**

Securities and commodity exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension could render it impossible to liquidate positions and thereby expose our products to losses.

Commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Lighthouse Products from promptly liquidating unfavorable positions and subject Managed Account Funds and Unaffiliated Funds, and in turn the applicable Lighthouse Product, to substantial losses.

### **Exchange Rate Fluctuations**

Investments in foreign securities involve the risks of currency fluctuations between the U.S. dollar and the currency in which such investments are made. Some emerging markets may have fixed or managed currencies that are not free-floating against the U.S. dollar. Further, certain currencies may not be traded internationally. Certain of these currencies have experienced a steady devaluation relative to the U.S. dollar. This could have an adverse impact on the value of the Lighthouse Products.

### **Insolvency or Failure of Prime Broker, Other Broker-Dealers**

Institutions, such as brokerage firms or banks, may hold an investment fund’s assets in “street name.” Bankruptcy, inadequate controls, or fraud at one of these institutions, in particular, an investment fund’s prime broker, which may hold the majority of that investment fund’s assets, could impair the operational capabilities or the capital position of that investment fund. In addition, because an investment fund may borrow money or securities or utilize operational leverage with respect to its assets, that investment fund will post certain of its assets as collateral securing the obligations or leverage (“Margin Securities”). Some or all of the Margin Securities may be available to creditors of that investment fund’s prime broker in the event of such fund’s insolvency. In addition, there may be substantial delays in the repayment of that investment fund’s assets in the event that the prime broker was to become insolvent, as well as a risk of total loss of such assets.

### **Activist Investing**

Unaffiliated Funds and Managed Account Funds using activist investing strategies may face heightened litigation risk. This risk is greater where a manager exercises control or significant influence over a company’s direction. The Lighthouse Products, through investments in Unaffiliated Funds and Managed Account Funds would indirectly bear the expense of defending against claims and paying any amounts pursuant to settlements or judgments. Furthermore, ownership of companies over certain threshold levels involves additional filing requirements and substantive regulation on those owners. If the Lighthouse Products fail to comply with all of those requirements, they may be forced to disgorge profits, pay fines, or otherwise bear losses or other costs from that failure to comply.

### **Credit Facilities**

Certain Lighthouse Funds borrow money through the use of credit facilities or otherwise. The Lighthouse Funds use such borrowings to provide liquidity for investments, to pay redemptions, to settle foreign currency forwards, and to meet capital calls related to opportunistic strategies. A Lighthouse Fund’s access and use of a credit facility would lead to interest, commitment fees and other expenses accruing. Typical credit arrangements include terms that permit the lender to materially reduce or terminate the credit line. Any reduction or termination might lead to the Lighthouse Fund being unable to meet redemption requests or make additional or new investments and could cause the Lighthouse Fund to bear increased costs.

### Political Uncertainty.

Some of the results of recent elections and referenda in the United States, the United Kingdom, Italy, Spain, and other developed market countries have been unexpected and resulted in material market changes and increases in market uncertainty. Given recent changes in administrations and applicable law following these votes, the future of current regulations, or the adoption of new regulations, is also uncertain. These uncertainties may have adverse impacts on, or alternatively create investment opportunities for, our products, Managed Account Funds and Unaffiliated Funds.

### Pandemic

The global outbreak of Coronavirus (or Covid-19) created enormous unprecedented economic and social uncertainty throughout the world. While the ultimate impact of the Coronavirus outbreak (or of any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, it has already had dramatic adverse effects on global, national, and local economies and on financial markets, and there is a significant likelihood that the negative impact could persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, “social distancing” practices and travel restrictions, and/or failures to contain the outbreak despite these and other measures, could materially and adversely impact the Lighthouse Products’ investments, both in the near- and long-term in a variety of industries and regions or globally. The impact of Coronavirus on the health of the employees of Lighthouse and the imposition of restrictions on such employees (including “shelter-in-place” or “lock-down” directives) could materially disrupt the business activities of the Lighthouse and negatively affect their ability to effectively monitor and manage the Lighthouse Products’ portfolios. Similar operational disruptions have occurred and may continue to occur in respect of service providers, counterparties (including providers of financing) and the financial markets.

In addition, the outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets, which may disrupt historical pricing relationships or trends that the Lighthouse Products’ strategies and models are based on, resulting in substantial and sudden losses to the Lighthouse Products. This risk of loss can be compounded by the fact that in disrupted markets positions may become illiquid and financing might become unavailable. Volatility may also make it more difficult or costly to rebalance portfolios or keep them within investment guidelines or targets. Governmental responses to the Coronavirus outbreak may be inadequate to limit the outbreak’s spread or to mitigate its impact on any nation’s economy or the global economy. Further, the responses of governments, regulators and exchanges to the increased volatility could have adverse effects on the Lighthouse Products’ ability to implement its strategies or cause the Lighthouse Products to incur losses. Such responses may, if unclear in scope and application, result in further confusion and uncertainty, resulting in further market volatility or even potentially suddenly and substantially eliminate the Lighthouse Products’ ability to continue to implement certain strategies or manage the risk of outstanding positions. For example, regulators have permitted the delay in the public reporting of financial information and numerous exchanges in the recent environment have implemented trading suspensions or restrictions on short selling. Such actions or any additional actions could have a negative impact on the Lighthouse Products’ portfolios. The extent to which Coronavirus affects the Lighthouse Products and Lighthouse will depend on developments, which can occur extremely rapidly but cannot be predicted, including emerging new information about the severity of Coronavirus, the actions taken to contain Coronavirus, and actions proposed or taken to mitigate its impact.

### Non-U.S. Investments

Additional risks of international investing include political or economic instability in the country of issue, and the possible imposition of exchange controls or other laws or restrictions. In addition, prices of securities in non-U.S. markets are generally subject to different economic, financial, political, and social factors than are the prices of securities in U.S. markets. With respect to some countries there may be the possibility of expropriation or confiscatory taxation, limitations on liquidity of securities, or political or economic developments that could affect the non-U.S. investments of the assets held by the investment fund. Moreover, securities of foreign issuers generally will not be registered with the SEC, and such issuers will generally not be subject to the SEC’s reporting requirements. Accordingly, there is likely to be

less publicly available information concerning certain of the non-U.S. issuers of securities held by the investment fund than is available concerning U.S. companies. Non-U.S. companies are generally also not subject to uniform accounting, auditing, or financial reporting standards, or to practices and requirements comparable to those applicable to U.S. companies. There also may be less government supervision and regulations of foreign broker-dealers, financial institutions and listed companies than exist in the U.S. These factors could make investments made by the investment fund, especially those made in developing countries, more volatile than investment in U.S. companies.

### **Volatility of Futures and Commodity Contracts**

The Funds may invest in futures and commodities. Futures and commodity contract prices are highly volatile. The prices of futures on virtual currencies are particularly volatile due to the price volatility of the underlying assets. Price movements for futures and commodities are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations, and emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets – particularly currencies. Such intervention is often intended to influence prices directly. There is a risk of failure of any of the exchanges on which the Funds trade or its clearinghouses. None of these factors can be controlled by the Funds.

See Lighthouse Products' offering document or relevant constitutional document for a summary of more specific risk factors.

## **Item 9 – Disciplinary Information**

---

Lighthouse and our management personnel have not been involved in any legal or disciplinary events in the past 10 years that we believe would be material to an investor's or client's evaluation of our company or our personnel.

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

---

Neither Lighthouse nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Lighthouse is registered with the CFTC as a commodity pool operator ("CPO") and commodity trading adviser ("CTA") and is a member of the National Futures Association ("NFA"). Lighthouse's NFA identification number is 0406075. North Rock is also registered with the CFTC as a CPO and is a NFA member. North Rock's NFA identification number is 0483385. Mission Crest is registered with the CFTC as a CPO and CTA and is a member of the NFA. Mission Crest's NFA identification number is 0538437.

Our employees may constitute significant investors in certain External Investor Funds. Additionally, certain Lighthouse Funds are majority or wholly owned by Lighthouse and our employees. We may be viewed as having an incentive to favor those funds in which our employees invest. We have adopted procedures and controls that are intended to ensure that no investors or funds are favored over others.

We serve as general partner or manager of the U.S. domiciled Lighthouse Funds. We serve as investment manager of the non-U.S. Lighthouse Funds. We invest the assets of the Lighthouse Funds in Unaffiliated Funds and Managed Account Funds. The legal structures of the Managed Account Funds are referenced in the "Our Funds and Other Clients" section of Item 4 of this Brochure. We may create other such entities or funds in the future for our Subadvisers' foreign trading or other structuring purposes.

We do not receive any compensation from managers in connection with our funds' investments, and in the event we engage in any seeding transactions, the proceeds of any such shall inure solely to the

benefit of the Lighthouse Funds (i.e., Lighthouse Funds may receive a profit allocation from a manager's investment management business).

Certain personnel of Lighthouse serve as directors of Lighthouse Funds. These personnel do not receive compensation for their service as directors. Certain personnel of Lighthouse also serve as directors to MSW Director Services Limited, a wholly owned subsidiary of Lighthouse and Cayman Islands exempted company that serves as corporate director to certain Lighthouse Funds. These personnel do not receive compensation for their services as directors to MSW. In addition, our President/Co-Chief Investment Officer serves on the NGI board of directors. His membership on the NGI board is in connection with his executive role at our firm. He does not receive a director fee as a result of his service on the NGI board.

Our parent company, NGI, owns subsidiaries that hold passive minority ownership stakes in certain alternative asset managers. To the extent we propose that such a manager serve as a Subadviser or manager to a Lighthouse Product, we would provide impacted investors or clients with disclosures regarding potential conflicts of interest pertaining to such an investment.

Lighthouse has two wholly owned affiliates which provide investment management or research services directly to Lighthouse: Lighthouse Partners UK, LLC, headquartered in London; and Lighthouse Partners HK Limited, headquartered in Hong Kong.

Lighthouse is also affiliated with:

- LHP Ireland, an Irish-based investment manager that manages the assets of certain Ireland-domiciled Lighthouse Funds. LHP Ireland is authorized by the Central Bank of Ireland, under applicable European Union regulations, as an alternative investment fund manager. Certain Lighthouse personnel serve as directors of LHP Ireland, along with independent directors. Such Lighthouse personnel do not receive compensation for their services as directors.
- North Rock, a U.S.-based investment manager that manages a multi-portfolio manager, long/short equity focused master feeder fund structure and an associated trading entity.
- Lighthouse LH NR UK, a United Kingdom-based investment firm that is a subsidiary of North Rock and serves as a sub-investment manager to the trading entity managed by North Rock.
- Mission Crest, a U.S.-based investment manager that manages a multi-portfolio manager, global macro focused master feeder fund structure and an associated trading entity.
- LDO 906 Limited, a Cayman Islands domiciled general partner to a Cayman Islands limited partnership that is a Custom Fund.
- MSW Director Services Limited ("MSW"), a Cayman Islands exempted company serves as director to certain Lighthouse Funds. The directors of MSW are employees of Lighthouse.

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

---

### **Code of Ethics**

We have adopted a Code of Ethics and Statement on Insider Trading ("**Code**") that sets forth the ethical standards of business conduct and personal securities trading policies that we require of our employees. A copy of the Code is available upon request by any investor or potential investor by contacting us at +1-561 -741-0820 or [investor.relations@lighthousepartners.com](mailto:investor.relations@lighthousepartners.com).

Under the Code, we state our commitment to upholding the highest level of professionalism in the investment community. Our policies and prohibitions are primarily focused on avoiding conflicts of interests with investors and our products while acting consistently with our fiduciary duties. Through regular reporting and/or obtaining pre-approval from our Chief Compliance Officer ("CCO"), employees are subject to various policies that govern, among other things, employee securities transactions, gifts, and entertainment, outside business activities, confidentiality of information, and charitable and political contributions. The Code strictly prohibits the misuse of material non-public information. At the beginning



of employment and annually thereafter, each Lighthouse employee must acknowledge the terms of the Code and receive training on the various obligations under it. Any employee who violates the Code will be subject to disciplinary actions, up to and including termination. All employees are obligated to report any violations of the Code to the CCO.

The CCO and compliance staff conduct testing and monitoring of various procedures under the Code and provides an annual report to Lighthouse's senior management on the effectiveness of these policies and procedures.

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

Lighthouse and our qualified employees (subject to pre-approval requirements) may invest in certain Lighthouse Funds and in certain underlying securities in which investors also invest indirectly through the External Investor Funds. In addition, we serve as the general partner and manager of the U.S. Lighthouse Funds. The investments of our employees and our status as general partner and manager of the U.S. Lighthouse Funds could be viewed as creating a conflict of interest because we and our employees may have an incentive to act in our or their own self-interest as opposed to that of the applicable Lighthouse Fund. However, the Code, as described above, and various other compliance policies and procedures, such as our allocation policy, that are intended to ensure that no Lighthouse Product is favored over another Lighthouse Product.

Lighthouse may cause a Lighthouse Product to purchase, sell, or transfer interests in Unaffiliated Funds or Managed Account Funds from or to another Lighthouse Product when Lighthouse believes that those transactions are appropriate and in the best interests of those Lighthouse Products. Any such purchase, sale or transfer will take place at the stated net asset value of the interests being purchased, sold, or transferred. In addition, Lighthouse may recommend that a Lighthouse Product purchase or sell an investment that is being sold or purchased, respectively, at the same time by Lighthouse, Lighthouse's affiliates, officers, employees, or another advisory client. In relation to cross trades and those simultaneous purchases and sales, Lighthouse may have a conflict of interest between acting in the best interests of that Lighthouse Product and assisting another Lighthouse Product by selling or purchasing a particular Unaffiliated Fund interest or Managed Account Fund investment. Lighthouse generally does not affect any principal transactions with Lighthouse Products, but if it were to engage in such transactions, it would obtain any necessary client consents. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction also may be deemed to occur if Lighthouse and our affiliates own a substantial portion of a fund and that fund participates in a purchase or sale transaction with another fund.

Any principal or cross trade will be done in compliance with applicable laws, including U.S. securities laws and ERISA. We also have adopted compliance policies and procedures designed to ensure that, over time, all Lighthouse Products are treated fairly in allocation and redemption opportunities (see Item 6).

Certain officers of Lighthouse serve as directors of the non-U.S. Lighthouse Funds. These officers do not receive compensation for their service as directors.

Lighthouse employees may benefit from educational events sponsored by industry service providers such as prime brokers, administrators, law firms, audit firms, and such other professional service firms.

## **Item 12 – Brokerage Practices**

---

As it relates to investments with Subadvisers or third-party hedge fund managers, Lighthouse does not direct brokerage transactions or have soft dollar arrangements. For such investments, Lighthouse completes subscription agreements or redemption forms for investments in Unaffiliated Funds or Managed Account Funds, a process which generally does not involve brokers or dealers. As part of our due diligence process on third-party hedge fund managers, we review the brokerage practices and soft

dollar arrangements of the Unaffiliated Funds. Subject to our fiduciary duties and in compliance with applicable law, we may purchase interests in or shares of an Unaffiliated Fund for one Lighthouse Fund at the same time we are redeeming interests or shares of such Unaffiliated Fund on behalf of another Lighthouse Fund.

The Subadvisers do engage in brokerage activities on behalf of the Managed Account Funds. Lighthouse reviews the brokerage practices and soft dollar arrangements of the Subadvisers. We select the prime brokers and swap counterparties of each Managed Account Fund in consultation with the Subadviser based on such factors as the prime broker's or counterparty's overall performance, pricing, operational capabilities, and financial stability. We negotiate the terms of the fees and commissions each Managed Account Fund will pay to each applicable prime broker.

Under the terms of each Subadvisory Agreement between a Subadviser and a Managed Account Fund, each Subadviser is responsible for arranging for the execution of all orders for the purchase and sale of securities and other investments with respect to the applicable Managed Account Fund. The Subadviser is required to seek best execution for that Managed Account Fund. The Subadviser, to the extent permitted by applicable laws and regulations, may aggregate the investments to be purchased or sold on behalf of its clients to attempt to obtain a more favorable price, lower brokerage commissions or efficient execution. Subadvisers may engage in "soft dollar" practices whether or not such practices fall within the soft dollar safe harbor established by Section 28(e) of the Securities Exchange Act of 1934, as amended. For instance, a Subadviser could receive "brokerage and related services" covered by such safe harbor as well as office space, overhead expense reimbursement, and similar benefits not covered by such safe harbor.

We conduct hedging in relation to certain of our funds' share classes that are denominated in a foreign currency. We may also deem it advisable for a Lighthouse Fund to take a direct position in a security, currency, over-the-counter derivative, or futures product for hedging or portfolio reallocation purposes. If we terminate a Subadviser's investment authority over a Managed Account Fund, we may cause such Managed Account Fund to trade securities, futures, or other financial instruments it holds, typically by liquidating them as promptly as we deem advisable under the circumstances or by hiring a third-party to do so. Finally, Lighthouse Funds may buy or sell interests in Unaffiliated Funds through secondary market transactions.

As it relates to a Sub-Account within a Fund managed by North Rock where we direct investment trading, we have discretion in deciding which securities are bought and sold, the amount and price of those securities, the broker-dealers to be used for a particular transaction, and commissions or markups and markdowns paid. In selecting broker-dealers to effect transactions, the factors we consider include, but are not limited to, the ability to effect prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker-dealer; the quality, comprehensiveness and frequency of related services considered to be of value; and the competitiveness of commission rates in comparison with other broker-dealers satisfying our selection criteria. Accordingly, if we determine in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer, the Fund may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge for effecting the same transaction.

With respect to the aforementioned Sub-Account where we conduct direct investment trading on behalf of a North Rock Fund, we receive research, or other products or services other than executions from a broker-dealer and/or a third party in connection with securities transactions. This is known as a "soft dollar" relationship. We limit the use of "soft dollars" to obtain services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Research services that we receive include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, and relevant market data, as well as other products and services that provide assistance to us in the performance of investment and



trading decision-making responsibilities. Brokerage products or services that we receive include services related to execution, clearing and settlement of securities and functions incidental thereto.

Soft dollar arrangements provide an incentive to select or recommend a broker-dealer based on an interest in receiving research or other products or services, rather than on receiving most favorable execution. Soft dollar arrangements may cause the Fund to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Lighthouse does not request, require, or recommend that an investor direct brokerage transactions to specific brokers or dealers. We do not select or recommend brokers or dealers based on whether they refer investors to our funds.

## **Item 13 – Review of Accounts**

---

### **Review of Accounts**

Generally, the Investment Research Committee oversees the asset allocations, capital inflows and outflows, portfolio construction and risk management for the Lighthouse Funds. Our Investment Research Committee is comprised of our Co-Chief Investment Officers, Managing Directors who head the various strategy committees within Lighthouse and other members of the Lighthouse Investment Department. The Investment Research Committee meets at least monthly to review the investment performance of the Lighthouse Funds, managers, and Unaffiliated Funds.

Strategy Committees function together with, and report to, the Investment Research Committee. The Strategy Committees include (a) Equity, (b) Relative Value, and (c) Quantitative/Macro. Each Strategy Committee is responsible for sourcing investment ideas within its scope, performing investment due diligence on managers, and maintaining regular oversight of existing investments. Strategy committees also meet weekly.

A Lighthouse investment analyst (which may be one of our Managing Directors) is assigned to each Subadviser or Unaffiliated Fund and is responsible for monitoring its performance and compliance with applicable investment guidelines set forth in the Subadvisory Agreement or the offering documents of the Unaffiliated Fund, as the case may be. Portfolio monitoring is conducted on an ongoing basis by such personnel, as well as operational due diligence staff, through on-site visits to a managers' offices, in addition to email and telephone conversations with their principals and support staff. Furthermore, with respect to the Managed Account Funds, our Operations personnel, our administrator's personnel, and Lighthouse's own investment analysts are able to review daily performance of our Subadvisers through our electronic access to trade files and risk systems, as well as electronic access to prime brokers' web portals.

The two Co-Chief Investment Officers of Lighthouse have ultimate authority for determining whether a Lighthouse Product will invest or redeem from an Unaffiliated Fund or Managed Account Fund, and whether a Subadviser to a Managed Account Fund is appointed or terminated. In addition to the monitoring activities performed by Lighthouse's own investment analysts, we deploy technology tools that aide us in verifying if Subadvisers are in compliance with investment guidelines or constraints in Subadvisory Agreements with respect to the vast majority of all of the Managed Account Funds.

Lighthouse may, and frequently does, rebalance the Lighthouse Products' portfolios on a monthly basis. For instance, if Lighthouse determines that a Lighthouse Product's multi-strategy portfolio should reduce its exposure to investment funds that implement credit strategies. Lighthouse may cause that reduction in exposure by redeeming from a credit- focused investment fund.

For Custom Funds and Separately Managed Portfolios, we may be subject to other review obligations, such as participation in investment committees comprised of representatives of our investors.

Portfolio management of the Inlet Point Fund is directed by Sean McGould and another Managing Director of Lighthouse.

## **Reports to Investors**

Each investor in a Lighthouse Product receives monthly account statements, depending on the terms specific to that Lighthouse Product, which provide beginning and ending balances as well as a description of account activity. In limited circumstances where onshore investors have opted to receive their statements via mail, monthly statements are distributed monthly. Statements are either delivered by mail or, as elected by an investor, an email notification that the statements are available on the administrator's website. On a monthly basis, certain investors or their advisors receive performance estimates and monthly risk reports of various Lighthouse Products via email. Similarly, we also distribute weekly performance estimates for certain Lighthouse Products via email. On a monthly and/or quarterly basis, we also prepare a commentary on overall investment performance that is sent to certain of our investors or their advisors. On a quarterly basis, senior investment staff conduct conference calls providing investment commentary on certain of our products and hedge fund strategies, generally, to certain investors and their advisors. The reporting that is in addition to the monthly account statements described above is also made available to investors or their advisors upon request. Each investor in a Lighthouse Fund also receives audited financial statements with respect to that Lighthouse Fund within 180 days after the end of such fund's fiscal year. Audited financial statements for each Managed Account Fund are made available to investors in the Lighthouse Funds that invest in the Managed Account Funds.

We also provide investors with certain other reports based on requests for specific types of information that may generally not be available to other investors.

In the case of Lighthouse Funds that are organized as partnerships for U.S. tax purposes, as soon as reasonably practicable after the end of each calendar year, we deliver to each person who was an investor in the Lighthouse Fund at any time during such calendar year such tax information and schedules relating to the fund as are necessary for the preparation by the investor of its federal income tax returns. However, we do not assume responsibility for tax reporting errors or delays on the part of the Unaffiliated Funds. Further, a Lighthouse Fund that is organized as a partnership for U.S. tax purposes may not be able to complete and file its partnership income tax return for any year or deliver a Schedule K-1 for such year to each of its investors until the Lighthouse Fund has received tax information for that year from the Unaffiliated Funds in which it invests. Because a large number of the Unaffiliated Funds in which a Lighthouse Fund invests are calendar-year taxpayers, and due to the time needed for the preparation of income tax returns, we ordinarily are not able to send a Schedule K-1 to each investor in time to file the investor's income tax returns by the original due date. In such cases, we can provide investors with tax estimates prior to issuing a Schedule K-1 and it ordinarily is necessary for each investor to obtain an extension of the filing date for its return for such year.

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

---

### **Client Referrals**

Lighthouse does not receive an economic benefit for providing investment adviser or other advisory services to any Lighthouse Products from any person who is not an investor.

We engage third-party selling agents to solicit investors for certain External Investor Funds. In such instances, the selling agent is typically compensated by way of a retrocession that is specified in the applicable solicitation or placement agreement. Retrocession is a term used to describe an on-going fee payable by Lighthouse - and not the External Investor Funds - to the third-party selling agent so long as such assets placed by the selling agent remain invested in the funds we advise. We may pay all or part of our management fee and/or performance-based compensation to third-party selling agents for assisting in the placement of interests in our funds. Payment of the retrocession fee does not increase the fees charged by Lighthouse to any investor. However, in certain circumstances, selling agents have an

agreement with an investor to be compensated by receiving an upfront selling commission from the investor's subscription amount.

Any solicitation agreement with selling agents is in writing and in compliance with applicable securities laws.

The payment of retrocessions may cause a selling agent to recommend one Lighthouse Fund over another adviser that does not pay such compensation. In any case in which a selling agent receives payment from Lighthouse, the selling agent will have a conflict in advising investors with respect to subscriptions and withdrawals. Further, selling agents may receive different amounts of compensation with respect to different Lighthouse Funds, and therefore could have incentives to favor one or more products over others.

### **Other Compensation**

We do not permit our employees to receive any form of compensation, including cash, sales awards, or other prizes, from non-clients for providing advisory services to Lighthouse Products. We maintain written policies and procedures with respect to the giving and receipt of gifts and entertainment and the giving of donations and contributions, which are reasonably designed to comply with applicable law, including pay-to-play restrictions. Those policies and procedures prohibit giving or receiving gifts, entertainment, donations, and contributions that Lighthouse determines are lavish or excessive under the circumstances.

We also receive investor referrals from unaffiliated consultants and wealth advisers that are retained by investors. We do not compensate these parties for such referrals but may enter into agreements with them to reduce management and performance fees paid by their clients based on their clients' aggregate investments in our products.

## **Item 15 – Custody**

---

Under the “custody rule” under the Investment Advisers Act of 1940, as amended – which imposes certain requirements on SEC-registered investment advisers that have custody of client funds or securities – we are deemed to have custody of the funds and securities of the Lighthouse Funds even though neither we nor our affiliates have actual physical custody of the assets of any such fund.

Although we are deemed under the “custody rule” to have custody of the funds and securities of the Lighthouse Funds, we are exempt from many of the provisions of that rule because we undertake to deliver to the investors in such Lighthouse Funds, within 180 days after the end of the fiscal year of the relevant Lighthouse Fund, financial statements of such Lighthouse Fund that are:

- prepared in accordance with U.S. generally accepted accounting principles; and
- audited by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

Lighthouse Fund assets are largely comprised of interests in Unaffiliated Funds and Managed Account Funds, represented by a subscription agreement, and cash, held in bank or brokerage accounts in the name of the Lighthouse Fund at third-party custodians or banks. Assets of Managed Account Funds also are held in bank or brokerage accounts in the name of the Managed Account Fund at third-party custodians or banks. At this time, the majority of investors of Managed Account Funds are the External Investor Funds. Certain Custom Funds pertaining to our Platform Services are structured as customized Managed Account Funds.

## **Item 16 – Investment Discretion**

---

Generally, we have discretionary authority over the Lighthouse Products pursuant to a limited partnership agreement, limited liability company agreement, investment management agreement or other constitutional documents. Such discretion is exercised primarily by selecting the investments for these funds, which generally involves the selection of Managed Account Funds, Unaffiliated Funds, or other Lighthouse Funds in a manner consistent with the stated investment objectives and strategies of the particular Lighthouse Product. In limited cases, we also exercise discretion to conduct direct investment trading on behalf of certain Funds.

In certain Funds, our discretion is limited by further restrictions, such as approval by the investor, investor representatives, board of directors, or other body designated under the governing documents of the Fund. For the majority of such assets, however, we maintain authority to terminate a Subadviser's investment authority on behalf of our Funds. With respect to a portion of the assets of a Custom Fund and certain Funds managed under our Platform Services offering, we do not have the authority to terminate a Subadviser's investment authority without requisite approval. For the Managed Account Funds, Lighthouse maintains discretionary authority over these funds, but delegates the day-to-day investment activity to Subadvisers who are subject to investment guidelines set forth in the respective Subadvisory Agreement.

## **Item 17 – Voting Client Securities**

---

We have adopted a policy for exercising proxy voting rights as required under Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. Our proxy voting policy is reasonably designed to ensure that we vote proxies in the best interests of the Lighthouse Products and their investors. The exercise of proxy voting rights typically involves votes with respect to a) terms and structure changes governing the Unaffiliated Funds in which the Lighthouse Products invest and b) circumstances where we trade equities directly on behalf of our Funds.

With respect to voting regarding Unaffiliated Funds, in evaluating these proxies, we consider numerous factors relating to each investment, and make an independent determination whether to support or oppose a proposal from an Unaffiliated Fund manager. We also have procedures to ensure a proxy is voted in the Lighthouse Product's best interest in the event a proxy vote creates a material conflict between the interests of Lighthouse and the Lighthouse Products.

With respect to circumstances where we trade equities directly, Lighthouse would vote in a manner that it believes reasonably furthers the best interests of the Funds and is consistent with the investment objectives as set forth in the relevant investment management documents. Lighthouse may abstain from voting if it deems that abstaining is in our Fund's best interests.

With respect to the Managed Account Funds, the Subadvisers to these funds are required to have a proxy voting policy and vote proxies pursuant to the applicable Subadvisory Agreement.

We have also adopted procedures and retained the services of a third-party service provider to facilitate the submission of claims in class actions involving securities held by our clients.

A copy of our proxy voting policies and procedures is available to investors upon request.

## **Item 18 – Financial Information**

---

Lighthouse has never filed for bankruptcy and is not aware of any financial condition that is expected to affect our ability to manage client accounts.