

## Hampton Road Capital Management LP

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Hampton Road Capital Management LP. If you have any questions about the contents of this Brochure, please contact us by e-mail at [info@hamptonroad.com](mailto:info@hamptonroad.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Hampton Road Capital Management LP or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

Additional information about Hampton Road Capital Management LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

Hampton Road Capital Management LP filed its most recent annual updated amendment to its Brochure on March 31, 2021. This Brochure has been updated to reflect, among other things: (i) new vehicles that are being sub-advised by Hampton Road Capital Management LP, (ii) clarifications regarding certain policies and procedures, and (iii) additional information about Hampton Road Capital Management LP's brokerage relationships. While Hampton Road Capital Management LP does not consider these changes to be material, clients are encouraged to review this document in its entirety.

**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 .....	4
Item 6.	Performance-Based Fees and Side-By-Side Management .....	7
Item 7.	Types of Clients .....	8
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9.	Disciplinary Information .....	26
Item 10.	Other Financial Industry Activities and Affiliations .....	26
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	27
Item 12.	Brokerage Practices.....	27
Item 13.	Review of Accounts .....	30
Item 14.	Client Referrals and Other Compensation .....	30
Item 15.	Custody.....	31
Item 16.	Investment Discretion .....	31
Item 17.	Voting Client Securities .....	31
Item 18.	Financial Information .....	31
Item 19.	Requirements for State-Registered Advisers .....	32

**Item 4. Advisory Business**

Hampton Road Capital Management LP (“we,” “us,” or “our”) is a Delaware limited partnership that was formed in July 2020. We are principally owned and controlled by John Thaler, our Founder and Portfolio Manager (the “Principal”).

We provide discretionary investment advice to the following private funds (each, a “Fund,” and collectively, the “Funds”): (i) Hampton Road Domestic Fund LP (the “Onshore Fund”), (ii) Hampton Road Offshore Fund Ltd (the “Offshore Fund”), and (iii) Hampton Road Master Fund LP (the “Master Fund”). The Onshore Fund and the Offshore Fund are feeder funds that invest through the Master Fund. We also provide discretionary investment advice to two separately managed accounts (the “SMAs”), which generally pursue the same strategy as the Funds (the “Flagship Strategy”). In addition, we sub-advise a private fund that pursues a “tactical” strategy that is different than the Flagship Strategy (the “Tactical Sub-Advised Fund”).

In the future, we may also provide investment advice to additional private funds and separately managed accounts for institutional, non-retail investors. References throughout this document to “clients” refer to the Funds, the Tactical Sub-Advised Fund, the SMA’s and any other private funds and separately managed accounts that we may advise in the future.

Client accounts are managed in accordance with their own investment and trading objectives, as described in their respective offering documents, governing agreements or advisory agreements (collectively, the “Governing Documents”), as applicable. We do not permit investors in the Funds to impose limitations on the investment activities described in the Funds’ Governing Documents. Under certain circumstances, we may contract with a separately managed account to adhere to limited risk and/or operating guidelines imposed by that client. We would negotiate such arrangements on a case-by-case basis. (See *Item 16 - Investment Discretion*.)

Hampton Road GP LLC, one of our related persons (the “Hampton Road GP”), serves as the general partner to the Onshore Fund and the Master Fund.

We do not participate in wrap fee programs.

As of March 1, 2022, we managed \$632,523,360 of regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5. Fees and Compensation**

Our fees and compensation are described in our clients’ Governing Documents. All of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

*The Funds*

We are paid management fees from the Funds quarterly in advance. Management fees are prorated in the case of a partial calendar quarter. We deduct such management fees from the Funds. We have the right to waive or modify the management fee payable with respect to any investor and have done so with respect to internal capital.

The Hampton Road GP is entitled to receive performance-based allocations from the Funds, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

#### The SMAs

The SMAs pay us management fees. In the case of one SMA, such fees are paid quarterly in advance. In the case of the other SMA, such fees are paid monthly in arrears. Management fees would be prorated if the advisory agreement with an SMA were terminated. The SMAs' management fees are invoiced to, and paid by, the SMAs. We are also entitled to receive performance-based fees from the SMAs, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

#### *The Tactical Sub-Advised Fund*

The Tactical Sub-Advised Fund pays us a management fee, which is paid monthly in arrears. Such management fees are invoiced to, and paid by, the Tactical Sub-Advised Fund. We or our related persons are also entitled to receive performance-based fees from the Tactical Sub-Advised Fund, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

#### *Expenses Generally*

The Funds will bear their own expenses, including, without limitation, the following: (i) the management fee; (ii) expenses related to the research, due diligence and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including the following: third-party investment sourcing fees; consulting fees; expert fees; fees and expenses related to obtaining research, analytics and market data (including any information technology software or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including consulting and appraisal fees; investment-related travel expenses; brokerage, prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; margin, premium and interest expenses and fees; fees and expenses incurred in connection with negotiating, documenting and/or amending agreements with prime brokers, ISDAs and other agreements with trading and financing counterparties; fees and expenses of proxy research and voting services; and broken deal expenses; (iii) organizational and reorganizational expenses, including, without limitation, the acquisition, preparation and amendment of the Governing Documents and subscription documents; (iv) operational expenses, including the following: fees and expenses relating to information technology software or other technology (including costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including reporting obligations), facilitate and manage the order execution of securities or otherwise manage the Funds, such as Bloomberg terminals, portfolio management systems, risk management systems and order management systems; fees and expenses of third-party risk management products, models and services and license, maintenance and other fees relating to trading, research and investor reporting software and services used by us; third-party administrative fees and expenses including, without limitation, fees and expenses of the Funds' administrator (the "Administrator") and any middle and/or back office service provider; fees and expenses of third-party professionals, including consultants, valuation service providers (including pricing agents), escrow agents, transfer agents and registrars; legal expenses (including, for the avoidance of doubt, legal expenses associated with amending the Governing Documents); the costs of any litigation or investigation involving

activities of the Funds; audit, accounting and income tax preparation and advice expenses relating to the Funds' operations, financial statements and investments; insurance expenses, including premiums for liability insurance covering us, and our partners, managers, officers, employees and agents, each member of the board of directors, advisory committee and any advisory board of the Funds, and including cybersecurity insurance, directors and officers liability insurance, errors and omissions insurance and costs for any bond or bonds required under Section 412 of the Employment Retirement Income Security Act of 1974, if applicable; fees and expenses (including director registration fees) of the Funds' directors and officers (including any anti-money laundering officers); trustee expenses; fees and expenses of the board of directors, advisory committee and any advisory board of the Funds; costs of preparing and distributing reports and notices; taxes; expenses incurred in connection with negotiating and complying with provisions of any side letter agreement; fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of the Funds, including any governmental, regulatory, licensing, filing or registration fees or taxes (including fees and expenses incurred in connection with the preparation and filing of Form PF, Form CPO-PQR, Section 13 filings, Section 16 filings and other similar regulatory filings and any filings or reporting with respect to compliance with the Foreign Account Tax Compliance Act, the Automatic Exchange of Information or similar laws enacted in other jurisdictions, as well as any foreign tax regime registrations, tax filings and associated annual fees and expenses), and any fees and expenses related to compliance with anti-money laundering laws and regulations applicable to the Funds; expenses incurred in connection with the issuance, offering, distribution, sale or underwriting of Fund interests or shares and other similar expenses (excluding fees payable to any placement agent) including any expenses we incur in connection with "world sky" matters and private placement regimes, including the European Alternative Investment Fund Managers Directive, and Form D and blue sky and similar fees and expenses; and (v) extraordinary expenses, including the following: indemnification expenses; fees and expenses incurred in connection with any tax audit by any taxing authority, including any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, restructuring, dissolution, winding-up or termination of the Funds.

The Tactical Sub-Advised Fund bears its own transaction costs, including but not limited to brokerage commissions, margin expenses and fees and interest expenses and fees.

The SMAs bear certain expenses, as set forth in their respective Governing Documents. Such expenses may include: (i) expenses related to the research, due diligence and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including, but not limited to, fees and expenses related to obtaining research, analytics and market data (including any information technology software or other technology incorporated into the cost of obtaining such research and market data), consulting fees and expert fees; (ii) investment-related travel expenses; (iii) investment-related legal fees; (iv) fees and expenses of proxy research and voting services; (v) fees and expenses related to order Bloomberg terminals, portfolio management systems, risk management systems and order management systems; (vi) valuation service providers; (vii) premiums for liability, directors and officers, and cybersecurity insurance covering us and our partners, managers, officers and employees; (viii) costs of preparing and distributing certain reports set forth in the relevant SMA's Governing Documents; and (ix) fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings.

To the extent that a client benefits from an item that is chargeable to other clients, but is not permitted to incur such expense under its Governing Documents, we will bear such client's *pro rata* portion of the expense.

We also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients will indirectly incur similar fees and expenses if we invest their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

Certain investors in the Funds will also be subject to withdrawal fees if withdrawals are made prior to the satisfaction of agreed-upon holding periods.

For a more detailed discussion of brokerage and transaction costs, see *Item 12 - Brokerage Practices*.

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

### *The Funds*

The Hampton Road GP is entitled to receive a performance allocation from the Funds on an annual basis and upon withdrawals by investors. Such performance allocation is based on the net capital appreciation of the Funds' assets and is subject to a loss-carryforward mechanism. We or our affiliates have the right to waive or modify the performance allocation with respect to any investor and have done so with respect to internal capital.

### *The Tactical Sub-Advised Fund and the SMAs*

We or our related persons are entitled to receive performance-based fees from the Tactical Sub-Advised Fund and the SMAs on an annual, quarterly or monthly basis (as applicable), subject to a loss carryforward provision.

### *Side-by-Side Management*

Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements also create an incentive for us to favor accounts with higher compensation rates over other accounts when allocating investments.

In light of the foregoing, we have adopted procedures designed and implemented to seek to ensure that all clients are treated fairly and equitably, and to prevent such potential conflict from influencing the allocation of investment opportunities among our clients. When participation in a specific investment is deemed to be appropriate for more than one client account, we will seek to allocate such investment opportunity between such accounts on a fair and equitable basis under the circumstances existing at such time based on a number of factors, including, but not limited to: (i) the intended objective and strategy of each participating client and any applicable investment or risk restrictions or guidelines, including leverage constraints and position limits, (ii) legal, regulatory and tax considerations, (iii) our perception of the appropriate risk/reward ratio for each participating client, taking into account, among other things, market exposure, anticipated volatility and diversification, (iv) the overall portfolio composition of each participating client, (v) the relative amounts of capital in each participating client available for new investments of the type at issue, (vi) the liquidity of each participating client, (vii) the desire to avoid *de minimis* allocations and odd lots, and (viii) such other considerations as we believe are relevant at such time.

In addition, because our client accounts' management fees and performance-based compensation are generally based on the net asset values of such accounts, we have a conflict of interest in valuing assets

held in certain client accounts. To mitigate this conflict, we follow documented valuation policies and expect to periodically consult with auditors and the Administrator.

We may, from time to time, offer certain parties the opportunity to co-invest with the Funds in particular investments. We are not obligated to arrange co-investment opportunities, and no investor will be obligated to participate in such an opportunity. We have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities instead to other parties, taking into account such factors as we determine appropriate based on the relevant facts and circumstances. We will determine the economic and other terms of any co-investment in our sole discretion on a case-by-case basis, and we may receive fees and/or allocations from co-investors.

#### **Item 7. Types of Clients**

Investors in the Funds are generally pension plans, endowments, other institutional investors and high net worth individuals that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended) (the “Securities Act”) and qualified purchasers. The minimum initial investment in the Funds will be is generally \$5,000,000. We have waived, and may in the future waive, such minimum under certain circumstances.

If we determine to require a minimum investment for any future client accounts, we will make that determination on a case-by-case basis.

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

##### *Methods of Analysis and Investment Strategies Generally*

##### *The Funds and the SMAs*

The Funds and the SMAs (collectively, the “Flagship Strategy Clients”) are fundamentally oriented, long/short equity vehicles. They generally take single name, alpha-generating long and short positions in publicly-traded equity securities, with the goal of achieving absolute returns on both sides of the book.

The investment objective of the Flagship Strategy Clients is to seek high absolute returns over a long-term horizon by investing on a long/short basis primarily in equity securities, predominantly listed securities, and related instruments in global markets. We aim to achieve this investment objective by focusing on stock picking and deep fundamental research with respect to those investments we believe the markets are mispricing in order to drive alpha.

Generally, detailed bottom-up financial modelling is conducted on an individual issuer basis. We have deep sector and geography expertise in sectors and locations in which the clients invest, and will attempt to adapt the relevant investment universe to take advantage of the environment and/or compelling opportunities within those sectors.

Our investment process with respect to investments includes rigorous initial due diligence on potential investments, seeking to identify value-based investment opportunities with attractive risk/reward characteristics. We perform ongoing due diligence with respect to investments through (i) company management, competitor and industry contacts and (ii) quantitative analysis to continually confirm and test an investment thesis. Once we are able to quantify the investment thesis, consideration is given to



the fundamental and technical risks of the position and how these risks can be offset through exposure on the other side of the book.

Risk management is a critical component of our investment approach and it begins with a portfolio of well-researched, high conviction names. We will monitor the fundamental dynamics of each investment to ensure thesis integrity and regularly re-test the thesis. Our risk management objective is to allow stock selection and research to drive performance with the goal of allowing the clients to ride through periods of market and factor-driven volatility. Individual positions will generally be sized relative to volatility contribution, and unintended factor exposure will be minimized by pairing and sizing.

The descriptions above regarding the specific strategies in which the Flagship Strategy Clients may engage or specific investments they may make should not be understood to limit in any way their investment activities. The Flagship Strategy Clients may engage in any investment strategy and make any investment that we consider appropriate to pursue their investment objective.

#### The Tactical Sub-Advised Fund

The Tactical Sub-Advised Fund employs a short-term, opportunistic trading strategy designed to take advantage of dislocations in liquid investment opportunities. In pursuing such strategy, we intend to identify stock-specific technical and/or factor dislocations and take relatively short duration exposure. The Tactical Sub-Advised Fund will invest in investment opportunities with respect to which the Flagship Strategy Clients have exposure and that have dislocated from our current fundamental valuation, further skewing the potential asymmetric nature of such investments' risk/reward.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

#### *Risk Factors*

Our investment strategy involves significant risks. A discussion of the material risks is provided below. Prospective clients and investors are strongly urged to review the applicable Governing Documents carefully and consult with their own financial, legal and tax advisers before investing.

Long/Short. The success of the clients' investment strategy depends upon our ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of the clients' investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying such clients' positions were to fail to converge toward, or were to diverge further from values expected by us, such clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the clients to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with our long/short strategies may become outdated and inaccurate as market conditions change.

Long-Term. The success of the clients' long-term investment strategy depends upon our ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the clients may forego value in the short-term or temporary investments in order to be able to avail the clients of additional and/or longer-term opportunities in the future. Consequently, the clients may not capture maximum available value in the

short-term, which may be disadvantageous, for example, for investors who withdraw all or a portion of their shares or interests before such long-term value may be realized by the clients.

*Short Selling.* The success of the clients' short selling investment strategy depends upon our ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the clients of buying those securities to cover the short position. There can be no assurance that the clients will be able to maintain the ability to borrow securities sold short. In such cases, the clients can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the clients may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a client secures a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the client to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by such client.

*Event-Driven.* The success of the clients' event-driven investment strategy depends upon our ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as we had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the client of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the clients' operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Proxy Contests and Unfriendly Transactions.* As part of an event-driven strategy, the clients may purchase securities of a company that is the subject of a proxy contest on the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the

price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the clients to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

Short-Term Market Considerations. Our trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

Leverage and Borrowing.

Leverage for Investment Purposes. The use of leverage will allow the clients to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of the clients' portfolios. The effect of the use of leverage by the clients in a market that moves adversely to its investments could result in substantial losses to the clients, which would be greater than if the clients were not leveraged.

Borrowing for Cash Management Purposes. The clients have the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the clients can borrow will affect the operating results of the clients.

Collateral. The instruments and borrowings utilized by the clients to leverage investments are collateralized by all or a portion of the clients' portfolio. Accordingly, the clients pledge their securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the clients' margin accounts decline in value, the clients could be subject to a "margin call", pursuant to which the clients must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the clients can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the clients may have similar rights. There can be no assurance that the clients will be able to secure or maintain adequate financing.

Costs. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on a client's portfolio.

Lending of Portfolio Securities. The clients may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the clients will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay

in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

**Diversification and Concentration.** We may select investments that are concentrated in a limited number or types of securities. In addition, a client's portfolio may become concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. Specifically, the clients are expected to concentrate its portfolio in the Telecommunications, Media, Technology, Consumer, Travel, Leisure and Gaming, and related market sectors. This limited diversification may result in the concentration of risk, which, in turn, could expose the clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

**Lack of Control.** The clients will invest in securities of companies that they do not control, which the clients may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the clients do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the clients' interests. In addition, the clients may share control over certain investments with co-investors, which may make it more difficult for the clients to implement their investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the clients and investors' investments therein.

**Hedging Transactions.** A client may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the client's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the client's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the client's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the client's securities; (vii) protect against any increase in the price of any securities the client anticipates purchasing at a later date; or (viii) act for any other reason that we deem appropriate. The clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. We may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the clients than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

**Our Discretion; New Strategies and Techniques.** While we will generally seek to employ the representative investment strategies and techniques discussed herein, we have considerable discretion in the types of securities the clients trade and have the right to modify the investment strategies and techniques of clients without the consent of investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the clients. In addition, any new investment strategy or technique developed by a client may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the client.

**Fundamental Analysis.** Our trading decisions will be primarily based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market

participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the clients' trading strategies, the clients may not be able to realize their investment goals. In addition, fundamental market information is subject to interpretation. To the extent that we misinterpret the meaning of certain data, the clients may incur losses.

*Sector-Specific Risks.* The clients invest in the securities of issuers in the technology sector, which investments involve substantial risks. These risks include but are not limited to: (i) the fact that certain companies in the clients' portfolios may have limited operating histories; (ii) rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; (iii) scarcity of management, engineering and marketing personnel with appropriate technological training; (iv) the possibility of lawsuits related to technological patents; (v) changing investors' sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and (vi) volatility in the U.S. stock markets affecting the prices of technology company securities, which may cause the performance of the clients to experience substantial volatility. The clients also invest in the securities of issuers in the business services sector (such as providers of credit risk analysis and reporting, educators, payroll providers, merchant processors and staffing providers, among others), which investments generally involve a number of the risks associated with the technology sector.

Investing in securities of media companies (which may engage in the production or distribution of television, film, radio, internet and other content) and telecommunications companies (which may provide traditional and wireless telephone services, paging, data transmission services, equipment retailing and internet services) also involves substantial risks. Whereas traditionally media and telecommunications companies were considered to be in different sectors, these sectors have increasingly converged and oftentimes overlap in the services they provide. Companies in the media and telecommunications sector may encounter distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology. In addition, media and telecommunications companies may be subject to greater price volatility than the overall market due to a variety of factors, including: changing government regulations, changing consumer tastes, intense competition, and strong market reactions to technological developments throughout the industry.

Technology-reliant sectors are challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. There is no assurance that products or services sold by companies will not be rendered obsolete or adversely affected by competing products and services or other challenges.

In the event that technology-reliant sectors decline or that companies are unable to utilize technology successfully and competitively, returns to investors may decrease.

Additionally, the clients invest in the securities of issuers in the consumer sector, which investments involve substantial risk. The success of consumer product manufacturers and retailers is tied closely to the performance of the overall domestic and global economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and consumer spending. Also, companies in the consumer discretionary sector may be subject to severe competition, which may have

an adverse impact on their respective profitability. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products and services in the marketplace.

The clients may also invest in the securities of issuers in the industrials or energy sector. The industrials or energy sector can be significantly affected by general economic trends, including employment, economic growth, commodities and interest rates; changes in consumer sentiment and spending; the supply of and demand for specific industrial and energy products or services; government regulation and spending; and global competition. For example, adverse changes in the prices of certain commodities and unit volume reductions resulting from an oversupply of materials used in industrials and energy equipment and services industries can adversely affect those industries. Furthermore, a company in the industrials sector can be subject to liability for environmental damage, depletion of resources and mandated expenditures for safety and pollution control.

The clients also invest in the securities of issuers in the gaming industry. The gaming industry is highly regulated as well as uncertain, dynamic and subject to rapid change. In some instances, existing casinos or gaming operators propose and support legislation and/or litigation designed to make it difficult or impossible for competition to enter a market. This political and regulatory environment makes it difficult to predict the effects that the adoption of and changes in gaming laws, rules and regulations and/or competition will have on the Fund's investments in or related to gaming enterprises. Moreover, state, tribal and federal legislatures often consider wide-ranging legislation and regulations which could adversely affect operations and expected revenues of any such investments. State and tribal regulatory authorities have broad powers with respect to the licensing of casino or gaming operations and may revoke, suspend, condition or limit an operator's gaming license, impose substantial fines and take other actions, any one of which actions could have a significant adverse effect on the operations and financial condition of a gaming operation in which the Fund is invested. Investments in Native American gaming operations pose additional legal and regulatory uncertainties, including the ability of the clients to enforce their rights and remedies against Native American tribes.

The clients also invest in the securities of issuers in the retail, travel and leisure industries. The performance of these investments may rely on consumer spending. Many factors impact the level of consumer spending, including (i) general business conditions, (ii) interest rates, (iii) the availability of consumer credit, (iv) taxation, and (v) consumer confidence in future economic conditions. Events outside our control, such as the Coronavirus health crisis of 2020, could also impact the retail industry significantly. An economic downturn may adversely affect consumer spending, which could hurt sale and profitability of the companies underlying any such investment of a client. Furthermore, consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower. Adverse trends in general economic conditions, including retail shopping patterns and consumer confidence, may affect the demand of retail, travel and leisure products and negatively impact the ability of companies in these industries to generate revenue or attract additional financing for their business needs. The performance of retail companies is also subject to increased costs due to excess inventories if such companies misjudge the demand for their products.

*Micro-, Small- and Medium-Capitalization Companies.* Investments in securities of micro- and small-capitalization companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies



(with the attendant losses to investors) may be higher than for larger, “blue-chip” companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

*Equity Securities Generally.* The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, a client may suffer losses if it invests in equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and such client has not hedged against such a general move. The clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

*Initial Public Offerings.* Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the clients’ shares or interests.

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

*Restricted Securities.* Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the clients. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

*Illiquid Securities.* Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the clients may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale. The sale of restricted and illiquid securities often

requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the clients may be required to hold such securities despite adverse price movements. Even those markets which we expect to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

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

*Unlisted Securities.* Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly-traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

*American Depositary Receipts and Global Depositary Receipts.* American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

*When-Issued and Forward Commitment Securities.* The purchase of securities on a "when-issued" basis involves a commitment by a client to purchase or sell securities at a future date (typically one or two months later). No income accrues on securities that have been purchased on a when-issued basis prior to delivery to the client. When-issued securities may be sold prior to the settlement date. If the client disposes of the right to acquire a when-issued security prior to its acquisition, it may incur a gain or loss.



In addition, there is a risk that securities purchased on a when-issued basis may not be delivered to the clients. In such cases, a client may incur a loss.

*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 client is called for redemption, the client 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 client's ability to achieve its investment objective.

*Repurchase and Reverse Repurchase Agreements.* In a reverse repurchase transaction, a client "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by such client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the clients involves certain risks. For example, if the seller of securities to a client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

*Debt Securities.* From time to time, the clients may invest in debt securities. The clients will generally only invest in debt securities in particular circumstances, such as if they are unable to acquire equity securities (or sufficient equity securities) in a portfolio company at prices that we believe is beneficial to the clients and/or we believe that such debt securities have an equity like return profile. Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Changes in interest rates can affect the value of the clients' investments in fixed-income instruments. Increases in interest rates may cause the value of the clients' debt investments to decline. The clients may experience increased interest rate risk to the extent they invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Bonds or other fixed-income securities that are "higher yielding" (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on

additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the clients may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The clients may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. Such investments may also include distressed obligations during any period in which we determine distressed opportunities are appropriate to further the investment program of the clients, including a period of distressed opportunity. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

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

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact the clients, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared OTC instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of us and the clients, and increase the amount of time that we spend on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the clients.

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

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

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

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

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

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

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

Another risk is that a client may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the client’s FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional

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

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

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

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

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

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

be required to post to swap counterparties may increase by a material amount, and as a result the clients may not be able to deploy capital as effectively. Additionally, to the extent the clients are required to segregate initial margin with a third-party custodian, additional costs will be incurred by the clients.

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

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

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

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

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

Successful use of index futures contracts by a client also is subject to our ability to correctly predict movements in the direction of the market.

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

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

*Non-U.S. Futures Transactions.* Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is



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

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

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

make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on a client's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the client's financial risk.

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

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



*Special Purpose Acquisition Companies.* A special purpose acquisition company (a “SPAC”) is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company’s value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in “blank check” companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception). A client may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for such client to evaluate the possible merits or risks of such SPAC’s investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

*Cybersecurity Risk.* As part of our business, we process, store and transmit large amounts of electronic information, including information relating to the transactions of the clients and personally identifiable information of investors. Similarly, our service providers, especially the Administrator, may process, store and transmit such information. We have or will have procedures and systems in place that we believe are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to us may be susceptible to compromise, leading to a breach of our network. Our systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Online services provided by us to investors may also be susceptible to compromise. Breach of our information systems may cause information relating to the transactions of the clients and personally identifiable information investors to be lost or improperly accessed, used or disclosed.

Our service providers are subject to the same electronic information security threats as us. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the clients and personally identifiable information of investors may be lost or improperly accessed, used or disclosed.

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

#### **Item 9. Disciplinary Information**

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

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

##### *Services by our Related Person*

As noted above, the Hampton Road GP serves as the general partner to the Onshore Fund and the Master Fund.

##### *Management of Multiple Client Accounts*

The management of multiple client accounts results in a potential conflict of interest when we and our related persons allocate time and investment opportunities among such accounts. For example, our Principal and/or other related persons have more of their personal assets invested in certain client accounts than in others. In addition, the compensation we earn from each client account differs from the compensation earned from other client accounts. In order to mitigate associated conflicts, we follow documented procedures regarding the allocation of investment opportunities among our clients. (See *Item 6 – Performance-Based Fees and Side-By-Side Management*)

A cross-trade occurs when an investment adviser effects a trade between two or more of its advisory clients. If we were to cause a cross-trade between two clients, it may result in a conflict of interest because the transaction may result in benefits to one client that may be greater than the benefits to the other client. We expect to make cross-trades between client accounts, generally for rebalancing purposes. Such cross-trades will be made only when we believe that they are in the best interests of, and fair and equitable to, the participating clients. All cross trades require the pre-approval of our Chief Compliance Officer (the "CCO"). Cross-trades will generally be made at the closing price for each relevant security (on the last day of the month or, in the case of cross-trades resulting from capital flows) or, if no closing price is available, at a price for each relevant security that is determined in accordance with our Valuation Procedures. No brokerage commission, transfer fees or other commission will be paid to us or our related persons in connection with any such transaction.

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

We have adopted a Code of Ethics, which is designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics sets forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our clients.

Among other things, our Code of Ethics: (i) governs personal trading by our employees, (ii) contains our policies with respect to gifts and entertainment, (iii) contains our policies regarding certain outside activities of our employees, and (iv) sets forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

*Personal Trading Policy*

Our access persons (as defined under the Advisers Act) are generally required to obtain the prior written consent of our CCO in order to engage in personal transactions in equity securities of issuers with market capitalizations over a specified threshold (including initial public offerings) and limited offerings. Additionally, our access persons are required to provide our CCO with periodic reporting relating to their trading activity and personal accounts. Our policies relating to personal trading also generally apply to an access person's spouse or minor child, or an immediate family member of an access person living in the same household as such access person.

From time to time, access persons will be permitted to invest in the same securities held by our clients or may hold existing positions in securities in which our clients subsequently invest. To mitigate associated conflicts of interest, any transactions in such securities by our access persons will be permitted only after receiving approval from our CCO.

*Participation or Interest in Client Transactions*

We make available to qualified prospective investors the opportunity to invest in the Funds. Our Principal will have significant personal investments in the Funds. In addition, we and our affiliates are entitled to receive performance-based allocations from certain of our clients.

Certain rebalancing transactions between our clients will be principal transactions. We will only engage in such transactions (and any other principal transaction) after we have received prior client consent and only to the extent that such transaction complies with applicable law.

**Item 12. Brokerage Practices***Selection of Brokers*

We have an obligation to seek to obtain "best execution" for our clients with respect to their trading activity. While not defined by statute or regulation, best execution generally means the execution of client trades at the best net price considering all relevant circumstances. We seek best execution with respect to all types of client transactions, taking into account various factors. Such factors include, among others: quality of execution (e.g., accurate and timely execution, clearance and error/dispute resolution);

receipt of brokerage or research services; reputation, financial strength and stability; block trading and block positioning capabilities; willingness to execute difficult transactions; willingness and ability to commit capital; access to underwritten offerings and secondary markets; ongoing reliability; overall costs of a trade (*i.e.*, net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of our knowledge of negotiated commission rates currently available and other current transaction costs; nature of the security and the available market makers; desired timing of the transaction and size of trade; confidentiality of trading activity; and/or market intelligence regarding trading activity. In selecting brokers to execute transactions (or series of transactions) and determining the reasonableness of the brokers' compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not formally commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations but can (and often does) exceed the suggestions, because total brokerage is allocated based on all the considerations described above.

We have established a Brokerage and Soft Dollar Committee, which meets on a quarterly basis to evaluate, among other things, the execution that we are receiving from brokers. In conducting its analysis, the committee will review commissions and other transaction costs and trade volumes to evaluate their reasonableness. In addition, the committee will review gifts and entertainment received, and any known conflicts of interests (*e.g.*, directing commissions to a broker that employs a family member of our one of employees).

#### *Outsourced Trading*

We delegate the authority to select brokers for certain client transactions to a third party. As a result, client expenses may be higher than if we traded directly with brokers only.

#### *Research and Other Soft Dollar Benefits*

We have entered into soft dollar arrangements with certain brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing client securities transactions to the broker. Soft dollar arrangements create a potential incentive for us to select a broker based on our interest in receiving the research or other products or services offered by such broker, rather than on our clients' interests in receiving most favorable execution. Further, soft dollar arrangements pose a possible conflict of interest for us in that such arrangements potentially allow us to pay with client commissions expenses that would otherwise be borne by us. However, we only expect to use client commissions to pay for expenses that would otherwise be borne by our clients (and not by us).

When engaging in soft dollar transactions, we will comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising our discretionary authority to select or arrange for the selection of brokers for execution of transactions for our clients, and, subject to our duty to obtain best execution, we may consider the value of research and brokerage products and services provided by such brokers. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the

brokerage and products or services provided by such broker, a client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all clients and not exclusively in connection with the management of the clients that generated the particular soft dollar credits.

Where a product or service obtained with client commission dollars provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with client commission dollars.

We also execute transactions on behalf of our clients with brokers that provide us with access to bundled services, including access to proprietary research reports (such as standard investment research and credit reports) and invitations to attend conferences. To the best of our knowledge, these services are generally made available to all institutional investors doing business with such brokers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by clients or the volume of business that we direct to such brokers.

During our last fiscal year, we acquired with client brokerage commissions (or markups or markdowns): (i) research, such as proprietary research from brokers and (ii) research services, such as consultation with industry consultants concerning specific companies, industries or sectors.

#### *Conflicts Associated with Brokerage*

The adviser to one of the SMAs acts as a full-service broker for the Hampton Road Funds and has been engaged by us as a placement agent. In addition, subject to applicable law, we direct client brokerage business to brokers that refer prospective investors to us (including such full-service broker). Accordingly, we are subject to a potential conflict of interest with our clients when allocating brokerage business to such brokers. To mitigate this potential conflict, we will not allocate brokerage business to any such broker unless we determine that such allocation is consistent with our best execution duties.

#### *Trade Errors*

We may on occasion experience errors with respect to trades made on behalf of client accounts. We will reimburse each client account for net losses resulting from trade errors in accordance with such client's Governing Documents.

#### *Aggregation of Orders*

Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for us generally arise when more than one client account is capable of purchasing or selling a particular security.

If we determine to allocate the purchase or sale of a security to multiple clients, we generally will, but are not obligated to, purchase or sell such security on behalf of such clients using an aggregated order. In general, we aggregate orders among clients that pursue the same strategy unless aggregation is not consistent with our duty to seek best execution or the terms of the investment guidelines and restrictions applicable to client accounts. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will participate at the average price for such trades, with

transaction costs generally allocated *pro rata* based on the size of each client's participation in the order. To the extent that an aggregated order is only partially filled, we will allocate such order on a fair and equitable basis.

When orders are not aggregated, trades will typically be placed with the intent being that no single client (or group of clients) will be systematically disadvantaged over time. When orders are not aggregated, each client will bear the commission and ticket charges applicable to its own trades.

### **Item 13. Review of Accounts**

#### *Review of Accounts*

Our clients' portfolios are reviewed, and their performance analyzed, by our Principal on a regular basis. In addition, our Principal and our CCO regularly review client portfolios to confirm that the securities held by them remain consistent with their investment strategies, objectives and guidelines.

#### *Reporting*

In addition to the reports below, our clients and investors may be provided with certain information about us and the accounts that we manage in response to questions and requests, including in connection with due diligence meetings. This information may not be distributed to other clients, investors or prospective investors. Each client and investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

#### *The Funds*

We furnish investors in the Funds with periodic written unaudited performance reports as set forth in their relevant Governing Documents. In addition, on an annual basis, we provide investors with a copy of the relevant Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1).

Pursuant to "side letter" or other agreements, we may provide certain investors with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us (including notifications of redemptions from a Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

#### *The Tactical Sub-Advised Fund and the SMAs*

We provide the owners or advisers of the Tactical Sub-Advised Fund and the SMAs with periodic unaudited reports at such times as have been agreed upon with each such owners or advisers. Each such owner and adviser receives account statements from the relevant account's custodian on such periodic basis as is agreed to between the client and custodian.

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

We have engaged a placement agent for investor referrals, but such placement agent will not be entitled to any fees or remuneration in connection with its services.

**Item 15. Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), we are deemed to have custody over the Funds’ assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds’ audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Fund’s fiscal year.

We do not have custody over the assets held by the Tactical Sub-Advised Fund and the SMAs. As noted above in *Item 13*, the owner or adviser of each such client will periodically receive account statements from the custodian of each such account. The owner or adviser of each such client should carefully review these statements.

**Item 16. Investment Discretion**

We have discretionary authority to manage securities and other investments on behalf of our client accounts. The investors in the Funds generally are not able to place any limits on our authority beyond the limitations set forth in their respective Governing Documents. Under certain circumstances, we may contract with a separately managed account to adhere to limited risk and/or operating guidelines imposed by the client. We would negotiate such arrangements on a case-by-case basis.

**Item 17. Voting Client Securities**

We generally have voting discretion over client securities. Clients generally are not able to direct their votes in a particular situation. We have adopted proxy voting guidelines and procedures, which are summarized below.

We retain an independent third-party proxy voting service (the “Proxy Service”) to: (i) monitor proxy votes pertaining to portfolio securities, (ii) provide research and recommendations on such votes, (iii) cast such votes in accordance with our instructions, and (iv) maintain records with respect to such votes. Our policy is to vote proxies according to the Proxy Service’s recommendations unless we determine that it is in the best interest of a client to depart from such recommendations. In assessing a proxy, we may take into account the following factors, among others: (i) the impact on the value of the relevant securities, (ii) the anticipated costs and benefits associated with the proposal, (iii) the effect on liquidity, and (iv) customary industry and business practices. We will abstain from voting or affirmatively decide not to vote if we determine that abstaining or not voting is in the best interests of clients.

If we determine that there is, or we perceive that there is, a conflict of interest when voting proxies, we will vote in accordance with the recommendations of the Proxy Service.

Upon the request by a client, we will disclose to such client how we voted proxies for securities owned by such client. We will also provide a copy of our proxy voting guidelines and procedures to clients upon request.

**Item 18. Financial Information**

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

**Item 19. Requirements for State-Registered Advisers**

We are not a state-registered adviser.