



# Company Brochure

September 28, 2022

## Item 1 – Cover Page

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This Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Lighthouse Investment Partners, LLC (“Lighthouse”) and its relying advisers, North Rock Capital Management, LLC (“North Rock”), LH NR UK (Management) LLP (“LH NR UK”), Mission Crest Capital Management, LLC (“Mission Crest”), Pier61 Partners LLC (“Pier61”) and LHP Ireland Fund Management Limited (“LHP Ireland”). If you have any questions about the contents of this Brochure, please contact us at +1-561-741-0820 or [investor.relations@lighthousepartners.com](mailto:investor.relations@lighthousepartners.com).

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

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

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

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

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

## Item 2 – Material Changes

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This Brochure contains no material changes to our Brochure dated September 28, 2021.

Various updates were made to the Brochure. The following is a summary of updates Lighthouse has made to this Brochure:

- Item 4 – Updated disclosures to more fully describe Lighthouse’s Advisory Business with respect to each of Lighthouse’s three distinct business lines.
- Item 5 – Updated disclosures with respect to (i) fees and compensation to expand on the way in which fees are charged and received by Lighthouse
- Item 6 – Updated disclosures regarding the charging and receipt of performance-based compensation with respect to certain Lighthouse Products.
- Item 8 – Updated disclosures related to Lighthouse’s methods of analysis, investment strategies, and risk of loss.
- Item 10 – Updated disclosures related to financial industry activities and affiliates to add Pier61 Partners LLC, a Lighthouse relying adviser.
- Item 12 – Updated disclosures regarding brokerage practices with respect to certain investment strategies.
- Item 13 – Updated disclosures related to the monitoring and review of the Funds and each Fund’s investment objectives.
- Item 14 – Updated disclosures to include reference to the use of placement agents with respect to the Funds.
- Item 17 – Updated disclosures related to proxy voting and the way in which Lighthouse may vote client securities for certain of the Funds.

If you have any questions about the information contained in this Brochure, you may contact us at +1-561-741-0820 or [investor.relations@lighthousepartners.com](mailto:investor.relations@lighthousepartners.com).

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## Item 4 – Advisory Business

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Lighthouse is a diversified alternative asset management firm with over two decades of experience providing investment advisory services to institutional investors and high net worth individuals through privately offered investment funds and/or managed accounts. Lighthouse, a Delaware limited liability company, began managing capital in 1999 (through a predecessor entity) and manages client capital through Lighthouse and other relying advisers as described in Section 10.

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

The Lighthouse Group has three distinct business lines: (i) platform hedge fund strategies operating through Lighthouse and wholly owned subsidiaries, including but not limited to, North Rock and Mission Crest (“Platform Hedge Funds”); (ii) multi-portfolio manager solutions managed by Lighthouse, which strategically allocate capital across the Platform Hedge Fund strategies and external portfolio managers (“Hedge Fund Solutions”); and (iii) managed account services offered through a subsidiary named Luminae Partners, LLC (“Luminae”), which provides comprehensive structural and administrative expertise to institutional investors in managing their alternative investment program (“Platform Services”).

Generally, investment strategies implemented across the Lighthouse Group include, but are not limited to, (i) global relative value equities, (ii) global fundamental equities strategies, (iii) opportunistic strategies to take advantage of trades with attractive spreads such as merger arbitrage and convertible arbitrage, and (iv) global macro. These strategies are offered to clients through private Funds (as defined below) for which Lighthouse or its relying advisers act as an investment adviser. Relevant information regarding these strategies, including conflicts of interest, risk factors, and tax and other important disclosures are described in the particular Fund’s private offering documents, and investors in such Funds must refer to such materials for specific information about such Funds.

As used in this Brochure, the term “Portfolio Manager,” refers to a group, typically comprised of one to five individuals but sometimes many more, operating as a single team to manage a portion of a particular Fund’s assets. A Portfolio Manager team may include portfolio managers, traders, analysts, risk and research personnel, technologists, data scientists and other information technology staff, operations and accounting staff and others. Portfolio Managers can fall into one of the following categories: (a) certain employees of Lighthouse Group; (b) third-party investment advisory firms that are legally separate from, and operated independently of, the Lighthouse Group; and (c) employees of third-party advisory firms who are seconded to the Lighthouse Group by contract. Portfolio Managers operate their respective trading groups and are primarily responsible for their groups’ trading, personnel, and similar decisions, subject to our risk management and, in the case of Portfolio Managers that are Lighthouse Group employees, to Lighthouse’s supervision and control. Portfolio Managers whose personnel are not employees of the Lighthouse Group are responsible for hiring of personnel and certain other aspects of their business, although Lighthouse generally retains ultimate control over the Lighthouse Group accounts managed by such Portfolio Managers. The Lighthouse Group also provides certain administrative or other services to such Portfolio Managers. Many such Portfolio Managers also manage capital for one or more other unaffiliated clients.

### **Our Funds and Other Clients**

The Lighthouse Group primarily provides investment management and advisory services to private investment funds (collectively, the “Funds”). The majority of our Funds are U.S. and non-U.S. domiciled investment vehicles that are offered to multiple external investors or to a single external investor for the purposes of accessing the Platform Hedge Fund and Hedge Fund Solutions strategies (“External Investor Funds”). Our External Investor Funds may invest through master-feeder fund structures or, directly and

indirectly, in a managed account comprised of one or more Portfolio Managers who exercise discretionary trading authority over the managed account, or a specific sub-account thereof. Such managed accounts are typically structured through organizing a private fund vehicle that is managed and advised by us and is only open for investment to other Funds managed by the Lighthouse Group. In implementing strategies for the Funds and managed accounts, the Lighthouse Group will generally manage multi-Portfolio Manager portfolios. The Platform Hedge Fund strategies will generally select Portfolio Managers to implement those strategies, and the Hedge Fund Solutions strategies will generally be implemented by investing in our proprietary Platform Hedge Fund strategies and by allocating to third party Portfolio Managers.

External Investor Funds typically issue share classes based on different fees or foreign currency denominations; however, certain External Investor Funds have issued classes that are comprised of investments of different portfolios. In some cases, these classes hold customized portfolios for a single investor. See the Cross-Class and Cross-Fund Liability Risk factor in Item 8 of this Brochure for additional information. Most assets held in aggregate by External Investor Funds are invested, directly or indirectly, in private fund vehicles housing managed accounts. However, certain External Investor Funds may invest a substantial portion of their assets in unaffiliated funds (each, an “Unaffiliated Fund”) depending on strategy, regulatory requirements, or investment mandate.

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

All Funds managed by the Lighthouse Group are exempt from registration as investment companies in reliance on Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”).

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

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

Lighthouse also serves as manager, sub-investment manager, or similar capacity to separately managed portfolios housed within separately managed accounts held by an independent custodian or funds controlled by a third-party. Separately managed portfolios consist of customized portfolios of hedge fund investments designed to meet the needs of a single investor. The investment objectives for and guidelines (if applicable) for such relationships are typically set forth in an investment management agreement between the investor and Lighthouse.

References to “Lighthouse Products” or “our products” throughout this brochure include the Funds and separately managed portfolios.

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

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

Back-office and middle-office support services typically include a broad range of accounting and financial reporting services, tax reporting services, administrative support services and investor services. We evaluate and coordinate the services of independent administrators for various investor accounts, authorize and/or execute treasury operations (i.e., the movement of cash) directly or through the use of administrators, process and settle subscriptions to/redemptions from Funds in which investor accounts invest, as well as execute and settle derivative contracts designed to ensure that certain investor accounts maintain certain market exposure target ranges and/or hedge their exposure to the U.S. dollar or other currencies.

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

As of June 30, 2022, the Lighthouse AUM was \$14.2 billion. Approximately \$11.6 billion were discretionary assets. Approximately \$2.6 billion were non-discretionary assets, based on certain investment restrictions imposed in relation to certain Funds. See Item 16 of this Brochure for further information on how “discretionary” and “non-discretionary” AUM are determined. We do not participate in any wrap fee programs.

## **Item 5 – Fees and Compensation**

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We do not have a single standardized management fee or performance fee schedule for our services. Depending on the offering document or constitutional document of the Lighthouse Product, we receive (i) a management fee (“Management Fees”), (ii) a performance fee (“Performance Fees”), or a combination thereof. In certain cases, we may be entitled to receive both a Management Fee and a Performance Fee. The Management Fee may vary among the Lighthouse Products, share classes, or series of interests within each Fund. Management Fees are typically paid monthly or quarterly in arrears following the calculation of net asset value of each Fund. Please see each Fund’s offering or other disclosure documents for more information about the specific fees charged with respect to such Fund.

The Performance Fee is typically subject to a loss-carryforward or “high water mark” and, if applicable, a “hurdle rate” as set forth in the offering documents or constitutional document of the Lighthouse Products. Certain share classes within the Funds place additional limitations on the calculation or payment of the Performance Fee related to such share classes, series of interests, and/or Funds. If an investor in a Fund that is subject to a Performance Fee redeems all or part of its shares or interests in the fund other than as of a date a Performance Fee is calculated, a Performance Fee is paid with respect to the redeemed amount at the time of redemption.

We may waive, reduce, or rebate the Management Fee or Performance Fee with respect to any investor, either in whole, or in part. In addition, we may enter into side letters with certain investors granting them preferential fee terms. Our determination to offer lower fees may be based on the relevant investor’s investment size or the aggregation of accounts for investors sourced from a certain investment advisor, consultant or other third-party, although we also may consider other factors. Employees who are permitted to invest in our Funds are not subject to a Management Fee or Performance Fee. In certain circumstances, we invest directly in Funds that house managed accounts and will not bear the costs and

expenses of other External Investor Funds. At times, we pay part of our Management Fees and Performance Fees to third parties for assisting in the placement of interests or shares our Funds.

Fees for Platform Services ("Platform Services Fees") are independently negotiated based on the type of service and size of relationship. Platform Services Fees typically constitute a percentage of notional asset value of a Fund and will be paid in arrears, either monthly or quarterly.

Generally, the administrator to the Funds calculates the Management Fee, Performance Fee and Platform Services Fee and communicates the net asset value and fee calculation to us. We confirm the calculations, and then the administrator directs the bank for the applicable Fund to make payment to us. Fees are customarily deducted from investors' assets. In certain limited circumstances, an investor may pay fees to Lighthouse in a manner outside those described above whereby Lighthouse submits a bill to the client and such client pays Lighthouse directly rather than having the fees deducted from their assets.

In addition to the Management Fees, Performance Fees or Platform Services Fees deducted from an investor's assets, each investor also pays a portion of the ongoing investment and operating expenses of such Fund, most commonly on a pro rata basis. Such expenses include, without limitation, administrator fees, professional fees relating to investments, liability insurance premiums; legal and regulatory expenses; tax-related expenses; audit and accounting expenses; research; software and technology expenses and are described more fully in the applicable offering documents of the Lighthouse Product.

Certain Funds employ a "pass-through" expense model (the "Pass-Through Funds") that incur various expenses in connection with or otherwise related to the operations and activities incurred at various levels of a) the Pass-Through Fund, b) Lighthouse or one of its subsidiaries, that manages such Pass-Through Fund (the "Pass-Through Fund Manager") and c) Portfolio Managers (collectively, "Pass-Through Expenses"). Each Fund that invests in a Pass-Through Fund will also be responsible for such expenses. In addition, Lighthouse may and has elected in the past to not passthrough certain expenses such that they are not borne by investors. This is done at the sole discretion of Lighthouse.

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

- Investment-Related Expenses: investment expenses (e.g., expenses that the Pass-Through Fund Manager determines to be related to the investment of the Pass-Through Fund's assets, such as brokerage commissions, expenses relating to short sales, financing charges, exchange fees, clearing and settlement charges, custodial fees, bank service fees and interest and financing expenses); currency hedging expenses; legal expenses and professional fees (including, without limitation, expenses of third-party consultants, compliance consultants, expert networks, risk service providers and portfolio finance service providers); valuation expenses; performance-based compensation of Portfolio Managers (if any); asset-based compensation of Portfolio Managers (if applicable); and management fees, performance fees and other costs and expenses payable in respect of any investment by the Pass-Through Fund in another investment vehicle (whether affiliated with Lighthouse or not).
- Organizational and Operating Expenses: Administrator fees, administrative expenses, legal expenses, auditing and tax preparation expenses, expenses for tax or accounting services performed by any third parties; costs of preparing, printing and mailing reports and notices, including customized reporting requested by investors; bonding costs required by ERISA, if applicable; taxes and similar amounts and other related interest, penalties or other expenses; corporate licensing; costs related to regulatory reporting; the fees and expenses of the Pass-Through Fund's board of directors; the fees and expenses of the paying agent (if any); organizational expenses; expenses incurred in connection with the offering and sale of Shares; the Pass-Through Fund Manager's and the Pass-Through Fund's liability insurance premiums (including, without limitation, Errors & Omissions, Directors & Officers, commercial property insurance, employment practices liability insurance, cyber insurance and general liability insurance, including for the Portfolio Managers, the board of the directors of the Pass-Through Fund and Investment Adviser Personnel); expenses related to the maintenance of the Pass-Through Fund's registered office or future offices and other similar expenses; fees and



expenses related to the Pass-Through Fund's wind down and liquidation; and extraordinary expenses. "Investment Adviser Personnel" means the principals, members, officers and employees of the Pass-Through Fund Manager and the principals, members, officers and employees of Lighthouse or its affiliates who devote substantially all of their professional time to the business and affairs of the Pass-Through Fund Manager.

- **Research and Risk Related Expenses:** Research-related expenses, including expenses related to Bloomberg and other similar subscription-based services, independent research reports or publications, software, quotation and related financial data services; expenses related to various risk software and systems used by Portfolio Managers and the Pass-Through Fund Manager; investment/research-related travel expenses of Portfolio Managers and the Pass-Through Fund Manager; and Employee Costs (as described below) related to risk and research personnel used by the Portfolio Managers and the Pass-Through Fund Manager.
- **Technology Costs:** The Portfolio Managers' and the Pass-Through Fund Manager's costs related to information systems, software and technology expenses, including expenses related to risk or trading software provided by third parties or developed internally by the Pass-Through Fund Manager or an affiliate thereof, hardware, Bloomberg, trading systems, order management systems and portfolio management systems, risk management systems, execution systems, middle and back office software systems, investor reporting systems and investor reporting costs, data warehouse expenses, cyber security costs, rack space, storage costs, software development, technology build out, connectivity, and business continuity program/disaster recovery.
- **Employee Costs:** The Portfolio Managers' and the Pass-Through Fund Manager's expenses related to Portfolio Managers and Investment Adviser Personnel, including employee salaries and bonuses including expenses associated with personal administrative support for certain employees, employee benefits (e.g., medical benefits, dental benefits, and retirement benefits including 401(k) matching costs), recruiting costs (including fees paid to third-party recruiting firms related to the engagement of the Portfolio Managers and Investment Adviser Personnel), severance payments, signing bonuses, deferred compensation, relocation arrangement costs, non-compete covenant costs (i.e., paying someone during a non-compete), buy-out payments, long term compensation plans, employee-related legal costs, consultant costs, costs related to the use of third-party human resources service providers, key man life insurance policies, and additional payments intended to compensate certain key personnel of Portfolio Managers for entering into a relationship with, and providing investment advisory services to, the Pass-Through Fund Manager and/or the Pass-Through Fund and/or to compensate key personnel of such Portfolio Managers for giving up certain compensation which they would have received had they not agreed to enter into a relationship with, and provide investment advisory services to, the Pass-Through Fund. Employee costs may be paid to Portfolio Managers and their staff, including Portfolio Managers and staff directly employed by the Pass-Through Fund Manager or an affiliate thereof, as well as Investment Adviser Personnel. For the avoidance of doubt, bonus/incentive compensation paid to Portfolio Managers and Investment Adviser Personnel and treated as employee costs may be calculated based on the performance of specific "books" or the relevant Pass-Through Fund (e.g., a bonus/incentive compensation equal to a certain percentage of the overall profits of specific "books" or Pass-Through Fund). The foregoing employee costs may be fully or partially waived or reduced with respect to certain investors. The amount of any such waiver or reduction will be borne by the Pass-Through Fund Manager or an affiliate and not passed on to the other investors.
- **Compliance Costs:** Costs related to the Portfolio Managers' and Pass-Through Fund Manager's compliance programs and formation of compliance programs, including outside legal costs, costs related to the retention of compliance consultants, mock exam costs, costs incurred related to regulatory exams, registration costs, and compliance system, software and other compliance-related technology costs and the costs of organizing, establishing and registering any Lighthouse affiliates in their relevant jurisdictions.



- Facilities Costs: The Portfolio Managers' and the Pass-Through Fund Manager's costs related to rent, depreciation, furniture and fixtures including leasehold improvements, security deposits, fees and collateral letters of credit, related insurance costs, utility costs, communications equipment, internet access, cleaning costs, etc. for current and future offices established in any jurisdiction by Lighthouse.
- Regulatory Costs: Costs and expenses relating to the Portfolio Managers' and the Pass-Through Fund Manager's U.S. and non-U.S. registration, regulatory and self-regulatory filings, reporting, memberships, taxes and licensing, compliance (including, without limitation, costs of examinations), regulatory and governmental inquiries, subpoenas, and proceedings.
- Operational Costs: costs and fees attributable to the general operation and administration of the businesses of the Portfolio Managers and the Pass-Through Fund Manager, including all legal, accounting, auditing, expenses incurred in connection with transfer pricing analyses, and other professional services (including consulting services) relating to activities of the Portfolio Managers, the Pass-Through Fund Manager, and Investment Adviser Personnel.

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

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

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

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

When Lighthouse is in a position to be able to allocate expenses among different Funds, a potential conflict of interest exists due to different fee terms, affiliations, or arrangements Lighthouse maintains with our Funds. Lighthouse also determines the rates and allocation methodologies, that clients and/or Portfolio Managers will pay for services received from certain service providers. Nonetheless, Lighthouse has

established procedures in an effort to monitor expense allocations between accounts designed to mitigate any conflicts.

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

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

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

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

In addition, as previously mentioned Lighthouse clients pay for certain expenses, typically on a pass-through basis, aimed at improving various aspects of its business, including for purposes of developing its technology, information technology software and services, data processing capabilities, investment models, information systems and operations, as well as enhancing its recruitment and retention of personnel. Although such expenditures will be made in connection with the furtherance of client investment objectives, such enhancements also benefit Lighthouse in various aspects of its business. Investors may not participate in or benefit from such other aspects of Lighthouse businesses. Any property purchased, software, trading systems, or intellectual property generated by Lighthouse will be the sole property of the Lighthouse Group and may be used as it determines, without reimbursement to clients or investors, notwithstanding the fact that clients and investors bore the costs of its acquisition or development and may still be used for the benefit of the Lighthouse Group or other clients who did not bear any (or less than their pro rata share) of the costs of developing, implementing, and maintaining such software or trading systems.

Typically, Subadvisory Agreements with Portfolio Managers provide that Pass-Through Expenses of a Portfolio Manager will either: (A) reduce the relevant account's net appreciation (upon which the Portfolio Manager performance fee is calculated) or (B) reduce, on a dollar-for-dollar basis, the Portfolio Manager performance fee payable to the Portfolio Manager. Lighthouse determines the appropriate method to allocate or not allocate expenses to Portfolio Managers in its sole discretion. For example, Lighthouse, may in its discretion, agree with a Portfolio Manager that certain Pass-Through Expenses will be paid by the client or Fund without reducing the relevant Portfolio Manager's net appreciation or Portfolio Manager performance fee.

Lighthouse and its personnel as well as third party Portfolio Managers can be expected to receive certain personal benefits and/or "perks" arising or resulting from their activities on behalf of clients and Funds that will not otherwise be shared with the clients. For example, airline travel or hotel stays incurred as pass-through expenses typically result in certain benefits such as cash rebates, "miles," or credit card "points" under credit card loyalty/status programs. Such benefits and/or amounts will, whether or not de minimis or

difficult to value, inure exclusively to Lighthouse personnel or Portfolio Managers (and not to the Funds or clients) even though clients often will be bearing the underlying expenditures as Pass-Through Expenses.

When Lighthouse Products invest in our other Funds, they are generally not subject to a Management Fee or Performance Fee (i.e., typically, there are no “double fees” paid to Lighthouse). However, they do bear their pro rata portion of expenses in such other Funds. Such expenses are not separately paid by any Fund invested therein but are incorporated into the calculation of the net asset value of such other Fund.

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

See each Lighthouse Product's offering or other relevant disclosure document for a summary of more specific expense disclosures.

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

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Lighthouse charges some Lighthouse Products a Performance Fee (in lieu of or in addition to a Management Fee) on terms described more fully in the applicable offering documents of the Lighthouse Product. This performance fee is in addition to the fees and performance-based compensation charged by Portfolio Managers and Unaffiliated Funds (as applicable).

Performance-based compensation may create an incentive for Lighthouse or Portfolio Managers to cause our products to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. In addition, because performance-based compensation is generally based on realized and unrealized gains and losses, Lighthouse could earn a Performance Fee on gains that investors in certain Lighthouse Products never realize.

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

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

consider fees paid by an investor or a Lighthouse Product when making allocation and redemption decisions.

Certain Lighthouse Products are treated as “plan assets” for purposes of the fiduciary responsibility standards and prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the parallel prohibited transaction excise tax provisions of Section 4975 of the Internal Revenue Code of 1986. For compliance and other reasons, certain investment funds or their investment managers limit the amount of the investment made by a “plan assets” fund or may prohibit such investments altogether. As a result, allocations of investments for “plan assets” and non-“plan assets” Lighthouse Products are different due to the ability or inability of different investment funds or their investment managers to accept assets subject to ERISA.

## Item 7 – Types of Clients

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Lighthouse clients are primarily the Funds managed by Lighthouse. These Funds are offered consistent with private offering requirements applicable to the jurisdiction where both the Fund is domiciled along with where the underlying investors are domiciled. The investors of these Funds include institutional investors and high net worth individuals. Institutional investors include, but are not limited to, sovereign wealth funds, governmental and corporate pension plans, insurance companies, banks, corporations, government entities, healthcare organizations, charitable organizations, foundations, and endowments (including those benefitting universities and colleges), religious entities and other business entities.

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

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

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### Methods of Analysis

As described in Item 4, Lighthouse offers Platform Hedge Fund Strategies and Hedge Fund Solutions designed to meet the objectives of various strategies, each as described more fully in the offering documents of the applicable Fund or other constituent documents relevant to the mandate. There can be no assurance that a Lighthouse Product will achieve its investment objective.

Lighthouse strategies are generally implemented through allocating to Portfolio Managers. These Portfolio Managers are identified through “bottom-up” analyses involving quantitative and qualitative reviews to analyze performance record, strategy differentiation, portfolio construction and risk management. Lighthouse quantitative testing is used to confirm a Portfolio Manager’s trading skill, style, and consistency, while Lighthouse qualitative testing is used to confirm appropriate staffing, systems, and internal controls. Lighthouse overall portfolio construction relies on analysis of current economic and market environments, liquidity of Portfolio Manager portfolios, diversification of common strategy exposures, capacity constraints, and other factors.

The main strategies implemented by our Portfolio Managers include:

- Credit
- Distressed
- Event-Driven
- Fixed Income

- Global Trading
- Long/Short Equity
- Market Neutral Equity
- Short Selling
- Multi-Strategy
- Relative Value
- Opportunistic

### Credit

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

### Distressed

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

### Event-Driven

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

### Fixed Income

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

### Global Trading

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

### Long/Short Equity

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

### Market Neutral Equity

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

include stocks with weak balance sheets, declining earnings, outdated products, and poor financial ratios. Some market neutral equity strategies concentrate on specific sectors or geographies.

### Short-Selling

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

### Multi-Strategy

This strategy generally involves Portfolio Managers exercising discretion in allocating capital among several types of investment strategies. Capital is allocated to each strategy based on opportunity set changing with market conditions.

### Relative Value

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

### Opportunistic Strategies

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

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

### **Risk of Loss**

Investing in securities involves a substantial risk of loss that investors in the Lighthouse Products should be prepared to bear. Further, past performance of a Lighthouse Product is not indicative of future



performance. There are material risks associated with a fund of funds structure and with the investment strategies employed by the Portfolio Managers of the Funds and Unaffiliated Funds, as summarized below. This summary does not attempt to describe all of the risks associated with an investment in a Lighthouse Product, or all risks associated with the strategies employed by the Lighthouse Products. Although no summary can fully describe all of the risks associated with an investment in the Lighthouse Products, investors should also review the risk factors stated in the offering documents or relevant constitutional document for each of the Lighthouse Products, which are tailored to the specific strategies and investment structures employed and consult with their own financial advisors prior to making an investment.

## Risks Related to Fund Structures and Offering Terms

### Investment Strategies and Risk Generally

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

### Multiple Portfolio Managers

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

### Other Clients of Portfolio Managers

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

### Reliance on Management and Key Employees

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

### Valuations in Unaffiliated Funds

In order to determine net profits and losses, the securities and other positions held by Lighthouse Products in Unaffiliated Funds must be valued. In valuing a Lighthouse Product's assets in Unaffiliated Funds, Lighthouse will generally rely on the valuations provided by the various third-party Portfolio Managers and/or the administrators to such Unaffiliated Funds. Although Lighthouse will review the valuation procedures used by the third-party Portfolio Managers, Lighthouse will have little or no means of



independently verifying valuations provided by such third-party Portfolio Managers. In calculating its net asset value, although Lighthouse Products will review other relevant factors, the Lighthouse will rely significantly on values reported by the third-party Portfolio Managers for such Unaffiliated Funds and/or their administrator. These valuations will typically be estimates only and will be subject to revision based on the annual audit for each Unaffiliated Funds. Revisions to a Lighthouse Product's gain and loss calculations will be an ongoing process, and no appreciation or depreciation figure can be considered final until the annual audits of the Unaffiliated Funds are completed. Should these valuations prove to be incorrect, such Lighthouse Products may experience losses.

### *Multiple Levels of Fees and Expenses*

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

### *Performance Fees*

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

### *Liquidity*

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

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

An investment in the Lighthouse Products will not be suitable for investors seeking current income for financial or tax planning purposes. Although we reserve the right to declare and pay special dividends or distributions, we do not anticipate such dividends or distributions being paid except in unusual circumstances. Upon an investor's redemption, distributions may be made partly in cash and partly in-

kind. An in-kind distribution may consist of securities that are not readily marketable and may be subject to restrictions on resale. An in-kind distribution may also consist of an interest in a liquidation vehicle formed to hold certain Fund interests on behalf of redeeming investors.

### *Effect of Redemptions*

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

### *Passive Currency Hedging*

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

### *Assets May Not Be Diversified*

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

### *Lack of Control*

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

### *Disparate Information Rights*

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

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

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

### Fund Legal Structures Untested

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

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

### Portfolio Managers with Limited or No Track Record

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

### Portfolio Managers Consisting of a Single Principal

In some cases, Portfolio Managers to whom our products allocate capital consist of only one principal. If that individual dies or becomes incapacitated, our products may sustain losses.

### Litigation Risk

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

### Cyber Security Breaches and Identity Theft

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The information and technology systems of Lighthouse, our products and their respective investments are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although Lighthouse has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time, or cease to function properly, the Lighthouse Products and/or their investments may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Lighthouse's, our products' and/or their respective investments' operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Lighthouse's reputation, subject Lighthouse or the Lighthouse Products to legal claims and otherwise affect their business and financial performance.

## **Risks Related to the Investment Strategies Employed by Portfolio Managers**

### General Economic Conditions

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

### Market Risk

The profitability of a significant portion of our products' investment programs depends mostly on correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that we or Portfolio Managers will be able to predict accurately these price movements. With respect to the investment strategies used by Lighthouse products and Portfolio Managers, there is always some, and occasionally a significant, degree of market risk which could lead to material losses.

### Hedge Strategies

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

### Relative Value Strategies

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

directional position. Many relative value Portfolio Managers employ strategies that are somewhat directional, which expose the Funds or Unaffiliated Funds to market risk.

### *Event Strategies and Low Credit Quality Securities*

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

### *Quantitative Models*

**Programming and Data Risks.** Certain Portfolio Managers employ quantitative models in their investment processes. A quantitative investment strategy often uses quantitative methods, applications, systems, algorithms, or approaches that apply statistical, economic, financial, or mathematical theories, techniques, or assumptions (collectively “quantitative models”) to process data without or with minimal human intervention. Portfolio Managers quantitative strategies also use quantitative models and techniques to systematically generate the desired investment portfolio or the investment orders for the respective investment strategy. The research and quantitative modeling process engaged in by Portfolio Managers is extremely complex and involves financial, economic, econometric, and statistical theories, research and modeling and the results of the research process must then be successfully translated into computer code. There can be no assurance that the quantitative models used by Portfolio Managers on behalf of clients will be effective. Moreover, there can be no assurance that Lighthouse or third party Portfolio Managers will be able to continue to develop, maintain and update the quantitative models so as to effectively implement the investment strategy. Quantitative strategies are highly dependent upon various computer and telecommunications technologies and upon adequate liquidity in the markets traded. Certain quantitative models are highly reliant on the gathering and cleansing of large amounts of data including third party data, as such quantitative models are heavily reliant on correct data inputs. If incorrect data is entered into a quantitative model, the resulting valuations will be incorrect. However, even if data is inputted correctly, “model prices” will often differ substantially from market prices, especially for instruments with complex characteristics, such as derivative products. When quantitative models and/or data inputs prove to be incorrect, stale, misleading or incomplete, any decisions made in reliance thereon expose clients to potential risks. For example, reliance on quantitative models and/or data may result in buying certain investments at prices that are too high, selling certain other investments at prices that are too low, or missing favorable opportunities altogether. Similarly, any hedging based on faulty quantitative models and/or data inputs may prove to be unsuccessful. The successful execution of Portfolio Manager quantitative strategies could be severely compromised by, among other things, a diminution in the liquidity of the markets traded, telecommunications failures, power loss and software-related “system crashes.” There are also periods when even an otherwise highly successful system incurs major losses due to external factors dominating the market, such as natural catastrophes and political interventions. Certain Portfolio Managers deploy quantitative strategies and models that utilize both proprietary and externally sourced data to supplement trading decisions. This has in the past and will likely in the future result in orders in opposite direction or in the same direction at different times for the same or similar securities, which will likely affect the prices and availability of the securities and other financial instruments in which Funds invest. Transaction costs incurred by quantitative investment strategies may be significant. In addition, the difference between the expected price of a trade and the price at which a trade is executed, or “slippage,” may be significant and may result in losses.

### *Quantitative Model Errors*

Portfolio Managers that employ quantitative trading strategies rely on numerous systems, models, computer programs, data inputs, and telecommunications technologies, among other things in the implementation of their investment strategies. Programming or coding errors, input failures, and other related technological issues (e.g., telecommunications failures, power loss, software-related “system crashes”) (collectively “Model Errors”) will inevitably arise in the implementation and execution of



investment strategies that employ quantitative models. Model Errors are often extremely difficult to detect and resolve and some Model Errors could go undetected for long periods of time, and some may never be detected. Although Lighthouse seeks to retain individuals skilled in the development and operation of necessary functions in the development of quantitative models and quantitative strategies, data and software, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform “real world” testing of the end product raises the chances that quantitative models may contain errors; one or more of such errors could adversely affect a client’s performance. The degradation or impact on performance caused by Model Errors can compound over time. Portfolio Managers employing quantitative based strategies are expected to continuously modify, enhance and develop quantitative models as they deem appropriate. The creation of quantitative models (including incremental improvements to quantitative models) may expose clients to the possibility of unforeseen losses from a variety of factors, including conceptual, design, coding, and implementation failures. Lighthouse considers any such implementation failures, including Model Errors, to be an intrinsic aspect of quantitative strategies sophisticated and highly technologically dependent trading, risk management and execution techniques. Therefore, such failures are considered by Lighthouse to be a basic cost of the creation, deployment, and implementation of such strategies and as such will be borne by clients. Furthermore, clients bear the risks associated with the reliance on quantitative models, data and software including bearing all losses related to Model Errors. Although Model Errors are typically not considered trade errors, Model Errors are subject to the same standard of care as trade errors which is to say the cost of Model Errors will be borne by clients unless an error is the result of willful misconduct, recklessness, or gross negligence by Lighthouse. Lighthouse does not expect to disclose discovered Model Errors to clients or investors.

### *Opportunistic Strategies*

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

### *Use of Swaps and Other Derivatives*

Certain Funds may invest in derivatives. Derivatives are financial contracts whose value depend on, or are derived from, the value of an underlying asset, reference rate or index. Certain Portfolio Managers seek to achieve their investment objectives by entering into equity swaps instead of taking physical positions in the corresponding equity securities which may result in increased transactions costs to the client. More specifically, a Fund’s use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. If an investment fund invests in a derivative instrument, it could lose more than the principal amount invested. Finally, the assets of a Fund may be pledged as collateral in swap and other derivatives transactions. Thus, if the Fund defaults on such an obligation, the counterparty may be entitled to some or all the assets of the Fund because of the default. Even if clients do not lose the assets on deposit with the counterparty, clients could incur market losses as a result of financial difficulties or solvency concerns at such counterparties (including but not limited to situations in which the clients may be unable to gain access to the counterparty’ assets and/or execute transactions through the counterparty). At times, Lighthouse uses one or two counterparties to implement certain strategies which can heighten the aforementioned risks associated with counterparty health and the use of derivatives.

### *Equity Securities*

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

### Convertible Securities

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

### Fixed-Income Securities

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

### Futures and Commodity Contracts

Futures and commodity contract prices are highly volatile. Price movements for futures and commodities are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations, and emotions of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets -- particularly currencies. Such intervention is often intended to influence prices directly. The Funds are also subject to the risk of the failure of any of the exchanges on which the Portfolio Manager trades or its clearinghouses. None of these factors can be controlled by a Portfolio Manager and no assurance can be given that the Portfolio Manager's advice will result in profitable trades for its Funds or that the Fund will not incur substantial losses.

### Short Selling

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

### Securitized Credit Products

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



### Increased Competition in Alternative Asset Investments

A marked increase in the number of, and flow of capital into, investment vehicles established to implement alternative asset investment strategies, including the strategies implemented by the Portfolio Managers in which Lighthouse products invest may result in greater competition for investment opportunities or may result, under certain circumstances, in increased price volatility, decreased liquidity or lower returns with respect to certain positions. Additionally, various Portfolio Managers will from time to time compete with others for the same positions, potentially affecting the value of the positions in a manner adverse to the Lighthouse Products. Conversely, opposite positions that Funds or Unaffiliated Funds hold will be economically offsetting.

### Sanctions Risks

Like all investors, clients are subject to laws that restrict them from dealing with entities, individuals, organizations and/or in investments which are subject to applicable sanctions regimes. Such sanctions regimes may be broad in their application and the interpretation of the application of such regimes may require a substantial degree of subjective judgment, forcing the clients to either cease certain trading activities or risk violating a sanctions regime. If an investment made by the clients subsequently becomes subject to applicable sanctions, Lighthouse may be required, without notice to investors, to divest from such investment or otherwise cease any further dealings in that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings. Any such sanctions could have an adverse effect on the value or liquidity of such investments. In certain cases, the imposition of sanctions may require the clients to liquidate investments at disadvantageous prices.

### Remote and Hybrid Work

Lighthouse permits employees and consultants to work remotely from home and such personnel may also be assigned to other offices of Lighthouse. In order for remote work to be successful, Lighthouse's technologies and other operational infrastructures must function properly. Any failure in the proper functioning of such technologies or other operational infrastructures could disrupt such employees' abilities to adequately carry out their functions, which may result in losses to the clients.

### Systems Malfunctions and Other Operational Failures

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

### Risks Relating to the Use of Third-Party Research Consultants and "Expert Networks"

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

### Alternative Data

Lighthouse obtains and uses alternative data in its investment processes. Alternative data may consist of datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as “big data” or “alternative data”). Portfolio Managers intend to apply this alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes. The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are expected to be borne by clients. No assurance can be given that Lighthouse will be successful in utilizing alternative data in its investment process. Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for Lighthouse and clients in numerous jurisdictions. Lighthouse cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to Lighthouse or clients. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of client portfolios.

### Due Diligence Among Clients and Investors.

Lighthouse and its subsidiaries may also provide certain information to Fund investors or prospective investors or clients in response to questions, requests, portfolio reviews, and/or in connection with due diligence or portfolio monitoring meetings or other communications. Such information will generally not be distributed to other investors and prospective investors or clients who do not request such information. Each Fund investor, client, prospective investor, or prospective client is responsible for asking such questions or requesting information as it believes is necessary in order to make its own initial and ongoing investment decisions and must decide for itself whether the limited information typically provided by Lighthouse is adequate for its investment evaluation. Current and prospective clients and Fund investors may inquire about and discuss any conflicts of interest including any policies or controls Lighthouse has adopted to assist in managing or mitigating conflicts of interest.

### Misuse of Confidential Information

Participants involved in corporate takeovers and in risk arbitrage violate the securities laws through the misuse of confidential information. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized and for penalties. If a Portfolio Manager to a Fund or Unaffiliated Fund commits any such violation, the Lighthouse Products could be exposed to significant losses.

### Use of Leverage and Margin on Futures Contracts

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

### Distressed Securities

A Fund may invest in below investment grade securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks

inherent in investments in troubled entities is it may be difficult to obtain information as to the true condition of such issuers.

### Structured Investments

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

### Sector Risks

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

### Options on Securities

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

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

### Trading in Options on Commodity Interest

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

### 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). Lighthouse or a third party Portfolio Manager may cause clients to 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 Lighthouse or a third party Portfolio Manager 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.

### *Virtual Currency Derivatives*

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

### *Suspensions of Trading*

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

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

### Exchange Rate Fluctuations

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

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

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

### Activist Investing

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

### Credit Facilities

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

### Political Uncertainty

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

### Pandemic

The global outbreak of Coronavirus (or Covid-19) created enormous unprecedented economic and social uncertainty throughout the world. While the ultimate impact of the Coronavirus outbreak (or of any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, it has already had dramatic adverse effects on global, national, and local economies and on financial markets, and there is a significant likelihood that the negative impact could persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, "social distancing" practices and travel restrictions, and/or failures to contain the outbreak despite these and other measures, could materially and adversely impact the Lighthouse Products' investments, both in



the near- and long-term in a variety of industries and regions or globally. The impact of Coronavirus on the health of the employees of Lighthouse and the imposition of restrictions on such employees (including “shelter-in-place” or “lock-down” directives) could materially disrupt the business activities of the Lighthouse and negatively affect their ability to effectively monitor and manage the Lighthouse Products’ portfolios. Similar operational disruptions have occurred and may continue to occur in respect of service providers, counterparties (including providers of financing) and the financial markets.

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

#### *Non-U.S. Investments*

Additional risks of international investing include political or economic instability in the country of issue, and the possible imposition of exchange controls or other laws or restrictions. In addition, prices of securities in non-U.S. markets are generally subject to different economic, financial, political, and social factors than are the prices of securities in U.S. markets. With respect to some countries there may be the possibility of expropriation or confiscatory taxation, limitations on liquidity of securities, or political or economic developments that could affect the non-U.S. investments of the assets held by the Fund. Moreover, securities of foreign issuers generally will not be registered with the SEC, and such issuers will generally not be subject to the SEC’s reporting requirements. Accordingly, there is likely to be less publicly available information concerning certain of the non-U.S. issuers of securities held by the Fund than is available concerning U.S. companies. Non-U.S. companies are generally also not subject to uniform accounting, auditing, or financial reporting standards, or to practices and requirements comparable to those applicable to U.S. companies. There also may be less government supervision and regulations of foreign broker-dealers, financial institutions and listed companies than exist in the U.S. These factors could make investments made by the Fund, especially those made in developing countries, more volatile than investment in U.S. companies.

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

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

to influence prices directly. There is a risk of failure of any of the exchanges on which the Funds trade or its clearinghouses. None of these factors can be controlled by the Funds.

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

## Item 9 – Disciplinary Information

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

## Item 10 – Other Financial Industry Activities and Affiliations

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

Lighthouse is registered with the CFTC as a commodity pool operator ("CPO") and commodity trading adviser ("CTA") and is a member of the National Futures Association ("NFA"). Lighthouse's NFA identification number is 0406075. North Rock is registered with the CFTC as a CPO and is a NFA member. North Rock's NFA identification number is 0483385. Mission Crest is registered with the CFTC as a CPO and CTA and is a member of the NFA. Mission Crest's NFA identification number is 0538437. Pier61 is registered with the CFTC as a CPO and is a NFA member. Pier61's NFA identification number is 0547111.

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

Lighthouse and its subsidiaries serve as general partner or manager of the U.S.-domiciled Funds. Lighthouse and its subsidiaries serve as investment manager of the non-U.S. Funds.

We do not receive any compensation from Portfolio Managers in connection with our Funds' investments, and in the event we engage in any seeding transactions, the proceeds of any such shall inure solely to the benefit of the Lighthouse Funds (i.e., Lighthouse Funds may receive a profit allocation from a Portfolio Manager's investment management business).

Certain personnel of Lighthouse serve as directors of Funds. These personnel do not receive compensation for their service as directors. Certain personnel of Lighthouse also serve as directors to MSW Director Services Limited, a wholly owned subsidiary of Lighthouse and Cayman Islands exempted company that serves as corporate director to certain Funds. These personnel do not receive compensation for their services as directors to MSW.

Lighthouse's Chief Executive Officer/Chief Investment Officer also serves as Chief Executive Officer of NGI. His compensation encompasses both executive roles at NGI Lighthouse. He also serves as Executive Director of the NGI board of directors, a role for which he receives no separate compensation.

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



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

Lighthouse is also affiliated with:

- LHP Ireland, an Irish-based investment manager that manages the assets of certain Ireland-domiciled Funds. LHP Ireland is authorized by the Central Bank of Ireland, under applicable European Union regulations, as an alternative investment fund manager. Certain Lighthouse personnel serve as directors of LHP Ireland, along with independent directors. Such Lighthouse personnel do not receive compensation for their services as directors.
- North Rock, a U.S.-based investment manager that manages a multi-portfolio manager, long/short equity focused master-feeder fund structure and an associated trading entity.
- Lighthouse LH NR UK, a United Kingdom-based investment firm that is a subsidiary of North Rock and serves as a sub-investment manager to the trading entity managed by North Rock.
- Mission Crest, a U.S.-based investment manager that manages a multi-portfolio manager, global macro focused master-feeder fund structure and an associated trading entity.
- Pier61, a U.S.-based investment manager that manages a multi-portfolio manager climate-focused strategy.
- LDO 906 Limited, a Cayman Islands domiciled general partner to a Cayman Islands limited partnership that is a Custom Fund.
- MSW Director Services Limited (“MSW”), a Cayman Islands exempted company serves as director to certain Funds. The directors of MSW are employees of Lighthouse.

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

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### Code of Ethics

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

Under the Code, Lighthouses states the commitment to upholding the highest level of professionalism in the investment community. Lighthouse policies and prohibitions are primarily focused on avoiding conflicts of interests with investors and Lighthouse products while acting consistently with Lighthouse fiduciary duties. Through regular reporting and/or obtaining pre-approval from the Lighthouse Chief Compliance Officer (“CCO”), employees are subject to various policies that govern, among other things, employee securities transactions, gifts, and entertainment, outside business activities, confidentiality of information, and charitable and political contributions. The Code strictly prohibits the misuse of material non-public information. At the beginning of employment and annually thereafter, each Lighthouse employee must acknowledge the terms of the Code and receive training on the various obligations under it. Any employee who violates the Code will be subject to disciplinary actions, up to and including termination. All employees are obligated to report any violations of the Code to the CCO.

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

### Participation or Interest in Client Transactions

Lighthouse and Lighthouse qualified employees (subject to pre-approval requirements) may invest in certain Funds and in certain underlying securities in which investors also invest indirectly through the External Investor Funds. In addition, Lighthouse serves as the general partner and manager of the U.S. Funds. The investments of Lighthouse employees and Lighthouse’s status as general partner and

manager of the U.S. Funds could be viewed as creating a conflict of interest because Lighthouse and our employees may have an incentive to act in our or their own self-interest as opposed to that of the applicable Fund. However, the Code, as described above, and various other compliance policies and procedures, such as our allocation policy, that are intended to ensure mitigate the risk that any Lighthouse Product is favored over another.

Lighthouse may cause a Lighthouse Product to purchase, sell, or transfer interests in Fund or Unaffiliated Funds from or to another Lighthouse Product when Lighthouse believes that those transactions are appropriate and in the best interests of those Lighthouse Products. Any such purchase, sale or transfer will take place at the stated net asset value of the interests being purchased, sold, or transferred. In addition, Lighthouse may recommend that a Lighthouse Product purchase or sell an investment that is being sold or purchased, respectively, at the same time by Lighthouse, Lighthouse's affiliates, officers, employees, or another advisory client. In addition, under certain circumstances, employees may hold personal investments in the same portfolio securities that Lighthouse clients hold. These personal investments could be in the same security or in different parts or issues of the same issuer's capital structure. Lighthouse, as a fiduciary, endeavors to always make decisions in the best interest of clients if a conflict of interest arises. If any such investment(s) poses a conflict of interest, Lighthouse will seek to act in a way that favors the interests of clients. There could also be various reasons such as investment or risk guidelines, trading restrictions, entry point, investment time horizon, estate planning, or tax consequences that may cause Lighthouse personnel to transact contrary to Lighthouse clients in common investments. In relation to cross trades and those simultaneous purchases and sales, Lighthouse may have a conflict of interest between acting in the best interests of that Lighthouse Product and assisting another Lighthouse Product by selling or purchasing a particular Fund investment or Unaffiliated Fund interest. Lighthouse generally does not affect any principal transactions with Lighthouse Products, but if it were to engage in such transactions, it would obtain any necessary client consents. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction also may be deemed to occur if Lighthouse and Lighthouse subsidiaries own a substantial portion of a Fund, and that Fund participates in a purchase or sale transaction with another Fund. Any principal or cross trade will be done in compliance with applicable laws, including U.S. securities laws and ERISA. Lighthouse also has adopted compliance policies and procedures designed to ensure that, over time, all Lighthouse Products are treated fairly in allocation and redemption opportunities (see Item 6).

Certain officers of Lighthouse serve as directors of the non-U.S. Funds and these officers are not compensated for their service as directors.

Under certain circumstances, we may determine that Lighthouse, or one of our employees, or certain affiliates have obtained, or may have obtained, material non-public information. Lighthouse maintains a "restricted list" that is designed to prevent our clients, officers, and employees from engaging in insider trading. Lighthouse and affiliates use of a restricted list and caution in connection with potential exposure to material non-public information may limit clients' investment opportunities.

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

## Item 12 – Brokerage Practices

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In certain Platform Hedge Fund strategies, we have discretion in deciding which securities are bought and sold, the amount and price of those securities, the broker-dealers to be used for a particular transaction, and commissions or markups and markdowns paid. In selecting broker-dealers to effect transactions, the factors Lighthouse considers include, but are not limited to, listed bids and asks, the opportunity for price improvement, transaction costs, anonymity, liquidity, the ability to effect prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; speed of execution, expertise with difficult securities, the financial

strength, integrity and stability of the broker-dealer; the quality, comprehensiveness and frequency of related services considered to be of value; the competitiveness of commission rates in comparison with other broker-dealers satisfying our selection criteria, responsiveness, and frequency of errors. Accordingly, if we determine the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer, the Fund may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge for effecting the same transaction. We may benefit indirectly from payments made by a client (including payments by way of soft dollars) as described further below.

With respect to our North Rock Platform Hedge Fund, we receive research, brokerage, or other products or services other than executions from a broker-dealer and/or a third-party in connection with securities transactions. This is known as a “soft dollar” relationship. We have also established commission sharing arrangements (“CSA”) with various broker-dealers and uses a commission management service to assist in administering soft dollar payments to third party research providers that are paid with soft dollars. We have entered into such arrangements where we believe that it is administratively or operationally expedient to do so or where such arrangement is more favorable to the client than an arrangement under which the client pays for the products or services in question with hard dollars. However, such arrangements may present conflicts in allocating expenses and make it more difficult for investors to evaluate the cost structure of a client because the costs of such products or services are not broken out separately. Lighthouse limits the use of “soft dollars” to obtain services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Research and brokerage services Lighthouse receives include but is not limited to research reports on particular industries and companies, economic and industry surveys and analyses, recommendations as to specific securities, certain financial newsletters and trade journals, software providing analysis of securities portfolios, attendance at certain seminars and conferences, discussions with research analysts, meetings with corporate executives, data services (including services providing market and alternative data, news data, company financial data, and certain valuation, pricing, and economic data), consulting services regarding products, technologies, issuers or industries, market risk data, advice on portfolio strategy, financial database software and services, advice from brokers on order execution, as well as other products and services that provide assistance in the performance of investment and trading decision-making responsibilities, services related to trade execution including effecting securities transactions, outsourced trading services, commission management services including trade recordkeeping and reporting, and clearing and settlement of securities and functions incidental thereto. Where a product or service provided has both “eligible” uses under Section 28(e) (i.e., uses related to Lighthouse’s investment decision making process) but also has other uses, Lighthouse will make a reasonable allocation between the eligible and non-eligible uses and will use soft dollars only for the eligible portion. Lighthouse and Portfolio Managers also receive products or services that may have multiple uses or that benefit more than one Sub-Account, and in some instances all or a portion of the products or services received are eligible under the Section 28(e) safe harbor. Lighthouse allocates the cost of any mixed-use products or services between hard dollars and soft dollars and among Sub-Accounts in good faith. In making good faith allocations of costs between “ineligible” administrative benefits and “eligible” research and brokerage services, a conflict of interest exists by reason of Lighthouse’s allocation of the costs of such benefits and services between those that primarily benefit Lighthouse and those that primarily benefit the client.

Our use of soft dollars presents a potential conflict of interest because Lighthouse is effectively using client assets to pay for research that we might be able to generate internally or would otherwise have to purchase. Soft dollar arrangements also provide an incentive to select or recommend a broker-dealer based on an interest in receiving research or other products or services, rather than on receiving most favorable execution. Soft dollar arrangements may cause the Fund to pay commissions (markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). As previously mentioned, Lighthouse considers the amount and nature of research services provided by broker-dealers, as well as the extent to which such services are relied upon and attempts to allocate a portion of the brokerage business of clients on the basis of that consideration. In addition, broker-dealers sometimes may suggest a level of business that they would like to receive in return for the various services provided. Actual brokerage business received by any broker-dealer may be less than the

suggested allocations but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker-dealer is not excluded from receiving business because it has not been identified as providing research services. Periodically we consider the amount and nature of research and brokerage services provided by broker-dealers, as well as the extent to which such services are relied upon, and we attempt to allocate a portion of the brokerage business of the clients on the basis of that consideration. Research and brokerage services obtained by the use of commissions arising from client's portfolio transactions may be used by Lighthouse in our other investment activities. Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions generally benefit the respective client though they typically benefit Lighthouse and certain third-party Portfolio Managers as well. In some cases, such as at the end of a calendar year or when an account closes, certain brokers may provide a cash refund of unused "soft dollar" credits. In this case Lighthouse intends to credit the refund to the corresponding client. Lighthouse maintains policies and procedures to review the quality of executions, including periodic reviews by our trading and investment professionals of our brokerage and counterparty relationships.

North Rock has engaged an outsourced trading and execution broker (the "Outsourced Trading Broker") to execute trades on behalf of certain North Rock Funds. The Outsourced Trading Broker has been set up to execute orders after they have been subject to our pre-trade compliance checks. In so doing, the Outsourced Trading Broker executes trades either directly or through third party broker dealers in accordance with a brokerage commission allocation budget established by us. Although clients will pay higher aggregate commission rates or transaction costs when trading on an outsourced basis than it would pay when trading directly with other execution brokers that don't provide comparable outsourced trading services, we believe that such practices are consistent with its duty to achieve best execution because of the skill and experience of the Outsourced Trading Broker as well as the trade execution and business continuity support that the North Rock Funds and Portfolio Managers receive. We face a conflict of interest in determining when, to what extent, and at what commission rates or fees paid to transact with the Outsourced Trading Broker. We maintain a Brokerage Committee to review trading and brokerage relationships as well as the Outsourced Trading Broker. All commissions and fees paid to the Outsourced Trading Broker for its outsourced trading services are paid by clients. While we have taken what we believe to be appropriate procedural and contractual steps to reduce the risks associated with executing trades through non-employee traders, the use of the Outsourced Trading Broker or any other outsourced trading firm may make it more difficult for us to manage conflicts of interest and carry out and implement policies and procedures, including those with respect to pre-trade compliance and trade errors. Lighthouse may use an outsourced trading broker for other Platform Hedge Fund Strategies outside of North Rock in the future. Separate Brokerage Committee structures are also used for the Platform Hedge Fund strategies.

A "trade error" is generally considered to include an error that (i) prevents portfolio trading instructions given by a Portfolio Manager on behalf of a client from being effectuated in substantially the manner intended by the Portfolio Manager; (ii) results in the execution of a trade on behalf of a client that was not intended for that client; or (iii) causes a violation of any applicable investment guideline or restriction. Depending on the relevant facts and circumstances, other events might also be considered trade errors. Lighthouse seeks to detect trade errors prior to settlement and to correct and/or mitigate them in an expeditious manner. Generally, gains and losses attributable to trade errors will be borne by clients. However, if the error was caused by Lighthouse's willful misconduct, recklessness, or gross negligence, then Lighthouse will bear the costs of the error. Lighthouse has a conflict of interest in determining whether an error has occurred or was caused as a result of willful misconduct, recklessness or gross negligence. To the extent an error is caused by a third party, such as a broker, Lighthouse will seek to recover any losses associated with the error from that third party. However, there is no guarantee that Lighthouse will be able to do so. Lighthouse will not use soft dollars or commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade error.

Lighthouse or our subsidiaries may receive introductions to Fund investors through broker-dealers that are prime brokers or who execute trades on behalf of Lighthouse. Lighthouse does not believe that it pays any additional fees or higher commissions as a result of these introductions. Lighthouse seeks best execution on all transactions. However, Lighthouse may have an incentive to select or use an executing

or prime broker based on Lighthouse or an affiliate receiving Fund investor referrals from that counterparty. Lighthouse does not consider client or Fund investor referrals from broker-dealers when making brokerage allocation decisions. Lighthouse's centralized trading desk processes orders when they are received from the various Portfolio Managers. Historically, this process has afforded minimal opportunity for order aggregation. Consequently, Lighthouse does not aggregate the purchase or sale of securities even though this practice may result in additional transactions costs to clients.

As it relates to investments with Portfolio Managers outside of our Platform Hedge Fund strategies, Lighthouse generally does not direct brokerage transactions or have soft dollar arrangements. As part of the Lighthouse due diligence process on Portfolio Managers, Lighthouse reviews the brokerage practices and soft dollar arrangements of the third-party Portfolio Managers. The Portfolio Managers do engage in brokerage activities on behalf of Funds Lighthouse selects the prime brokers and swap counterparties of our Funds in consultation with the Portfolio Manager based on such factors as the prime broker's or counterparty's overall performance, pricing, operational capabilities, and financial stability. Lighthouse negotiates the terms of the fees and commissions each Fund will pay to each applicable prime broker.

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

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

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

## **Item 13 – Review of Accounts**

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### **Review of Accounts**

Lighthouse monitors compliance with the investment objectives of its clients on an ongoing basis, but at least monthly. In general, Lighthouse has daily (and in many cases real-time or intraday) information regarding its managed portfolios. Additionally, investment personnel of the Lighthouse Group are organized into a formal committee/team structures that provide a framework management of its portfolios.

### **Reports to Investors**

Each investor in a Lighthouse Product receives monthly account statements, depending on the terms specific to that Lighthouse Product, which provide beginning and ending balances as well as a description of account activity. Statements are either delivered by mail or as elected by an investor, an email notification that the statements are available on the administrator's website. In limited circumstances where onshore investors have opted to receive their statements in hardcopy format via mail, statements

are distributed monthly. Certain investors or their advisors receive performance estimates and monthly risk reports of various Lighthouse Products via email monthly. Similarly, Lighthouse also distributes weekly performance estimates for certain Lighthouse Products via email. On a monthly and/or quarterly basis, Lighthouse also prepares commentary on overall investment performance that is sent to certain of investors or their advisors. On a quarterly basis, senior investment staff conduct conference calls providing investment commentary on certain of our products and hedge fund strategies, generally, to certain investors and their advisors. The reporting that is in addition to the monthly account statements described above is also made available to investors or their advisors upon request. Each investor in a Fund also receives audited financial statements on an annual basis.

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

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

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### **Client Referrals**

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

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

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

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

The Funds also use placement agents some of which may be affiliated with Fund investors or broker-dealers or prime brokers that service the Funds. Placement agents receive a portion of the management fees Lighthouse receives with respect to investors that the placement agent referred to us. Placement



agents that solicit or refer potential investors to Funds are subject to a conflict of interest because they will be compensated in connection with their solicitation activities. Investor referrals or an investment from an entity or affiliate that serves as an executing or prime broker may also create a conflict of interest in that it may create an incentive for Lighthouse to direct additional brokerage to these entities or an affiliate. As mentioned in the Brokerage Practices section above, Lighthouse does not consider client or investor referrals when selecting trading counterparties. Lighthouse also has policies and procedures designed to seek best execution on all transactions and periodically monitors and evaluates service providers.

### **Other Compensation**

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

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

## **Item 15 – Custody**

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

Although Lighthouse is deemed under the “custody rule” to have custody of the Funds and securities of the Funds, Lighthouse is exempt from many of the provisions of that rule because we undertake to deliver to the investors in such Funds, on an annual basis, financial statements of such Fund that are:

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

## **Item 16 – Investment Discretion**

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

In certain Funds, Lighthouse's discretion is limited by further restrictions, such as approval by the investor, investor representatives, board of directors, or other body designated under the governing documents of the Fund. For the majority of such assets, however, Lighthouse maintains authority to terminate a Portfolio Manager's investment authority on behalf of Funds. With respect to a portion of the assets of a Custom Fund and certain Funds managed under Lighthouse Platform Services offering, Lighthouse does not have the authority to terminate a Portfolio Manager's investment authority without requisite approval. For the Funds, Lighthouse maintains discretionary authority over these Funds, but



delegates the day-to-day investment activity to Portfolio Managers who are subject to investment guidelines set forth in the respective Subadvisory Agreement.

## Item 17 – Voting Client Securities

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

With respect to circumstances where Lighthouse trades equities directly, Lighthouse would vote in a manner that it believes reasonably furthers the best interests of the Funds and is consistent with the investment objectives as set forth in the relevant investment management documents. Lighthouse may abstain from voting if it deems that abstaining is in the Fund's best interests. For example, Lighthouse may abstain from voting proxies where (i) clients no longer hold the securities at the time of the vote (whether or not they held them on the record date of the vote), (ii) Lighthouse, on behalf of clients, has a net short position in such issuer, or (iii) the proxy involves "share blocking," or similar measures that could limit Lighthouse's ability to sell the affected security during a blocking period. Lighthouse should at no time ignore or neglect its proxy voting responsibilities. However, there may be times when refraining from voting is in the best interests of clients, such as when analysis of a proxy reveals that the cost of voting the proxy may exceed the expected benefit to clients. For example, as it relates to a Platform Hedge Fund managed by North Rock where we directs investment trading, Lighthouse may elect not to vote all proxies, or acknowledge a Portfolio Manager's policy of not voting all proxies, for certain portfolios when it determines that the success of the portfolios' investment strategy is not dependent on the outcome of proxy contests, such as with certain quantitative strategies with short term holding periods. Because Lighthouse does not feel it is in our client's best economic interests, Lighthouse also does not anticipate attempting to recall shares that have been lent or rehypothecated in order to participate in proxy voting.

We will reasonably try to assess whether Lighthouse is subject to any material conflict of interest in connection with proxies. If it is determined that a conflict of interest is material, one or more methods may be used to resolve the conflict, including: disclosing the conflict to the relevant client and obtaining its consent before voting; suggesting to the relevant client that it engages another party to vote the proxy on its behalf; consulting with an unaffiliated third-party (e.g., a proxy voting service) to recommend a vote with respect to the proxy based on application of the policies set forth herein; or such other method as is deemed appropriate by Lighthouse under the circumstances given the nature of the conflict. Portfolio Managers typically have authority to vote proxies in the best interest of their Sub-Account, therefore, at times a Lighthouse client may vote the same proxy differently when multiple Portfolio Managers vote the respective proxy.

With respect to voting regarding Unaffiliated Funds, in evaluating these proxies, Lighthouse considers numerous factors relating to each investment and makes an independent determination whether to support or oppose a proposal from a third-party Portfolio Manager. Lighthouse also has procedures to ensure a proxy is voted in the Lighthouse Product's best interest in the event a proxy vote creates a material conflict between the interests of Lighthouse and the Lighthouse Products.

Third-party Portfolio Managers to our Funds are required to have a proxy voting policy and vote proxies pursuant to the applicable Subadvisory Agreement.

Lighthouse has also adopted procedures and retained the services of a third-party service provider to facilitate the submission of claims in class actions involving securities held by Lighthouse clients. When Lighthouse participates in a class action lawsuit and later receives any recovery amounts, those amounts will generally be credited to the participating clients at the time the recovery amounts are received.

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

## Item 18 – Financial Information

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