

**PART 2A OF FORM ADV**  
**FIRM BROCHURE**



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**September 28, 2022**

**This brochure provides information about the qualifications and business practices of Chalkstream Capital Group, L.P. (“Chalkstream”). If you have any questions about the contents of this brochure, please contact Ron Rosenstrauss at (212) 707-6100 or by email at [ron.rosenstrauss@chalkstreamcapital.com](mailto:ron.rosenstrauss@chalkstreamcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**Chalkstream is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

This amendment update to our firm brochure (the “Brochure”) amends the Brochure dated March 18, 2022.

Below is a summary and discussion of all material changes from the version that was filed with the SEC on March 18, 2022. In the future, when we amend the Brochure for our annual update, and the amended version contains material changes from the last annual update, we will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, we will always provide the date of the last update of the Brochure.

Chalkstream amended this Brochure to report a change in Chalkstream’s Chief Compliance Officer. The Firm appointed Ron Rosenstrauss as Chief Compliance Officer in September of 2022. Chalkstream also amended this Brochure to update Item 14 – Client Referrals and Other Compensation to reflect the regulation of client referrals under SEC Rule 206(4)-1.

Clients and prospective clients should read this Brochure carefully in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

Chalkstream, a Delaware limited partnership, was founded in January 2004 by Andrew K. Tsai and Peter Muller. Chalkstream currently provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets for the following U.S. and non-U.S. private investment funds:

- Chalkstream Investment Fund, L.P., a Delaware limited partnership (the “Domestic Investment Fund”)
- Chalkstream Investment Fund (International), Ltd., a Cayman Islands exempted company (the “Offshore Investment Fund”, and together with the Domestic Fund, the “Flagship Funds”)
- CVIC Korea Feeder Fund, L.P., a Cayman Islands exempt limited partnership (the “CVIC Feeder Fund”)
- CVIC Korea Master Fund, L.P., a Cayman Islands exempt limited partnership (the “CVIC Master Fund”, and together with the Korea Feeder Fund, the “CVIC Funds”)

Chalkstream also provides non-discretionary investment advisory services to the Chalkstream Insurance Fund Series of the SALI Multi-Series Fund, L.P. (the “Insurance Fund”).

An affiliate of Chalkstream, (i) Chalkstream GP, L.L.C. (“Chalkstream GP”), a Delaware limited liability company, acts as the general partner of the Domestic Investment Fund, and (ii) CVIC GP, L.L.C. (“CVIC GP”, and together with Chalkstream GP, the “GPs”), a Delaware limited liability company, acts as the general partner of the CVIC Funds.

The general partner of Chalkstream is Chalkstream Capital Management, L.L.C. (“Chalkstream Capital Management”), a Delaware limited liability company of which Andrew K. Tsai is the managing member and Peter Muller is a special non-managing member. Mr. Tsai and Mr. Muller are also the sole limited partners of Chalkstream. Mr. Tsai and Mr. Muller, both directly and through their interests in Chalkstream Capital Management, are the owners of Chalkstream.

Each of the Flagship Funds and the CVIC Funds may be referred to individually in this Brochure as an “Investment Fund” and together as the “Investment Funds”. Each of the Investment Funds and the Insurance Fund may be referred to individually in this Brochure as a “Fund” and together as the “Funds.” The terms for each Fund are disclosed in detail in the relevant Fund’s offering documents that are provided to prospective investors prior to investment.

Chalkstream acts as the investment manager of the Offshore Investment Fund, and the CVIC Funds, the management company of the Domestic Investment Fund, and an investment sub-advisor to the Insurance Fund. Chalkstream may also provide discretionary investment advisory services to separately managed accounts (the “Managed Accounts”, and together with the Funds, the “Advisory Clients”).

Chalkstream or its affiliates may also act in an investment advisory capacity to certain wholly-owned subsidiaries and trading vehicles of the Funds used to carry out certain investment objectives of the Funds.

As further described in Item 8 below, the primary source of return generation of the Funds comes from the selection of a limited number of portfolio managers (the “Portfolio Managers”) and the investment funds they operate (each, a “Hedge Fund”), and in certain classes of the Flagship Funds only, certain longer-duration investments (each, a “Special Investment”) targeted by the Flagship Funds. Additionally, Chalkstream may allocate certain Funds’ capital to a hedging program designed to offset the portfolios from potential market shocks. The hedging program may involve the Funds owning financial instruments or

entering into hedging agreements which may include a wide range of securities, options, futures, swaps and other assets Chalkstream deems appropriate. In addition to the hedging program, Chalkstream may also implement trading strategies which are designed to diversify the Funds' portfolio. These strategies may be researched, developed, and executed internally.

Generally, investors in any of the Funds do not have the ability to individually tailor their investments or impose specific investment restrictions. However, when deemed appropriate, a Fund may create a special class of interests or shares to accommodate a particular investor's or a group of investors' unique investment restrictions. Chalkstream may also establish Managed Accounts. The investment objectives, fee arrangements and terms of Managed Accounts are individually negotiated, and it should be noted that any such Managed Account relationships may be subject to significant account minimums.

Chalkstream does not participate in wrap fee programs.

As of January 1, 2022 and based on December 31, 2021 numbers provided by the independent fund administrator, Chalkstream and its affiliates manage approximately \$459.7 million of Advisory Client assets on a discretionary basis.<sup>1</sup> As of January 1, 2022 and based on December 31, 2021 numbers provided by the independent fund administrator, Chalkstream and its affiliates manage approximately \$70 million of Advisory Client assets on a non-discretionary basis. It should be noted that the assets under management disclosed here has been calculated differently than that of "regulatory assets under management" as disclosed in Chalkstream's Form ADV Part 1, Item 5.F.

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<sup>1</sup> The assets number included herein for the Investment Funds reflect final 12/31/2021 numbers as issued by the independent fund administrator and are not consistent with the amounts included in the latest Form PF filing made by Chalkstream which reflect estimated 12/31/2021 numbers as issued by the independent fund administrator and does not include assets of advisory clients invested in other advisory clients to avoid double counting.

## ITEM 5 – FEES AND COMPENSATION

Unless otherwise provided in the applicable side letters, Chalkstream is compensated for its advisory services with respect to each Fund as follows:

### ○ The Flagship Fund

- **Main Fund interests/shares:** Chalkstream receives a management fee, payable quarterly in advance, equal to 0.25% (1.00% per annum) of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive allocation or fee equal to (i) 10% of net appreciation in the Hedge Fund portfolio subject to a hurdle and the return of any amount in the loss recovery account, and (ii) 15% of net realized profits in a specific Special Investment, subject to a cumulative hurdle and any amount in the loss recovery account.
- **Class J:** Chalkstream receives a management fee, payable quarterly in advance, equal to 0.375% (1.50% per annum) of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive allocation or fee equal to 15% of net appreciation in the portfolio, subject to a hurdle and any amount in the loss recovery account.
- **Class T:** Chalkstream receives a management fee, payable quarterly in advance, equal to 0.25% (1.00% per annum) of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive allocation equal to 15% of outperformance above a hurdle, subject to any amount in the recovery account.
- **Class K-F:** Chalkstream receives a management fee, payable quarterly in advance, equal to 0.25% (1.00% per annum) of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive allocation or fee equal to 10% of net appreciation in the portfolio, subject to any amount in the loss recovery account.
- **Class V-RT:** Chalkstream receives a management fee, payable monthly in advance, equal to 0.25% (1.00% per annum) of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive allocation or fee equal to 10% of net appreciation in the portfolio, subject to any amount in the loss recovery account.
- **Class VIA:** Value Investment Advisors Co., Ltd. (investment advisor to Class VIA) ("VIA") receives a management fee, payable monthly in advance, equal to 0.125% (1.50% per annum) of the value of each investor's capital account. VIA also receives an annual incentive fee or allocation equal to 12.5% of net appreciation in the portfolio, subject to a hurdle and any amount in the loss recovery account. VIA may direct any of the management fees and incentive allocation or fees it receives from Class VIA to Chalkstream and/or the Chalkstream GP.

### ○ The CVIC Fund

- **Class A:** CoreValue Investment Co., Ltd. (an investment advisor to the CVIC Funds) ("CoreValue") receives a management fee, payable quarterly in advance, equal to 0.375% (1.50% per annum) of the value of each investor's capital account or shares. CoreValue also receives an annual incentive allocation or fee equal to 20% of net appreciation in the portfolio, subject to a hurdle and any amount in the loss recovery account.
- **Class B:** CoreValue receives a management fee, payable quarterly in advance, equal to 0.375% (1.50% per annum) of the value of each investor's capital account or shares. CoreValue also receives an annual incentive allocation or fee equal to 20% of net appreciation in the portfolio, subject to a hurdle and any amount in the loss recovery account.

- CoreValue may direct any of the management fees and incentive allocation or fees it receives from the CVIC Funds to Chalkstream and/or CVIC GP.
- **The Insurance Fund**
  - **Class A:** Chalkstream receives a management fee, payable monthly in advance, equal to 1.75% per annum of the value of each investor's capital account or shares.
  - **Class B:** Chalkstream receives a management fee, payable monthly in advance, equal to 1.00% per annum of the value of each investor's capital account or shares. Chalkstream also receives an annual incentive fee equal to 10% of net appreciation subject to the return of any amount in the loss recovery account.

Chalkstream or its affiliates deduct fees from the Funds' assets. The management fee is generally paid to Chalkstream from the Funds either monthly or quarterly in advance (adjusted for subscriptions during the calendar quarter). The incentive allocation or fee, as applicable, is generally allocated or paid to Chalkstream or its affiliates at the end of each fiscal year (adjusted for any withdrawals or redemptions during the year), except with respect to Special Investments in the Flagship Funds, in which case the incentive allocation or fee, as applicable, is allocated to Chalkstream GP upon the realization or deemed realization of each Special Investment.

Chalkstream's fees with respect to the Funds are generally not negotiable. Notwithstanding the foregoing, Chalkstream has elected to offer reduced fees to certain investors in one or more Funds and Chalkstream employees do not pay any fees to invest in the Funds.

In addition to the management fee and incentive allocation or fee described above, each Fund shall bear its own expenses. Such expenses vary by Fund, but generally include the following (note, however, that this is not a complete list of expenses): investment expenses; professional fees relating to investments; fees and expenses relating to software tools, programs or other technology utilized in managing the Funds; research related expenses (including research-related travel expenses, operational due diligence on existing and/or potential new Portfolio Managers (including the use of operational due diligence and background check service providers), and research and market data, news and quotation equipment and services); administrative expenses; legal and compliance expenses (including expenses relating to engagement of third-party compliance service providers); external accounting and valuation expenses; audit and tax preparation expenses; investor-related correspondence; entity-level taxes; corporate licensing; regulatory expenses; organizational expenses; expenses related to directors' and officers' insurance (e.g., D&O/E&O and indemnification insurance) (if applicable); fees to the administrator; indemnification expenses; expenses incurred in connection with the offering and sale of Fund shares/interests, including, but not limited to, expenses (including compliance related expenses) incurred by Chalkstream or a GP pursuant to applicable law in connection with the offer and sale of shares/interests in any jurisdiction, litigation, indemnification and other extraordinary expenses. An investor in a Fund may be bearing expenses (including litigation expenses) incurred by the Fund relating to investment(s) that such investor has not participated in. To the extent that expenses to be borne by a Fund are paid by Chalkstream or a GP, the relevant Fund will reimburse that party for such expenses.

As mentioned in Item 4 above, Chalkstream primarily utilizes an investment strategy that is focused on investing Advisory Client assets in other Hedge Funds managed by the Portfolio Managers (including funds managed by Chalkstream and its affiliates) and thereby subjecting the Funds to an additional level of compensation. The Funds will bear fees, expenses and performance-based allocations in connection with its investments, which generally include management fees and performance fees or incentive allocations. The Funds may also engage sub-adviser(s) in connection with its hedging program and/or a specific strategy, in which event the Funds will also bear management and/or performance fees or allocations payable to such sub-adviser(s). In the aggregate, these expenses and compensation can be substantial, could exceed the compensation typically incurred from a direct investment and could have a material adverse effect on the value of any investment in the Funds.

Moreover, these Hedge Fund expenses and compensation may be higher than the expenses and compensation of comparable investment vehicles. Investors will also incur brokerage and other transaction costs directly related to each Fund's hedging program. Refer to Item 12 – Brokerage Practices for further information.

**It is critical that investors refer to the relevant Fund's offering documents for a complete understanding of how Chalkstream is compensated for its advisory services. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant Fund's offering documents.**



## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, Chalkstream or Chalkstream's affiliates receive performance-based compensation in the form of an incentive allocation or fee. It should be noted that the possibility that Chalkstream or its affiliates could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Chalkstream to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation.

Chalkstream presently provides investment advisory services to the Funds, which provide Chalkstream with varying levels of compensation. As such, there is a potential conflict of interest related to managing accounts that provide Chalkstream with performance-based fees alongside accounts that charge lower or no performance-based fees. In order to address this potential conflict, Chalkstream has adopted a policy that it will generally make allocation decisions based upon the best interests of all Funds on a fair and equitable basis consistent with Chalkstream's fiduciary obligations.

## ITEM 7 – TYPES OF CLIENTS

Chalkstream provides investment advisory services to the Advisory Clients. The minimum capital contributions or account balances in the Advisory Clients are as follows:

### ○ Domestic Investment Fund

- **Main Fund Interests:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts. Additionally, Chalkstream GP may disallow the partial withdrawal of capital by any investor, if as a result of, or prior to, such withdrawal, the aggregate balance of such investor's capital account(s) would be less than \$500,000.
- **Class J:** \$5 million initial capital contribution and \$500,000 additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts. Additionally, Chalkstream GP may disallow the partial withdrawal of capital by any investor, if as a result of, or prior to, such withdrawal, the aggregate balance of such investor's capital account(s) would be less than \$500,000.
- **Class T:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts.
- **Class K-F:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts.
- **Class V-RT:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts.
- **Class VIA:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the Chalkstream GP to accept lower amounts.

### ○ Offshore Investment Fund

- **Main Fund Shares:** \$5 million initial subscription for shares and \$1 million additional subscription for shares, each subject to the discretion of the board of directors of each Fund to accept lower amounts (but in no event less than such minimum amounts as may be set out under Cayman Islands law from time to time). Additionally, the board of directors, in its sole discretion, may disallow the partial redemption of shares by any investor, if as a result of, or prior to, such redemption the investor's shares would be less than \$500,000.
- **Class J:** \$5 million initial subscription for shares and \$500,000 additional subscription for shares, each subject to the discretion of the board of directors of each Fund to accept lower amounts (but in no event less than such minimum amounts as may be set out under Cayman Islands law from time to time). Additionally, the board of directors, in its sole discretion, may disallow the partial redemption of shares by any investor, if as a result of, or prior to, such redemption the investor's shares would be less than \$500,000.
- **Class K-F:** \$5 million initial subscription for shares and \$1 million additional subscription for shares, each subject to the discretion of the board of directors of each Fund to accept lower amounts (but in no event less than such minimum amounts as may be set out under Cayman Islands law from time to time).
- **Class V-RT:** \$5 million initial subscription for shares and \$1 million additional subscription for shares, each subject to the discretion of the board of directors of

each Fund to accept lower amounts (but in no event less than such minimum amounts as may be set out under Cayman Islands law from time to time).

- **CVIC Fund**
  - **Class A:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the CVIC GP to accept lower amounts.
  - **Class B:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of the CVIC GP to accept lower amounts.
- **Insurance Fund:** \$1 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of SALI Fund Partners, LLC (the “SALI GP”) to accept lower amounts. Additionally, SALI GP may disallow the partial withdrawal of capital by any investor, if as a result of, or prior to, such withdrawal, the aggregate balance of such investor’s capital account(s) would be less than \$1 million.
- **Managed Accounts** (if any): Individually negotiated.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

Chalkstream invests the assets of the Flagship Funds in a relatively concentrated number of investments with the intention of generating an attractive and uncorrelated return. Chalkstream follows a disciplined research process that emphasizes Space, Partner, and Structure.

- **Space:** Chalkstream seeks to identify compelling spaces (defined as a particular geographic region, sector, asset class, or time horizon or any combination thereof) that are dislocated or overlooked, where the opportunity for alpha generation is high.
- **Partner:** Chalkstream seeks to partner with experts in those spaces who typically have many years of relevant experience, a unique investment approach and a demonstrated ability to generate attractive risk-adjusted returns, and who otherwise possess high marks for character and judgement.
- **Structure:** Chalkstream believes that no single structure is perfectly suited for all investment opportunities. Thus, Chalkstream has developed in-house resources to create customized structures for each investment, as necessary. Chalkstream also seeks to control risk and create maximum optionality for the portfolio through structuring, as described below.

Chalkstream follows a rigorous and thorough due diligence process (detailed below) for all investments, which may take the form of hedge funds or special investments.

### **Hedge Fund Portfolio (Main Fund Interests/Shares of the Flagship Funds and Insurance Fund)**

Chalkstream intends to allocate the majority of the capital of the Fund to relatively liquid investments (referred to herein as “Hedge Funds”). The common trait amongst Hedge Funds is that the Fund will generally have the ability to increase or reduce its exposure to individual Hedge Funds by adding capital or by redeeming capital at predetermined dates. Hedge Fund investments can take on different forms (including but not limited to):

- **Third Party Funds:** Chalkstream has a long history of allocating the capital of the Fund to third party hedge fund strategies across different asset classes, geographies and sectors. Allocations to third party funds may be executed as an arm’s length transaction (traditional fund investment) or with a higher degree of strategic involvement.
- **Managed Accounts:** Chalkstream may choose to access an attractive space by engaging an external party to provide discretionary investment services to an account owned by the Fund. Managed accounts provide enhanced transparency and may also provide for enhanced liquidity compared to third party funds.
- **Direct Investments:** Chalkstream may direct the Fund to make discretionary investments into individual securities or financial instruments while being formally advised by a third party on a non-discretionary basis.
- **Internally Managed Strategies:** The Fund may invest directly into securities or other financial instruments without formally engaging a third party. Internally managed strategies may take the form of single names, baskets of securities, or trading strategies.

**Revenue Participation Arrangements:** The Fund may enter into revenue participation agreements with third parties in exchange for providing trading capital and/or working capital. Hedge Fund revenue participation

arrangements will typically be entered into with third party investment firms where the Fund has made an allocation to a fund or a managed account advised by such third party investment firm.

#### Class J Portfolio (Flagship Funds)

The Class J Portfolio is expected to provide exposure to compelling investment opportunities across targeted sectors and asset classes in Japan, focusing on dislocations between equities and credit in Japan. Typically, the Class J Portfolio will favor niche and smaller investment opportunities that have limited competing capital. Furthermore, the objective in the Class J Portfolio is to run a concentrated portfolio of investments in which it can build deep relationships with its underlying managers or co-investment partners.

The Class J Portfolio comprises a subset of each Fund's overall investment program, investing in a subset of the Funds' Hedge Fund investment opportunities as well as a portfolio of Japanese corporate credit shorts that is held by the Funds directly but managed by one or more credit experts (such credit expert(s), together with the above-referenced Hedge Funds' portfolio managers, (the "Japanese Portfolio Managers"). Class J does not invest in Special Investment opportunities.

Japanese Portfolio Managers are selected to provide a complementary balance across different strategies, investment horizons and asset classes within Japan. Japanese Portfolio Managers are selected after a lengthy due diligence process based on an evaluation of, among other factors, (i) a Portfolio Manager's character, judgment, investment strategy, and proven skills in portfolio management, trading and risk management and (ii) other portfolio managers in the same space. When seeking new investment opportunities, Chalkstream has a preference for Japanese Portfolio Managers that are focused on investing as opposed to asset gathering, tend to have limited capacity, and in which the principals maintain a significant investment. Additionally, there is a preference for niche strategies where limited competition and/or assets dedicated to the strategy exist.

When making investments, Chalkstream seeks preferred status with each Japanese Portfolio Manager in the form of capacity rights, co-investment rights, board or advisory board participation, fee discounts, rights of first refusal arrangements and most favored investor status, although Chalkstream may make investments without securing such rights.

#### Class T Portfolio (Domestic Investment Fund)

The Class T Portfolio is expected to provide exposure to positions generally structured to capture alpha opportunities in Japanese equities. The Class T Portfolio includes investments made with a limited number of portfolio managers and the investment funds they operate. In general, Chalkstream expects to manage the Class T Portfolio with a long-biased exposure. Chalkstream expects to invest with portfolio managers who (i) are focused on investing in Japanese companies trading near what they perceive as liquidation value and/or (ii) pursue a "value extraction" and event-driven strategy when managing their underlying investments.

The majority of the Class T Portfolio will be managed by a small number of Japanese Portfolio Managers. These portfolio managers are selected for their focused expertise in value creation in small- and mid-cap as well as large-cap Japanese equity securities, though such portfolio managers may pursue this strategy in stylistically different manners. Chalkstream expects to invest a majority of the capital with Japanese Portfolio Managers focused on long equities investing.

Generally, Chalkstream believes that over-diversification can significantly reduce returns without a comparable reduction in the volatility of the portfolio. The goal of keeping the Class T Portfolio in a relatively concentrated number of investments works as a default mechanism to ensure that only Chalkstream's best investment opportunities are added to and remain in the Class T Portfolio. Chalkstream believes that the concentration of the Class T Portfolio in investments selected by a limited number of Japanese Portfolio Managers is a key differentiator in its portfolio construction compared to many other investment vehicles.

#### Class K-F Portfolio (Flagship Funds)

The Class K-F Portfolio is expected to provide exposure to underlying investments generally structured to capture opportunities in the South Korean equity markets. Chalkstream believes that South Korean equity markets offer opportunities for alpha generation due to, among other factors, the lack of international investor focus, the index-focused nature of the domestic investor base and limited overall coverage from sell side research analysts.

After a lengthy due diligence process including multiple meetings and interviews, quantitative reviews and evaluations of historical attribution, meetings with underlying portfolio companies and on-site operational due diligence, Chalkstream has identified and retained several local partners and may identify and retain other local partners to execute part of Class K-F Portfolio's strategy. Each of the Korean portfolio advisers is selected for its focused expertise in deep-value and special situation research in Korean equity securities, though the Korean portfolio advisers may pursue this strategy in stylistically different manners. In addition, each of the Korean portfolio advisers is selected based on an evaluation of, among other factors, its character, judgment, investment strategy and organization. In identifying and retaining the Korean portfolio advisers, Chalkstream focuses on advisers that have implemented a successful strategy of active management dedicated to the South Korean equity markets in a similar fashion to value and special situation hedge funds.

The Class K-F Portfolio will be invested in a well-diversified portfolio of South Korean equities, in accordance with the advice provided by the Korean portfolio advisers. In addition to this diversified portfolio of South Korean equities, Class K-F Portfolio may hold other instruments in connection with South Korea hedges.

In general, Chalkstream expects to manage the Class K-F Portfolio to maintain a mix of long and short listed equity exposures and appropriate hedges. With respect to the long equity exposures, Chalkstream expects to have exposure to (i) South Korean companies trading at a discount to "intrinsic value" and/or (ii) "special situations" where value can be unlocked by corporate events. With respect to the short exposures, Chalkstream expects to have exposure to South Korean companies trading in excess of "intrinsic value" or trading expensive related to another similar South Korean companies. In addition, Chalkstream may hedge the South Korean equity and currency risk by utilizing various strategies globally and specific to South Korea.

#### Class V-RT Portfolio (Flagship Fund)

The Class V-RT Portfolio is invested in a portfolio of systematic strategies, which is designed to achieve the objective of compounding long term returns, particularly in volatile environments. The Class V-RT Portfolio utilizes insights Chalkstream has generated over a decade of researching and implementing strategies in equity, futures, and volatility markets. Chalkstream will continue to research, refine, and integrate new implementations and strategies into the Class V-RT Portfolio which further complement the investment objective of creating a return stream with negative correlation, yet high alpha to broad markets.

#### *Systematic Strategies*

Chalkstream philosophically believes that a systematic approach is the best way to achieve the investment objective. A systematic strategy is a strategy which relies on a predetermined set of trading rules that have been defined by Chalkstream and are implemented with as much automation and as little discretion as possible. Generally, Chalkstream does not intend to override system generated trading instructions. However, future market conditions could change in such a way as to render historical analysis (which Chalkstream may have relied upon to develop the trading rules) obsolete. If Chalkstream detects such conditions, Chalkstream may reduce or eliminate the allocation to a specific strategy on a discretionary basis.

Whenever possible, Chalkstream backtests strategies based on historical data. When executing such a strategy, every effort is made to execute it in keeping with the assumptions of the backtest. For example, a strategy that was backtested using an end-of-day execution assumption would be implemented using end-

of-day execution. There may be a situation when market conditions prevent Chalkstream from achieving end-of-day execution (market unexpectedly closed, liquidity poor, etc). If it were a temporary disruption, a solution would be implemented on a discretionary basis in keeping with the goals of the strategy as much as possible. If the disruption were longer-term, Chalkstream would seek a permanent systematic solution.

Some strategies are difficult or impossible to backtest (for example, if historical data doesn't exist or is poor quality). Even if backtesting is not possible, Chalkstream may develop and ultimately implement a strategy based on a set of rules that are designed to give Chalkstream a specific and desirable risk profile with a high degree of certainty. In this case, Chalkstream would rely more heavily on other means besides backtesting in order to evaluate the efficacy of the strategy such as paper trading and live trading with a limited allocation.

### *Volatility Strategies*

Instruments linked to volatility are derivatives and in most cases less liquid than their respective underlying asset. There can be instances when a measure of volatility has an extreme price movement relative to the underlying asset, a phenomenon generally called "convexity". Because extremes in volatility are unusual, historical analysis can be misleading in the sense that even if a strategy performed well in a volatility spike historically, it may not behave similarly in the future. Chalkstream seeks to mitigate this risk in a number of ways, both on an individual strategy basis (e.g. setting model parameters at "conservative" levels) and on a portfolio basis (adding complementary strategies that provide diversification). However, it may be the case that one or more of the strategies in the Class V-RT Portfolio performs poorly due to the convexity of volatility.

### *Market Neutral Strategies*

The Class V-RT Portfolio strategies generally target a zero beta to their respective market. However, beta estimates are based on the historical relationship between two instruments, which may not hold into the future. Chalkstream attempts to model beta in a way that is robust to the dynamic relationship between the instruments, but an individual strategy or the Class V-RT Portfolio overall may exhibit apparent beta against Chalkstream's intentions.

The Class V-RT Portfolio will focus on strategies that are "long convexity". Convexity in this context generally means the asymmetric performance seen in VIX futures for a corresponding move in the S&P 500 Index ("S&P"). The primary strategy in the Class V-RT Portfolio is intended to capture the "Round Trip" premium observed historically over the course of an S&P drawdown and recovery cycle. Exposure in this strategy is primarily expressed through a long position in VIX futures and a long position in S&P futures (or similar instruments) such that the resulting portfolio is market neutral with respect to the S&P, but has long exposure to excess performance in VIX futures (i.e., "long convexity"). The Class V-RT Portfolio may employ other strategies which have a similar long convexity exposure profile.

### Class VIA Portfolio (Domestic Investment Fund)

The Class VIA Portfolio provides exposure to underlying investments generally structured to capture opportunities in the South Korean equity markets based on research performed by VIA. VIA believes that South Korean equity markets offer opportunities for alpha generation due to, among other factors, the lack of international investor focus, the index-focused nature of the domestic investor base and limited overall coverage from sell side research analysts.

### Hedging (Flagship Funds and Insurance Fund)

As mentioned in Item 4 above, Chalkstream will typically allocate capital to a hedging program designed to offset the Funds' portfolios from potential market shocks. The hedging program may involve the Funds

owning financial instruments or entering into hedging agreements, which may include a wide range of securities, options, futures, swaps and other instruments Chalkstream deems appropriate. In addition to the hedging program, Chalkstream may also implement trading strategies which are designed to diversify the Funds' portfolio. These strategies may be researched, developed, and executed internally.

#### Special Investment Portfolio (Flagship Funds)

The Flag Funds (excluding Class J, Class T, Class K-F, Class V-RT and Class VIA Interests/Shares) also allocates capital to investments of longer intended duration (referred to herein as "Special Investments"). Special Investments are intended to complement the core Hedge Fund investment program of the Fund through opportunistic allocation of capital to less liquid or longer-duration investments. Chalkstream believes that certain investments with longer investment horizons can offer higher return expectations than Hedge Fund investments while also providing diversification to the overall portfolio. For the avoidance of doubt, Chalkstream may determine that, for various reasons, an investment that initially was not designated as a Special Investment should be deemed to be a Special Investment. Special Investments can take on different forms (including but not limited to):

- Third Party Funds: Chalkstream will conduct research on less-liquid strategies, such as private equity funds, direct lending funds, royalty funds and real estate funds (amongst others) and may cause the Fund to allocate to such third party funds. These funds typically do not offer regular liquidity to investors until underlying investments are fully realized.
- Direct Investments: The Fund may make other less liquid investments that are not allocations to third party funds. To date, these investments have taken the form of direct ownership in trading-oriented financial technology companies and direct ownership of real assets. In all cases to date, a third party has discretion over the financial instruments or real assets that these direct investments hold.
- Revenue Participation Arrangements: The Fund may enter into revenue participation agreements with third parties in exchange for providing investing capital and/or working capital. Special Investment revenue participation arrangements will typically be entered into with third party investment firms where the Fund has made an allocation to a fund managed by such third party investment firm (as described above).

**The Funds have broad and flexible investment authority. The Funds may have other strategies or engage in other activities than those described herein. It is critical that investors refer to the relevant Fund's offering documents for a complete understanding of that Fund's investment objective and strategies. The information contained in this Item 8 is a summary only and is qualified in its entirety by the relevant Fund's offering documents.**

**An investment in the Funds may be deemed speculative and is not intended as a complete investment program. The Funds are designed only for experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in the Funds.**



## **Risk of Loss**

***Operating History.*** A Portfolio Manager may have a limited operating history upon which to evaluate its future performance. The past investment performance of any of the Portfolio Managers with which the Funds invest or any of the Funds (or any other vehicle managed by Chalkstream) should not be construed as an indication of the future results of the Portfolio Managers or of the Funds.

***Dependence on Chalkstream and the Portfolio Managers.*** Chalkstream invests assets of each Fund through Portfolio Managers. The success of the Funds is dependent not only on the investment performance of individual Portfolio Managers and the ongoing ability of Chalkstream to select and allocate effectively the Funds' assets among Portfolio Managers, but also on the ability of Chalkstream to successfully implement investment strategies that achieve the Funds' investment objective. For example, a Portfolio Manager's inability to effectively hedge an investment strategy may cause the assets of the Funds invested with such Portfolio Manager to significantly decline in value and could result in substantial losses to the Funds. In addition, subjective decisions made by Chalkstream or the Portfolio Managers may cause the Funds to incur losses or to miss profit opportunities on which it may otherwise have capitalized. Moreover, although Chalkstream may allocate assets of the Funds to Portfolio Managers who use different investment strategies, there can be no assurance that market or other events will not have an adverse impact on the strategies employed by multiple Portfolio Managers.

***Absence of Regulatory Oversight.*** The Funds are not required to register as investment companies and have not registered as such under the U.S. Investment Company Act of 1940, as amended (the "Company Act"). Thus, the provisions of the Company Act intended to provide various protections to investors are not applicable. Moreover, Hedge Funds are generally not registered as investment companies, and the Funds, in turn, are not provided the protections of the Company Act. The investment activities of the Funds and the Hedge Funds are not subject to Company Act provisions that limit the use of leverage and regulate other investment practices. Hedge Funds generally do not maintain their securities and other assets in the custody of a bank or a member of a securities exchange, as generally required of registered investment companies, in accordance with certain rules of the SEC. A registered investment company that places its securities in the custody of a member of a national securities exchange is required to have a written custodian agreement, which provides that securities held in custody will be at all times individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and which contains other provisions designed to protect the assets of the investment company. It is anticipated that the Hedge Funds generally will maintain custody of their assets with brokerage firms that do not separately segregate such assets as would be required in the case of registered investment companies. Under the provisions of the U.S. Securities Investor Protection Act, as amended, the bankruptcy of any such brokerage firm could have a greater adverse effect on the Fund than would be the case if the custody of assets were maintained in accordance with the requirements applicable to registered investment companies. There is also a risk that a Portfolio Manager could convert to its own use assets committed to it by the Fund or that a custodian could convert to its own use assets committed to it by a Portfolio Manager. There can be no assurance that the Portfolio Managers or the entities they manage will comply with all applicable laws and that assets entrusted to the Portfolio Managers will be protected.

***Business and Regulatory Risks of Hedge Funds.*** Legal, tax, and regulatory developments could occur that may adversely affect the Funds. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of the Funds to pursue their investment strategies, their ability to obtain leverage and financing and the value of investments held by the Funds. There has been an increase in governmental, as well as self regulatory, scrutiny of the alternative investment industry in general. For instance, the SEC

issued an emergency order in September 2008 temporarily banning short-selling of publicly traded securities of certain financial firms and requiring institutional investment managers, including hedge fund managers, to file a report each week disclosing their short selling and short positions in most U.S.-listed equity securities for each day of the prior week. On or about the same time, other jurisdictions (e.g., United Kingdom, Australia, Ireland) enacted emergency regulations, imposing similar regulations to those enacted by the SEC. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of the Funds to trade in securities or the ability of the Funds to employ, or brokers and other counterparties to extend, credit in their trading (as well as other regulatory changes that result) could have a material adverse impact on the Funds' portfolios.

The Funds and Chalkstream may also be subject to regulation in jurisdictions in which the Funds and Chalkstream engage in business. Investors should understand that the Funds' business is dynamic and is expected to change over time. Therefore, the Funds may be subject to new or additional regulatory constraints in the future. We cannot address or anticipate every possible current or future regulation that may affect Chalkstream, the Funds or their businesses. Such regulations may have a significant impact on the investors or the operations of the Funds, including, without limitation, restricting the types of investments the Funds may make, preventing the Funds from exercising its voting rights with regard to certain financial instruments, requiring the Funds to disclose the identity of their investors or otherwise. Chalkstream may, in its sole discretion, cause the Investment Funds to be subject to such regulations if it believes that an investment or business activity is in the Investment Funds' interest, even if such regulations may have a detrimental effect on one or more investors in the Investment Funds. Prospective investors are encouraged to consult their own advisors regarding an investment in the Funds.

**Limited Liquidity.** An investment in the Funds provides limited liquidity since interests/shares are not freely tradable and generally an investor has limited rights to withdraw/redeem all or a portion of its interests/shares. Additionally, an investor has no right to withdraw/redeem any of its interest/shares related to Special Investments. Special Investments such as private equity funds should be expected to take up to three to five years or longer to draw down capital from the Flagship Funds and up to 10 years or longer to return capital and profits, if any, to the Flagship Funds. In addition, certain investments, e.g., seed deals and real estate investments, may have even longer durations and, if successful, may continue to generate K-1 statements for investors in the Domestic Investment Fund for an indeterminate number of years. Furthermore, distributions of proceeds upon an investor's redemption may be delayed or limited, in Chalkstream's discretion, because of restrictions imposed upon redemptions or payments of amounts redeemed by any Hedge Fund in which, or any investment advisory agreements under which, the Funds' assets have been invested, or where the disposal of part or all of the Funds' assets to meet redemption requests would be prejudicial to any investor. The Funds may also temporarily suspend the right of investors to make withdrawals/redemptions if Chalkstream or its affiliates, in their discretion, determine that the value of the assets of the Funds cannot fairly be computed due to market disruption, the suspension of trading in any market, or other unusual events. With respect to an investor that has fully withdrawn its withdrawable Interests in the Fund and would like to receive liquidity with respect to its Interests attributable to its capital that has been allocated to a Special Investment Account or designated as reserves or SI Reserves, in addition to other privately negotiated transfers approved by the GP, such investor may sell such Interests through secondary sale platform(s) approved by the GP; *provided* that (i) the GP has sole discretion to approve any buyer of such Interests, (ii) such investor must sell 100% of such Interests, (iii) the GP may impose any other restrictions in connection with such sale that the GP believes are in the best interest of the Fund, (iv) the GP may, but does not have any obligation to, provide any information relating to the underlying Special Investments to the buyer of such Interests, (v) none of the GP, Chalkstream or any of their respective affiliates shall recommend or otherwise assist the investor with such sales and (vi) the investors understand that an affiliate or related party of the GP or Chalkstream may buy such Interests from time to time (without any obligation to do so in the future), in which case such buyer shall have access to information relating to the Interests that such selling investor may not have.

**Limited Rights and Information.** As an investor in a Hedge Fund or Special Investment, each of the Funds has limited rights with respect to its investment interest, including limited voting rights and participation in the management of the applicable portfolio fund. A portfolio fund that the Funds invest in that is managed and advised by a Portfolio Manager (with respect to Hedge Fund investments) or other manager (with respect to Special Investments) (other than Chalkstream) is not subject to transparency requirements, including transparency with respect to pricing and valuation information or trading strategies of the portfolio fund. In addition, some portfolio funds further restrict the amount and type of information that its investors that are pooled investment vehicles, such as the Funds, may disclose to their own investors. Accordingly, investors will not be entitled to receive the same information, including offering documentation and certain details regarding investment returns, as those investing directly in such portfolio funds. In addition, because the Funds (and not the investors in the Funds) is the investor in a portfolio fund, investors themselves do not have the rights (contractually or under securities laws) with respect to such portfolio fund that are available to such portfolio fund's direct investors.

**Counterparty Default.** The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Funds will monitor on an ongoing basis the creditworthiness of firms with which they will enter into repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of the Funds' counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Funds may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Funds and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Funds, which could be material.

**Cross-Portfolio or Cross-Class Liability and Class-Associated Conflicts.** The Funds may allocate profits and losses attributable to a particular class of investments or transactions to particular investors. While the investment of each investor represents a separate capital account and will be maintained with separate accounting records, each Fund is one legal entity. Thus, all assets held by each Fund will be subject to potential claims relating to liabilities of such Fund, even if the liability relates to a particular type of investment in such Fund's portfolio in which not all investors participate. In practice, such cross-portfolio or cross-class liability will usually only arise where the capital accounts of investors having an interest in the assets to which such liabilities relate become insolvent, exhausted or otherwise unable to meet all such liabilities.

To the extent that an investor participates solely in a certain portion of the portfolio, such investor's investment in a Fund may be subject to greater or different risks than the investments of other investors, due to, among other reasons, geographic concentration of investments, differing degrees of diversification, greater use of borrowing and margin financing or a greater percentage exposure to certain instruments, including derivatives and other instruments with imbedded leverage.

***Possible Adverse Effects of Substantial Withdrawals or Redemptions of Capital.*** In the event that there are substantial withdrawals or redemptions from a Fund within a limited period of time, Chalkstream may find it difficult to adjust its asset allocations and trading strategies to the suddenly reduced amount of assets under management. Similarly, in the event that there are substantial withdrawals or redemptions from a Portfolio Manager's fund within a limited period of time, the Portfolio Manager may find it difficult to adjust its asset allocation and trading strategies. Under such circumstances, in order to provide funds to pay withdrawals or redemptions, Chalkstream or the Portfolio Managers may be required to liquidate positions at an inappropriate time or on unfavorable terms. On an ongoing basis, irrespective of the period over which substantial withdrawals or redemptions occur, it may be more difficult for a Fund or a Portfolio Manager to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to fund withdrawals or redemptions, that Fund may be left with a much less liquid portfolio.

***Compensation Arrangements with Chalkstream and the Portfolio Managers.*** Chalkstream receives an incentive allocation or fee based on the net capital appreciation allocated to each investor's series of a class of interests or shares, and with respect to Special Investments in the Flagship Fund only, based upon the gains realized or deemed realized or any current income from a Special Investment. The incentive allocation or fee and the incentive compensation of the Hedge Funds may create an incentive for Chalkstream and the Portfolio Managers, respectively, to make riskier investments than they might otherwise make in the absence of such compensation.

***Tiered Fee Structure.*** The Flagship Funds allocates capital to hedge funds, direct trading, private equity, real estate and other longer-duration investments in a single fund structure (the Insurance Fund only allocates capital to hedge funds). Investment management fees, incentive fees and incentive allocations are charged to or allocated from, as the case may be, the Funds by Chalkstream, the GPs and the Portfolio Managers. As a result, the Funds, and indirectly an investor in the Funds, bear multiple fees and incentive allocations, that in the aggregate, exceed the fees and incentive allocations that would typically be incurred by a direct investment with a single Portfolio Manager or Hedge Fund. The Funds may also invest in Hedge Funds that invest in other investment vehicles (including funds managed by Chalkstream).

***Independent Portfolio Managers.*** The Portfolio Managers generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Portfolio Managers do, in fact, hold such positions, the Funds, considered as a whole, may not achieve any gain or loss despite incurring investment expenses, including, without limitation, performance-based compensation. In addition, there may often be times when a particular Portfolio Manager may receive an incentive fee in respect of the Funds' investments for a period even though the Fund's overall portfolio depreciated during such period. It is also possible that the performance of certain Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Funds and their investors.

***Proprietary Investment Strategies.*** A Portfolio Manager may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to Chalkstream or the Funds. These strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager, Chalkstream or the Funds. The Portfolio Managers generally use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds. The strategies employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. The Funds seek to reduce these risks by spreading the investments of the Funds among a variety of different Portfolio Managers using investment strategies with returns that are not expected to be highly correlated with one another.

***Investment and Trading Risks in General.*** All investments made by the Funds risk the total loss of capital. The Portfolio Managers may use such investment techniques as margin transactions, short sales, option transactions, and forward and futures contracts. In certain circumstances, these practices can maximize the adverse impact to which the Funds may be subject. No guarantee or representation is made that the Funds'

investment programs, including, without limitation, the Funds' investment objectives, diversification strategies or risk monitoring goals, will be successful, and investment results may vary substantially over time.

***In-Kind Distributions; Liquidating SPVs.*** The Funds anticipate that all distributions to investors will be made in cash, but there can be no assurance that the Funds will have sufficient cash to satisfy withdrawal requests. The Investment Funds may make distributions in kind in the sole discretion of Chalkstream and without notifying non-affected investors, including without limitation, due to the inability to liquidate investments in Hedge Funds during a timeframe which would provide adequate funds to pay requested withdrawals. In-kind distributions may be comprised of, among other things, interests in special purpose vehicles or trading vehicles (each, a "Liquidating SPV") holding investments in Hedge Funds that were held or are being held by the Investment Funds, or participations or other derivatives instruments referring to such investments held by the Investment Funds.

If a Fund makes an in-kind distribution to a withdrawing investor then, unless otherwise determined by Chalkstream in its sole discretion, such withdrawing investor will receive interests in a Liquidating SPV or other asset, the value of which will reflect such withdrawing investor's share of the net asset value of the applicable investment on the relevant withdrawal/redemption date.

A distribution in respect of a withdrawal may be made in cash or in-kind, or any combination thereof, as determined by Chalkstream or the SALI GP, in its sole discretion. Chalkstream or the SALI GP will determine the percentage of any distribution to be made in cash and the percentage to be made in-kind, as well as the particular investments, if any, to be distributed. Unless otherwise determined by Chalkstream in its sole discretion, distributions that are made in-kind will, to the extent practicable, not be disproportionately allocated to any investor or investors. However, a prior or contemporaneous in-kind distribution to some investors will not affect the Funds' right to distribute cash to investors.

The Investment Funds expect that, in the event that the Investment Funds utilize a Liquidating SPV to facilitate in-kind distributions, Chalkstream would manage such Liquidating SPV with the intention of distributing the net proceeds attributable to the investments held by such Liquidating SPV as they are liquidated. The Liquidating SPV would not make new investments.

Investments distributed in kind may be illiquid or difficult to value, may not be readily marketable or salable and may have to be held by an investor for an indefinite period of time. Such investments will continue to be subject to market conditions and may fluctuate in value following the relevant withdrawal/redemption date. There can be no assurance that the withdrawing investor will be able to liquidate such investments at a value equal to or greater than the value of the investments determined as of the relevant withdrawal/redemption date. The risk of loss and delay in liquidating these investments will be borne by the investor, with the result that such withdrawing/redeeming investor may ultimately receive significantly less cash than it would have received following the withdrawal/redemption date if it had been paid in cash. Furthermore, to the extent that a withdrawing/redeeming investor receives interests in a Liquidating SPV, such withdrawing investor will generally have no voting rights or any control over when and at what price the investments in such Liquidating SPV are sold.

***MiFID II.*** The European Union's (the "EU") second Markets in Financial Instruments Directive 2014/65/EU, laws and regulations introduced by Member States of the EU to implement it and the EU's Markets in Financial Instruments Regulation 600/2014 (together "MiFID II"), which came into force on 3 January 2018, impose new regulatory obligations and costs on EU trading venues and investment firms such as broker-dealers and distributors.

While the AIFM Directive provides the legislative framework for alternative investment fund management, MiFID II covers virtually all other investment services and activities. MiFID II also encompasses market structural reforms and trading obligations, enhanced transparency requirements both pre- and post-trade and numerous investor protection-type requirements which extend to product design and governance to conflicts of interest and inducements.

The United States is not part of the EU and has not implemented MiFID II. Nevertheless, MiFID II has extra-territorial reach beyond the EU and does impact non-EU entities depending on extent of nexus with the EU. Any regulatory changes arising from implementation of MiFID II may increase the expenses of the Fund or the Investment Manager related to compliance with MiFID II and may have a negative impact.

In particular, MiFID II requires certain standardised OTC derivatives to be executed on regulated trading venues. The overall impact of MiFID II is uncertain and it is unclear how the OTC derivatives markets will adapt to these new regulatory regimes. MiFID II also introduces for the first time within the EU position limit and position reporting requirements in relation to certain commodity derivatives. These measures will impose restrictions on the positions that the Fund may hold in certain commodity derivatives and will be required to more actively monitor such positions. If positions reach the position limit thresholds, the positions will have to be reduced in order to comply with such limits.

In addition, MiFID II introduces wider transparency regimes in respect of trading on EU trading venues and with EU counterparties. MiFID II extends the pre- and post-trade transparency regimes from equities traded on a regulated market to cover equity-like instruments such as depositary receipts, ETFs and certificates that are traded on regulated trading venues as well as to cover non-equities such as bonds, structured finance products, emission allowances and derivatives. The increased transparency regime under MiFID II, together with the restrictions on the use of “dark pools” and other trading venues, will mean a wealth of new information relating to price discovery becoming available. Such increased transparency and price discovery may have macro effects on trading globally, which may have an adverse effect on the net asset value.

***Volatile Markets.*** The prices of commodities contracts and various types of derivative instruments are highly volatile. Price movements of forward contracts, futures contracts, and other derivative contracts are influenced by, among other things, interest rates; changing supply and demand relationships; and trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, governments from time to time intervene in certain markets, particularly those in currencies and interest rate-related futures and options, which may cause all such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. When investing in foreign instruments, the Funds and the Hedge Funds are also subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses resulting from less governmental regulation and intervention, and there may be a higher risk of financial irregularities or lack of appropriate risk monitoring and controls. Risks associated with investing in securities of foreign issuers are more pronounced with respect to investments in securities of issuers in emerging markets.

***Trading in Securities and Other Investments That Are Less Liquid or of Longer-Duration.*** Certain investment positions in which the Funds have an interest, including Special Investments, are less liquid or of longer-duration. Interests in the Hedge Funds are not themselves marketable and therefore the Funds are not able to readily dispose of its interests in Hedge Funds. Hedge Funds may have their own liquidity and/or withdrawal restrictions (such as infrequent withdrawal rights or “gate” provisions). In addition, the Portfolio Managers may invest in restricted or non-publicly traded securities, securities of distressed issuers, securities traded on foreign exchanges, and futures contracts. Futures positions may be less liquid or of longer duration positions because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Such investment positions could prevent a Portfolio Manager from liquidating unfavorable positions promptly and subject the Funds to substantial losses. This could also impair the Funds’ ability to make distributions to a withdrawing/redeeming investor in a timely manner. Similar limits may apply to securities traded on a foreign exchange.

***Investments are Leveraged; Borrowing by the Fund.*** The Funds borrow funds to increase their buying power and potential returns to investors, as well as to facilitate timely distributions in respect of withdrawals/redemptions. Although leverage increases the investment return of the Funds if an investment purchased with borrowed funds earns a greater return than the amount that the Funds are charged for the use of those funds, the use of leverage will decrease the investment return if the Funds fail to earn as much on investments purchased with borrowed funds as it is charged for the use of those funds. The use of leverage will, therefore, magnify the volatility of changes in the value of the investments of the Funds. Investors still face the risk of losing their entire investment.

Borrowings by the Funds are secured by the Funds' investment portfolio. Pursuant to the conditions of the loan facility through which the Funds currently obtain leverage (the "Loan"), the Funds may be required to liquidate all or a portion of their investments, among other things, to pay off the Loan. Liquidation under those circumstances could have adverse consequences. Funds borrowed for leveraging are subject to interest costs that may or may not be recovered by the return on the Funds' investment portfolio.

The risk of the use of leverage is compounded to the extent that the Portfolio Managers with which the Funds invest employ leverage in their respective investment programs (i.e., trade securities on margin). Trading securities on margin, unlike trading in futures (which also involves margin), results in interest charges and, depending on the amount of trading activity, such charges could be substantial. The low margin deposits normally required in futures and forward trading permit a high degree of leverage; accordingly, relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. Such a high degree of leverage necessarily entails a high degree of risk.

***Counterparty Credit Risk.*** Many of the markets in which Portfolio Managers effect their transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets. To the extent a Portfolio Manager invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, on these markets, a Portfolio Manager may take credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections. This exposes a Portfolio Manager's fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Portfolio Manager's fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Portfolio Manager has concentrated its transactions with a single or small group of counterparties. In addition, in the case of a default, a Portfolio Manager's fund could become subject to adverse market movements while replacement transactions are executed. Portfolio Managers are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the Portfolio Managers generally have no internal credit function which evaluates the creditworthiness of their funds' counterparties. The ability of Portfolio Managers to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by the funds in which the Funds invest.

***Risk Management Activities.*** The Funds attempt to measure and monitor risks of the Funds' portfolio and Portfolio Managers. The amount and quality of risk due diligence, measurement and monitoring is dependent on access to the portfolios and risk management systems (if any) of the Portfolio Managers. There is no assurance that the Portfolio Managers will give access to this data. When this information is unavailable, estimates of risk will be made. Efforts to measure and reduce risk may not be successful. Any Fund hedging activities designed to reduce risk may also be unsuccessful.

***Deleveraging Risks.*** If the Funds are forced to “deleverage” the Funds in accordance with the terms of the Loan by decreasing the amount of assets invested in the Hedge Funds, there will be a corresponding reduction in the profit potential of the Funds. In addition, if a significant percentage of the Funds’ assets are liquidated from the Hedge Funds in order to pay interest on the Loan and fees and expenses of the Funds, or are held in cash and cash equivalent assets in anticipation of paying interest on or repaying principal of the Loan, it is unlikely that the investment objective of the Funds will be achieved.

***Co-Investments with Third Parties.*** The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement resulting in a negative impact on such investment, including the possibility that a third party co-venturer may have financial difficulties, may have economic or business interests or goals that are inconsistent with those of the Funds or may be in a position to take (or block) action in a manner contrary to the Funds’ investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

***Agreements with Third Parties.*** Multiple Funds managed by Chalkstream may enter into agreements with third parties (e.g., fee sharing arrangements) pursuant to which such Funds may have joint and not several liability. Any liabilities under such agreements will be allocated on a *pro rata* basis among such Funds.

***Forward Trading.*** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors.

***Credit Default Swaps.*** As one component of the Funds’ investment program, Chalkstream expects to maintain a managed account with one or more credit experts who will select a portfolio generally consisting of investment-grade credits to short, typically through the purchase of credit default swaps (“CDS”). CDS can be used to implement the view that a particular credit, or group of credits, will experience credit improvement or deterioration. This managed account may buy credit default protection with respect to a referenced entity if, in the Portfolio Manager's judgment, there is a high likelihood of credit deterioration. In such instance, the managed account (and thus the Funds) will pay a premium regardless of whether there is a credit event. Additionally, in the case of expected credit improvement, the managed account may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the managed account to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The CDS market in high-yield securities is comparatively new and rapidly evolving compared to the CDS market for more seasoned and liquid investment-grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter into a particular transaction.

***Short Selling.*** The Portfolio Managers with which the Funds invest may engage in short selling. Short selling involves selling securities, which may or may not be 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 the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Funds engage in short sales will depend upon Chalkstream’s investment strategy and opportunities. A short sale creates the risk of a



theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Currency Trading.** A portion of each Fund's assets may be invested by the Portfolio Managers in debt and equity securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Funds, however, value their securities in U.S. dollars. Currency exchange rates are subject to sudden fluctuations of varying magnitude, and they are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. The volatility of currency prices may render it difficult or impossible to predict or anticipate fluctuations in the value of currencies. A Hedge Fund may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when a Hedge Fund wishes to use them, or that hedging techniques employed by a Hedge Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

**Managed Account Allocations.** The Funds may place assets with certain Portfolio Managers by opening discretionary managed accounts, rather than by investing in Hedge Funds. Managed accounts expose the Funds to theoretically unlimited liability, and it is possible, given the leverage at which certain of the Portfolio Managers trade, that the Funds could lose more in a managed account directed by a particular Portfolio Manager than the Funds have allocated to such Portfolio Manager to invest. To avoid such risks, the Funds may, but are not obligated to, establish private investment vehicles that are managed by the Portfolio Managers.

**Direct Investments.** In addition to making investments in Hedge Funds and/or Special Investments, the Funds may also, under limited circumstances, invest or trade, on margin or otherwise, directly in securities. To the extent a Fund invests directly in securities, such investments may be subject to the same risks with respect to investment techniques and instruments as those used by Portfolio Managers and those described in connection with such Fund's investments in Hedge Funds and/or Special Investments.

**Estimates.** In most cases Chalkstream has no ability to assess the accuracy of the valuations received from a Portfolio Manager. Furthermore, the net asset values of the Hedge Funds provided to Chalkstream from Portfolio Managers typically are estimates only, subject to revision upon conclusion of each underlying fund's annual audit. Revisions to the Funds' gain and loss calculations are an ongoing process, and actual net capital appreciation or net capital depreciation figures may not be final until the Funds' annual audits are completed.

**Dilution.** To the extent that certain Portfolio Managers may limit the amount of additional capital that they will accept from the Funds, or that regulatory limitations restrict such additional investments, continued sales of interests or shares will dilute the participation of existing investors with such Portfolio Managers.

**Possible U.S. Withholding Taxes.** In order to avoid a U.S. withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed U.S. investments, each non-U.S. investment vehicle through which the Fund invests generally was required to register with the Internal Revenue Service (the "Service") by June 30, 2014 and agree to identify certain of its direct and indirect U.S. account holders (including equityholders and debtholders). Prospective investors should consult their own tax advisers regarding the possible implications of these rules on their investment in Interests.

***Tax Exempt Entities.*** Certain prospective investors may be subject to federal and state laws, rules and regulations which may regulate their participation in a Fund, or their engaging directly, or indirectly through an investment in such Fund, in investment strategies of the types which such Fund utilizes from time to time. While the Fund believes its investment program may be appropriate for tax-exempt organizations for which an investment in the Fund would otherwise be suitable, each type of exempt organization may be subject to different laws, rules and regulations, and prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the Fund. In particular, exempt organizations should consider the applicability to them of the provisions relating to “unrelated business taxable income.” Investments in the Fund by entities subject to ERISA, and other tax-exempt entities require special consideration.

***U.S. Partnership Tax Audit Risk.*** Under the general rule imposed under new legislation, an audit adjustment of the Fund's U.S. tax return filed or required to be filed for any tax year beginning during or after 2018 (a “Reviewed Year”) could result in a tax liability (including interest and penalties) imposed on the Fund for the year during which the adjustment is determined (the “Adjustment Year”). The tax liability generally is determined by using the highest tax rates under the United States Internal Revenue Code of 1986, as amended (the “Code”) applicable to U.S. taxpayers in effect for the Reviewed Year, in which case any Adjustment Year investors could bear the audit tax liability at significantly higher rates (including interest and penalties) arising from audit adjustments and in amounts that are unrelated to their Reviewed Year economic interests in the Fund items that were adjusted.

To mitigate the potential adverse consequences of the general rule, the Fund may be able to elect to pass through such audit adjustments for any year to its investors who participated in the Fund for the Reviewed Year, in which case each Reviewed Year participating investor (and not the Fund) generally would be responsible for the payment of any tax deficiency, determined after including their share of the adjustments on their tax returns for the Adjustment Year.<sup>2</sup> An investor may also be able to mitigate such adverse consequences by, after the audit adjustments are made, filing an amended U.S. tax return for the Reviewed Year and paying tax, if any, on its share of the items adjusted on audit. However, the extent to which the Fund and/or any investor will be able to mitigate the operation of the general rule under either of these alternatives is highly uncertain and may depend upon future regulatory guidance and amendments to the legislation.

***Regulated Investors.*** Certain prospective investors may be subject to federal and state laws, rules and regulations that may regulate their participation in the Funds or their engaging directly or indirectly through an investment in the Funds in investment strategies of the type Portfolio Managers may use from time to time (e.g., short sales of securities and the use of futures, leverage and limited diversification).

***Expenses May be a High Percentage of Assets.*** Operating expenses that are necessary for a Fund’s proper operation may be a high percentage of the Fund’s net asset value and, even if the Fund’s strategy is successful, the Fund may still not be profitable. In some instances, when the Fund begins trading it may have substantially less assets with which to trade than it may have over time. In addition, as a result of withdrawals or other circumstances the Fund’s necessary operating expenses may be a high percentage of the Fund’s net asset value. For example, it is possible that the Fund may have trading gains while the Fund’s net asset value may not increase or may even decrease.

***Classes and Side Letters.*** Each Fund may, from time to time and in the GP’s sole discretion (without notification or approval of any investor) create new classes of interests or shares and enter into letter agreements or other similar agreements (collectively, “Side Letters”) with one or more investors which provide such investors with additional and/or different rights (including, without limitation, with respect to access to information, management fees, incentive allocations, minimum investment amounts, investment portfolios, and liquidity terms) than other investors. As a result, should the Fund experience a decline in performance over a period of time, an investor that is party to a Side Letter that permits less notice and/or

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<sup>2</sup> If such an election is made by the Fund, interest on any deficiency will be at a rate that is 2 percentage points higher than the otherwise applicable interest rate on tax underpayments.

different withdrawal times may be able to withdraw interests/shares prior to other investors. The Funds will not be required to notify any or all of the other investors of any such classes or Side Letters or any of the rights and/or terms or provisions thereof, nor will the Funds be required to offer such additional and/or different rights and/or terms to any or all of the other investors. Investors will have no recourse against the Fund, Chalkstream and/or any of their affiliates in the event that certain investors receive additional and/or different rights and/or terms as a result of such Side Letters.

***Dependency on Technology; Security Breaches and Disruptions.*** To the extent Chalkstream uses any internally developed strategies, these strategies may be highly automated and rely heavily on technology, including proprietary and third-party hardware and software. The effectiveness of such risk management could be severely compromised by coding errors (including design and implementation errors), computer viruses, cybersecurity (including ransomware) or physical security breaches, and software related “system crashes.” A coding error could result in material over-trading or under-trading by the Fund. Any event that interrupts or compromises Chalkstream’s computer and telecommunications operations could result in, among other things, the inability of Chalkstream to establish, modify, liquidate, hedge, or monitor the Fund’s investments or the permanent loss or degradation of some or all of Chalkstream’s critical data and systems. The quantitative models utilized by Chalkstream to manage risk for the Fund’ portfolios rely on historical and current market and other data provided by third parties. Any interruption in the flow of, or an inability to appropriately process, clean, analyze, or use such data, which happens from time to time, disrupts Chalkstream’s ability to effectively manage the portfolios of the Fund.

In the ordinary course of business, the Fund, the GP, Chalkstream and their service providers collect and store, on such parties’ networks and/or on the networks of their third party vendors, sensitive data including the intellectual property, trading data and personally identifiable information of the Limited Partners. The secure processing, maintenance and transmission of this information is critical to the Fund’s operations. Chalkstream has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time resulting in the information stored therein being accessed, publicly disclosed, lost and/or stolen. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Chalkstream may be susceptible to compromise, leading to a breach of Chalkstream’s network. Chalkstream’s systems or facilities may be susceptible to attacks by hackers and/or breaches as a result of employee error or malfeasance, government surveillance, or other security threats and technological disruptions. On-line services provided by Chalkstream to the Limited Partners may also be susceptible to compromise. Breach of Chalkstream’s information systems may cause information relating to the transactions of the Fund and personally identifiable information of the Limited Partners to be lost or improperly accessed, used or disclosed.

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

The loss or improper access, use or disclosure of Chalkstream’s or the Fund’s proprietary information may have legal ramifications (including legal claims or proceedings, liability under laws that protect the privacy of personal information and regulatory penalties under federal and/or state securities laws) and may result in the disclosure or misuse of confidential information concerning the Limited Partners, cause financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational harm to the General Partner, Chalkstream and/or the Fund and increase their respective costs. Any of the foregoing events could have a material adverse effect on the Fund and the Limited Partners' investments therein.

**Trade Errors.** Chalkstream defines “trade errors” as “unintended” trades (e.g., purchasing or selling the wrong securities, or purchasing or selling the wrong number of securities). As with all financial gains and losses attributable to trading activity, any gains or losses resulting from trade errors will generally be borne by the Fund. Losses to the Fund will only be reimbursed to the extent Chalkstream determines that the trade error resulted from Chalkstream’s fraud, willful misconduct, or gross negligence. Trades proposed or executed by an algorithm or automated process (even if such trade is based on a bad input, including a bad input resulting from human error) are not considered “trade errors” by Chalkstream. Accordingly, all such errors will be charged to the Fund in the same way as any other trading gains or losses unless Chalkstream determines that such errors resulted from Chalkstream’s fraud, willful misconduct, or gross negligence. It should be noted that, given the manner in which the Fund trade, losses caused by coding errors (and therefore not considered trade errors) are likely to greatly exceed losses caused by trade errors.

**Force Majeure.** Portfolio investments may be affected by force majeure events (*i.e.*, events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including the Fund or a portfolio company or a counterparty to the Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event and/or prompt precautionary government-imposed closures of certain travel and business. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or the Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could create operational difficulties for Chalkstream, the Fund or a portfolio company, cause the employees of Chalkstream or a portfolio company to work from home for extended periods and have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Fund may invest and the markets the Fund may trade specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to the Fund, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation). Any of the foregoing may therefore adversely affect the performance of the Fund and its investments. In addition, during any period of uncertainty, disruption and volatility in the economic and financial markets, no assurance can be provided that the net asset value of the Fund or an underlying fund will reflect the actual price at which the Fund’s or an underlying fund’s portfolio could be liquidated, and interests/shares may be issued and withdrawals/redemptions may be processed based on a net asset value that does not reflect the actual fair value of the Fund’s direct and indirect investments and other assets.

**Novel Coronavirus, Pandemics and Epidemics.** The 2019 global outbreak of the novel coronavirus (COVID-19) is creating unprecedented economic and social uncertainty throughout the world. The ultimate impact of the coronavirus pandemic is difficult to predict, but it is likely that it will have a materially adverse impact on global, national, and local economies and that such negative impact is likely to persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, implementation of business continuity plans, lay-offs, “social distancing” practices, and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact the Fund’s investments. Chalkstream’s ability to source new investments or to realize the Fund’s investments, in particular, may be adversely affected if the coronavirus pandemic (or any similar pandemic or epidemic caused by a different virus) persists for an extended period of time and continues to spread domestically and internationally. Similar disruptions may occur in respect

of the service providers and counterparties (including providers of financing) of Chalkstream and the Fund and the underlying funds, which could also negatively impact the Fund. The coronavirus pandemic, and its effect on certain asset classes in which the Fund invests or may invest, may persist for a longer period of time than anticipated, thus affecting recoveries by such Fund investments.

***Impact of Russia-Ukraine Conflict.*** The European and global financial markets have recently experienced significant volatility and adverse trends due to concerns about acts of aggression in the region and related sanctions. These or similar events may further impact other countries in Europe and may affect the value of the Fund's investments.

On February 24, 2022, Russia launched a large-scale invasion of Ukraine. Following Russia's invasion, various countries, including the U.S., Canada, the United Kingdom, Germany and France, as well as the European Union, issued broad-ranging economic sanctions against Russia and its high-ranking officials. As a result of the economic sanctions and the suspension of trading on the Moscow stock exchange, non-Russian investors may be prohibited or otherwise face difficulty in trading certain Russian securities and doing business with certain Russian corporate entities, financial institutions, officials and oligarchs (whose assets may be frozen).

The sanctions include a commitment by certain countries and the European Union to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications, commonly known as "SWIFT," which is the electronic network that connects banks globally. A large number of corporations and U.S. states have announced plans to divest interests or otherwise curtail business dealings with certain Russian businesses. The scope and severity of the sanctions are likely to evolve as the conflict continues. The conflict between Russia and Ukraine is currently unpredictable and has the potential to result in broadened military action. The extent and duration of the military action and resulting sanctions or future market disruptions in the region are impossible to anticipate, but are likely to be significant and have a severe adverse effect on the region as well as have a significant negative impact on the global economy and markets for certain securities and commodities, such as oil and natural gas, as well as other sectors.

In addition, sanctions against certain individuals may also impact a portfolio company's operation. For example, in the event an investor in a portfolio company is placed on a sanctions list, the portfolio company may be required to take certain steps, including freezing the investor's investment in the portfolio company. Furthermore, a portfolio company itself may be deemed "blocked" due to significant investments in Russian companies, companies doing significant business in Russia and/or significant investments in the portfolio company by Russian investors. This may result in the portfolio company having its assets frozen, which will negatively impact the Fund's investment in the portfolio company even if the Fund does not otherwise have any association to Russia.

***Deterioration in Markets or the Economy in General May Cause the Fund to Experience Losses.*** The last financial crisis in the U.S. and many non-U.S. economies, including the European sovereign debt and banking crises, resulted in an unusually high degree of volatility in the financial markets, both within and outside the United States. There is no assurance that these conditions will not repeat themselves in the next economic downturn. In addition, global economies and financial markets are substantially interconnected, which increases the possibilities that conditions in one country or region might adversely impact conditions in a different country or region. For example, issues involving "Brexit" (the withdrawal of the United Kingdom from the European Union) have had worldwide implications. Credit markets worldwide are also facing challenges due to the upcoming discontinuation of LIBOR and the need for interest rates payable on newly issued and existing instruments to be pegged to another market interest rate. The decline of economies in the U.S. and other jurisdictions may represent the beginning of a broader downturn in global markets. The Fund's investments may be materially adversely affected by such downturn.

***United Kingdom Exit from the European Union.*** On June 23, 2016, the people of the United Kingdom ("UK") voted in a referendum to leave the EU. In March 2017, the UK government formally announced the country's withdrawal by invoking Article 50 of the Treaty of the EU which provides for a period of up to two years during which the terms of the UK's ongoing relationship with the EU can be negotiated. The

UK ceased to be a member of the EU at 11pm (London time) on January 31, 2020. As a result of the UK ceasing to be a member of the EU, the manner in which the Fund invests in assets located within the EU may be impacted. The legal, political and economic uncertainty generally resulting from the UK referendum result and the exit from the EU may adversely impact UK-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU Member States.

***Need for Independent Advice.*** Chalkstream have consulted with counsel, accountants and other experts regarding the formation and operations of the Funds. Each prospective investor should consult its own legal, tax and financial advisors regarding the desirability of an investment in the Funds.

***Investment in Certain Portfolios.*** An investor in certain portfolios of an Investment Fund (e.g., Class J Portfolio, Class T Portfolio, Class K-F Portfolio, Class V-RT Portfolio or Class VIA Portfolio) (each, a “Strategy Portfolio”) generally participates solely in profits and losses attributable to the relevant Strategy Portfolios. The investment returns of a Strategy Portfolio may be more susceptible to adverse market and economic conditions that cause general decline in the prices of securities in which the Fund invests or other factors which may have a disproportionately negative effect on the performance of such Strategy Portfolio’s investments. In addition, an investor of a Strategy Portfolio will not have the potential to benefit from gains, if any, derived from the Fund’s positions outside such Strategy Portfolio, which gains might otherwise provide a partial hedge to declines in the prices of such Strategy Portfolio’s investments.

***Limited Diversification; Concentration of Investments.*** Although the a Strategy Portfolio is well diversified from a “look through” basis, the majority of the Strategy Portfolio’s risk may be concentrated in a limited number of Portfolio Managers. Accordingly, the risk of loss to a Strategy Portfolio is greater than if it were invested in a more diversified manner among more Portfolio Managers.

***Equity Securities.*** A Strategy Portfolio may hold long and/or short positions in common stock, preferred stock and/or other securities. Equity securities fluctuate in value, often based on factors unrelated to the fundamental economic conditions of the issuer, including general economic and market conditions, and these fluctuations can be pronounced. The Fund may purchase securities in respect of a Strategy Portfolio without restriction as to market capitalization, such as those issued by micro, small and mid capitalization companies.

***Illiquidity of Investments.*** It may not always be possible for the Fund to execute a buy or sell order on exchanges at the desired price or to liquidate an open position due to market conditions, including the operation of daily price fluctuation limits. Realization of value from such investments may be different in the short term, or may have to be made at a substantial discount to recent trading prices and/or a Portfolio Manager’s assessment of fair value. If trading on an exchange is suspended or restricted, the Fund may not be able to execute trades or close out positions on terms that a Portfolio Manager responsible for such investment believes are desirable.

***Non-U.S. Securities.*** Since assets of a Strategy Portfolio may be invested in non-U.S. securities, the protections afforded to investors by the Securities and Exchange Commission (the “SEC”) and United States (“U.S.”) federal securities laws do not apply. The Fund is subject to various risks inherent in trading foreign securities and/or trading on foreign exchanges, including the potential for fluctuations in currency exchange rates, exchange controls, expropriation, burdensome or confiscatory taxation, or political or economic events, all of which could have an adverse effect on the Fund’s ability to generate profits on investments. As the Fund determines its net profit or net loss in U.S. dollars, it is subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to foreign exchange controls. Although the Fund may hedge against fluctuations in currency exchange rates, there can be no assurance that the Fund will not incur losses as a result of adverse changes in currency exchange rates and foreign exchange controls. Chalkstream is unable to predict the nature of future exchange controls; imposition or significant increases in the level of exchange controls or other restrictions could have an adverse effect on the Fund.

Moreover, securities markets in many Asian countries have substantially less volume of trading and are generally more volatile than securities markets in the U.S. and periods of economic and political uncertainty may result in further volatility. In certain periods, there may be little liquidity in such markets. There is often less and/or inconsistent government regulation of stock exchanges, brokers and listed companies in Asian countries than in the U.S. Dealing and dealing-related costs, such as bid-offer spreads, commissions and price sensitivity to trading volume, in many Asian countries are generally higher than such costs in highly-developed markets. In addition, settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets.

***Risk of Investing in South Korea.*** Investments in South Korean issuers involve risks that are specific to South Korea, including legal, regulatory, political, currency, security and economic risks. North and South Korea each have substantial military capabilities and historical tension between the two presents the ongoing risk of war. Recent incidents involving the North Korean military have heightened tensions between North and South Korea. Any outbreak of hostilities between the two countries could have a severe adverse effect on the South Korean economy, its securities markets and the Fund.

***Specific Asian Economic, Political, Regulatory and Social Risks.*** Investment in securities of issuers in Asia involves risks and special considerations not typically associated with investment in the U.S. securities markets. Certain Asian economies have experienced high inflation, high unemployment, currency devaluations and restrictions, and over-extension of credit. Many Asian economies have experienced rapid growth and industrialization, and there is no assurance that this growth rate will be maintained. During the recent global recession, many of the export-driven Asian economies experienced the effects of the economic slowdown in the U.S. and Europe, and certain Asian governments implemented stimulus plans, low-rate monetary policies and currency devaluations. While China in many respects has had a vibrant economic presence in Asia and appears to have been an economic engine for many Asian economies, including South Korea, it is uncertain whether this vibrancy can be sustained and a downturn in the economy of China may have a material adverse effect on the economies of other Asian countries such as South Korea. Economic events in any one Asian country may have a significant economic effect on the entire Asian region, as well as on major trading partners outside Asia. Any adverse event in the Asian markets may have a significant adverse effect on some or all of the economies of Asian countries in which the Fund invests. Many Asian countries are subject to political risk, including corruption and regional conflict with neighboring countries. In addition, many Asian countries are subject to social and labor risks associated with demands for improved political, economic and social conditions. These risks, among others, may adversely affect the value of the Fund's investments.

***U.S. Economic Risk.*** The U.S. is a large trading partner of and investor in South Korea. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the South Korean economy and, as a result, securities to which the Fund has exposure.

***Risk of Investing in Emerging Markets.*** Investments in emerging markets are subject to a greater risk of loss than investments in more developed markets. This is due to, among other things, the potential for greater market volatility, lower trading volume, inflation, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in more developed markets. In addition, emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risks associated with custody of securities, as well as greater risk of capital controls through such measures as taxes or interest rate control. Certain emerging market countries may also lack the infrastructure necessary to attract large amounts of foreign trade and investment.

***Geographic Risk.*** South Korea is located in a part of the world that has historically been prone to natural disasters, such as earthquakes, hurricanes and tsunamis, and is economically sensitive to environmental

events. Any such event could result in a significant adverse impact on the South Korean economy and the securities to which the Fund has exposure.

***Limited Availability of Information; Due Diligence.*** Many of the financial statements associated with the securities held by certain Strategy Portfolios (e.g., Class J Portfolio or Class T Portfolio) are prepared in accordance with International Financial Reporting Standards (“IFRS”), which differs in certain respects from U.S. generally accepted accounting principles (“GAAP”). The result is that these financial statements and reported earnings may contain less information than what would be reported based on U.S. GAAP and reporting standards. Moreover, there is less experience in Japan with the extensive legal and business due diligence that is typically conducted in the U.S. As a result, in considering a prospective investment, it may be difficult for the Chalkstream or a Portfolio Manager to conduct the level of due diligence that it would conduct were the Fund or such Portfolio Manager investing in the U.S.

***Japanese Legal System.*** Although Japan has a well-developed legal system, which is patterned in many respects upon the German and French systems and, in some areas, relative to U.S. law, the Japanese legal system suffers from a lack of complete transparency, an over-reliance on "administrative guidance," and, in certain areas such as bankruptcy and the enforcement of creditors' rights, significant procedural inefficiencies. In addition, delays in obtaining licenses, approvals, and authorizations are not uncommon and may adversely affect the operations of issuers of securities in which the applicable Strategy Portfolio has invested.

***Securities Market; Corporate Governance.*** The extensive cross-shareholding among companies in Japan has had significant effects on the securities markets. Typically, 10 to 20 (or perhaps more) companies will each have small holdings (approximately 1% to 5%) in each other. Taken together, the companies' holdings in an issuer are often significant. In addition, at the time a company acquires its holding in another issuer, it is understood that the holding will be maintained and voted in support of the issuer's management. The reciprocal ties have tended to produce a bonding effect and security against takeovers. The exclusion of large quantities of listed securities from trading means that the float that is actually traded is very thin, potentially leading to higher volatility in security prices. Another effect is a reduction in the opportunity for individual investors to influence corporate governance: the cross-shareholding covenants may serve to predetermine, to a large extent, the outcome of board elections, accounting approvals and other shareholder actions to monitor management. The laws in Japan regulating ownership, control and governance of companies are still evolving. Although there have been procedural and other changes that are intended to facilitate the increased exercise of legal rights by minority investors, there can be no assurance that these changes will be sufficient to afford minority investors effective means for preventing or seeking compensation for transactions or conduct that is injurious to the interests of shareholders.

***Activist Investing.*** The success of the applicable Strategy Portfolio's activist investment strategy depends upon, among other things: (i) the applicable Portfolio Managers' abilities to properly identify portfolio companies whose securities prices may be improved through corporate and/or strategic action; (ii) such Portfolio Managers' abilities to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) such Portfolio Managers' abilities to avoid triggering anti-takeover and regulatory obstacles while aggregating the relevant positions; (iv) the willingness of the management of such portfolio companies and other security holders to respond positively to a Portfolio Manager's proposal; and (v) favorable movements in the market price of any such company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory



agencies in investigating the transaction or the applicable Portfolio Manager(s) and such regulatory agencies may independently investigate the participants in a transaction, including the applicable Portfolio Manager(s), as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of a given Portfolio Manager or the Fund, and some of those parties may be indifferent to the proposed changes. Moreover, securities that a given Portfolio Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe such Portfolio Manager anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow such Portfolio Manager to dispose of all or any of their securities therein or to realize any increase in the price of such securities.

**Political Risks.** Recent and future political developments in Japan and neighboring Asian countries may lead to policy changes in those countries that may adversely affect the applicable Strategy Portfolio. Recently, frequent turnover of coalition governments and prime ministers has resulted in political instability. It is unclear what the effect, if any, will be of the current political situation on prospective regulatory reforms of the Japanese economy.

**Japanese Currency Factors.** Japanese securities are denominated and quoted in Yen. Yen are fully convertible and transferable based on floating exchange rates into all freely convertible currencies, without administrative or legal restrictions. In determining the value of the applicable Strategy Portfolio's net assets, assets or liabilities initially expressed in terms of Yen will be translated into U.S. dollars at the current selling rate of Yen against dollars. As a result, the value of the applicable Strategy Portfolio's assets as measured in U.S. dollars may be affected favorably or unfavorably by fluctuations in the value of the Yen relative to the dollar. Although Chalkstream and/or the Portfolio Manager(s) currently intends to hedge the majority of the applicable Strategy Portfolio's Yen exposure, there can be no assurance that such Strategy Portfolio hedging strategies will be successful.

**International Trade.** International trade is important to Japan's economy, as Japan is largely dependent upon foreign countries for raw materials, and exports allow Japan to pay for those raw materials. It is possible that disputes over trade policies may lead the U.S. to take actions that may have an adverse effect on the Japanese economy.

**Natural Disasters.** In the past, including recently, Japan has experienced earthquakes and tidal waves varying in degrees of severity, and the risks of such phenomena, and damage resulting from them, continue to exist.

**Japanese Taxes.** It is possible that certain dividends and interest directly or indirectly received by the Fund from sources within Japan will be subject to withholding taxes imposed by Japan. In addition, the Fund or a portfolio fund may also be subject to capital gains taxes in Japan. Tax treaties between Japan and the United States may reduce or eliminate such taxes.

**Technology Sector.** Some of the Funds' portfolios will predominately include investments in companies involved in technology related to consumer-oriented devices. The technology industry is competitive and the technology companies in such portfolios may be exposed to competition from rival companies. In the event that a particular underlying company cannot maintain its competitiveness, that company's market share may decline, which may negatively impact the company's financial results. The technology industry is also characterized by rapid technological changes and rapid evolution of technological standards. Therefore, if one or more of the underlying technology companies are not able to carry out appropriate research and development, the financial condition may be adversely affected by product obsolescence or competing products. Some of the underlying technology companies conduct business worldwide, which can be adversely affected by factors such as barriers to long-term relationships with potential customers and local enterprises; restrictions on investment and imports/exports; tariffs; fair trade regulations; political, social, and economic risks; outbreaks of illness or disease; exchange rate fluctuations; rising wage levels; and transportation delays.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Chalkstream is not registered, and does not have an application pending to register, as a broker-dealer.

Peter Muller is the founder, Chief Executive Officer and a principal owner of PDT Partners, LLC (along with its affiliates, “PDT”), which is registered as an investment adviser with the SEC and as a commodity pool operator with the Commodity Futures Trading Commission. Andrew K. Tsai is the Managing Director of PDT. PDT has provided a financing facility to Chalkstream. Certain potential conflicts of interest may arise in connection with Mr. Muller’s and Mr. Tsai’s involvement with PDT, on the one hand, and as control persons of Chalkstream, on the other hand. For example, Peter Muller’s and Andrew K. Tsai’s involvement in PDT requires substantial time and effort, which time and effort they might otherwise expend in their roles as control persons of Chalkstream. In addition, even if the activities of PDT are conducted separately from the activities of Chalkstream and its affiliates, it is possible that the Commodity Futures Trading Commission and certain exchanges will require aggregation of Chalkstream Funds’ positions in certain contracts with positions held by PDT and its affiliates.

Rishi Shah may from time to time serve as a member of the board of directors or advisory committees of one or more portfolio companies in which the Funds are invested. Rishi Shah is also an officer and a minority owner of a family business which primarily owns and operates transportation assets.

In addition, (i) one or more Portfolio Managers of portfolio funds that the Funds invest in directly or indirectly invest in one or more of the Funds or otherwise become an Advisory Client of Chalkstream, (ii) the Fund invests in Hedge Funds advised by Chalkstream, and receives directly or indirectly (through revenue sharing arrangement) compensation for services provided to such Hedge Funds and/or the portfolio manager or sub-adviser of such Hedge Funds, (iii) certain principals and/or control persons of Chalkstream and/or their respective affiliates may have business or other commercial relationships with investors in the Fund(s), Portfolio Managers or portfolio companies of the Funds and (iv) Chalkstream recommends that the Fund invest in, or enter into a business relationship with, a person or an entity in which Chalkstream or its affiliates or employees have an economic interest or business relationship. Chalkstream will use its best judgment to address or minimize any potential conflict of interest that may arise as a result of such ownership interest or advisory relationship.

Subject to compliance with applicable law, Chalkstream and/or any of its affiliated entities have provided, and may continue to provide in the future, services to one or more Portfolio Managers or sub-advisers to the Fund or advisory clients of such Portfolio Managers or sub-advisers and currently receive (and may in the future receive) compensation from such Portfolio Managers or sub-advisers pursuant to executed fee sharing / consulting agreements and/or investment management agreements. Some of such executed fee sharing /consulting agreements restrict the allocation of the Fund’s assets to other potentially competing Portfolio Managers or sub-advisers, require that the Fund maintain a certain minimum investment amount with the Portfolio Manager or sub-adviser and/or reduce or eliminate the fee sharing upon withdrawal of assets by the Fund from such Portfolio Manager or sub-adviser and/or upon key man triggers or the occurrence of such other events as individually negotiated with such Portfolio Manager or sub-adviser. Moreover, in certain circumstances, the Fund’s share of certain revenues paid to or received by Chalkstream in respect to one or more Portfolio Managers or sub-advisers to the Fund will be applied to reduce the management fee payable to Chalkstream. Other than the disclosures set forth herein, Chalkstream and/or such affiliated entity shall not be obligated to inform the Fund of, or account to the Fund for, or share with the Fund, any benefit received by Chalkstream and/or such affiliated entity from any such transaction. Because of such business arrangements between Chalkstream and a Portfolio Manager or sub-adviser and because the agreements contain certain disincentives for the Fund to make withdrawals as provided above, Chalkstream has an incentive to advise the Fund to invest, and maintain such investment, with such Portfolio Manager or sub-adviser even though the agreements contain certain restrictions on the Fund’s

investment activities. Notwithstanding such incentive, Chalkstream will at all times act in the best interest of the Fund and its limited partners.

In addition to the compensation received by Chalkstream, the Fund and certain of Chalkstream's other investment advisory clients (including, in certain circumstances, those investment advisory clients who were not initial parties to the agreement with the Portfolio Manager) currently share, and may in the future share, in the fees received by such Portfolio Manager or sub-adviser. With respect to any compensation or other revenue received by Chalkstream and/or its investment advisory clients pursuant to any fee sharing agreement with a Portfolio Manager or sub-adviser, Chalkstream, or its affiliate, will allocate such compensation and revenue among Chalkstream and its participating investment advisory clients in such manner and in such amounts as Chalkstream determines to be fair and equitable, taking into account the nature and amount of the services provided by Chalkstream to the Portfolio Manager or sub-adviser and, with respect to allocations among Chalkstream's investment advisory clients, the amount of capital invested by the participating investment advisory clients with the Portfolio Manager or sub-adviser, the timing of the investment by the participating investment advisory clients with the Portfolio Manager or sub-adviser and such other factors that Chalkstream, and its internal conflicts committee, determine to be relevant. When a Portfolio Manager or sub-adviser is selected with which there will be a fee sharing arrangement, Chalkstream's conflicts committee will prepare a written allocation statement, which will include (i) the amount of the compensation or other revenue which will be allocated to Chalkstream and its participating investment advisory clients with respect to such Portfolio Manager or sub-adviser and (ii) the factors taken into account in determining the basis for such allocation. Such allocation statement is available to any Limited Partner or prospective Limited Partner upon request.

As a result of the investment management and related activities of Chalkstream, Chalkstream or its employees or principals, may come into possession of confidential or material non-public information concerning certain companies in which the Fund has invested. Under applicable securities laws, possession of such information may restrict Chalkstream's ability to initiate transactions, which it may otherwise have which, in turn, could have a material adverse effect on the Fund's performance.

Chalkstream, the GPs and their affiliates may from time to time incur expenses on behalf of the Funds and one or more existing or subsequently created affiliated funds. Although the Chalkstream and the GPs will attempt to allocate such expenses on a basis that they consider equitable, there can be no assurance that such expenses will in all cases be allocated appropriately.

Future activities of Chalkstream, the GP and their respective principals, Mr. Tsai and Mr. Muller may give rise to additional conflicts of interest, and the Portfolio Managers may have their own conflicts of interest.

PDT is not a sponsor, owner or manager of any Fund or Chalkstream or any of their respective affiliates. PDT takes no responsibility for the activities of Mr. Muller or Mr. Tsai outside of their responsibilities with PDT and is not responsible for, and may not be held accountable or liable for, any of the activities of (i) Mr. Muller or Mr. Tsai in relation to Chalkstream, (ii) Chalkstream or its affiliates or (iii) any investment vehicle sponsored or managed by Chalkstream.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Chalkstream has adopted a Code of Ethics, which is a part of Chalkstream's compliance manual and has been designed to comply with the requirements of Advisers Act Rule 204A-1. Among other things, the Code of Ethics (i) requires that all employees comply with federal securities laws, (ii) requires that all employees submit to Chalkstream reports containing their personal securities holdings and transactions in reportable securities, and that Chalkstream review such reports, (iii) requires all employees to obtain pre-approval of all personal investments, with limited exceptions; and (iv) contains policies and procedures designed to prevent the misuse of material, non-public information. It should be noted, however, that due to Peter Muller's relationship with Morgan Stanley, through December 31, 2012, Peter Muller was only required to pre-clear investments in securities in an initial public offering or in a limited offering. Effective January 1, 2013, as a result of PDT Partners, LLC's formal separation from Morgan Stanley, this distinction no longer applies, and Mr. Muller is subject to all provisions of Chalkstream's Code of Ethics. Andrew K. Tsai is subject to all provisions of Chalkstream's Code of Ethics. All personnel of Chalkstream are required to certify their compliance with the Code of Ethics. Clients may request a copy of Chalkstream's Code of Ethics by contacting Chalkstream at the address or telephone number listed on the first page of this Brochure.

Under the Code of Ethics and unless otherwise determined by Chalkstream, Chalkstream, its employees, affiliates or their related persons may buy, sell or otherwise invest in securities for their own accounts that they also recommend to Advisory Clients. Each such related person transaction is separately identified and made strictly in accordance with Chalkstream's Code of Ethics. In order to manage this conflict of interest, Chalkstream's Code of Ethics requires access persons of Chalkstream to obtain prior approval from the Chief Compliance Officer before engaging in all securities transactions in their personal accounts in reportable securities, with limited exceptions. Such employee transactions will be reviewed in the best interests of the Advisory Clients to assess whether any potential conflict of interests exist, and will be denied by the Chief Compliance Officer if there is a deemed risk of potential adverse consequences to the Advisory Clients.

Chalkstream serves as the investment manager, the management company or the investment sub-advisor (as applicable) to each Fund. Chalkstream, its employees, affiliates or their related persons may also invest directly or indirectly in any one, some or all of the Funds, in which event Chalkstream may waive the management fees and/or performance fees/allocations payable by any such person(s) to Chalkstream. The fact that Chalkstream, its employees, affiliates or their related persons have a financial ownership interest in the Funds creates a potential conflict in that it could cause Chalkstream to make different investment decisions than if they did not have such a financial ownership interest. Further, Chalkstream or its affiliates charge the Funds fees based on a percentage of assets under management via the management fee and based on performance via the incentive allocation or fee. The management fee is payable without regard to the overall success or income earned by the Funds and therefore may create an incentive on the part of Chalkstream to raise or otherwise increase assets under management to a higher level than would be the case if Chalkstream were receiving a lower or no management fee. The receipt of an incentive allocation or fee by Chalkstream or its affiliates may create an incentive for Chalkstream to make investments for the Funds that are riskier or more speculative than it otherwise would.

Furthermore, Chalkstream and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the existing Advisory Clients and/or may involve substantial time and resources of Chalkstream. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Chalkstream and its affiliates are not devoted exclusively to the business of the existing Advisory Clients, but are allocated between the business of the existing Advisory Clients and the management of the monies of future Advisory Clients of Chalkstream.

Chalkstream uses its best judgment to be fair and equitable to all Advisory Clients to minimize this conflict of interest.

## ITEM 12 – BROKERAGE PRACTICES

Portfolio transactions for the Hedge Funds are allocated to brokers by the relevant Portfolio Manager. In selecting brokers and dealers to execute portfolio transactions, Portfolio Managers have authority to and may consider several different factors, including, among others, a broker's or dealer's ability to provide best execution, its willingness to commit capital, its financial stability, its systems, facilities and recordkeeping and its experience in handling similar transactions (based on size, market conditions and type of security, among other factors). The Portfolio Managers may also take into account a broker's and dealer's relative performance on industry surveys and studies of execution quality, the broker's and dealer's rates of commission, mark-ups and mark-downs, its applicable margin levels and financing rates and other applicable fees and charges, its overall responsiveness and the broker's or dealer's provision of research, brokerage and other products and services pursuant to soft dollar arrangements. It is expected that the Portfolio Managers utilized by Chalkstream will allocate brokerage business generally on the basis of best available execution and in consideration of such brokers' provision of brokerage, research and related services. Certain third-party Portfolio Managers, however, may receive referrals from a broker-dealer or third party. Chalkstream has no direct control over the custodial or brokerage arrangements entered into by such Portfolio Managers.

Products and services obtained through soft dollar arrangements generally may be of benefit to the Hedge Funds but may not directly relate to transactions on behalf of the Hedge Funds. Accordingly, if a Portfolio Manager determines in good faith that the amount of transaction costs (e.g., commissions, mark-ups and mark-downs) imposed by a broker or dealer is reasonable in relation to the value of the products or services provided by such broker or dealer, the Portfolio Manager may incur transaction costs to such broker or dealer in an amount greater than the amount that might be incurred if another firm were used. Portfolio Managers may utilize "soft dollar" payments for products and services that fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. Portfolio Managers may also use soft dollars generated on Fund transactions outside of Section 28(e)'s safe harbor to obtain non-research products and services. While it does not do so as of the date of this Brochure, Chalkstream may receive brokerage, research or research-related services or products that are paid for through the use of commission or "soft dollars", provided that such arrangements are consistent with the "safe harbor" provisions of Section 28(e).

Chalkstream may directly manage Advisory Client assets primarily for hedging purposes and therefore may be in a position to select the broker or dealer to be used for such transactions. When Advisory Client assets are managed directly by Chalkstream, Chalkstream will (as applicable) seek to achieve best execution when determining the brokers through which trades are routed and the transaction costs at which securities transactions are executed. In these circumstances, Chalkstream will generally follow the best execution guidelines outlined above.

Chalkstream does not permit Fund investors to direct brokerage firms.

In order to ensure that it treats all Advisory Clients fairly and equitably, it is Chalkstream's policy that when it has been determined that it is appropriate, based upon each Advisory Client's liquidity/leverage or investment restrictions or the liquidity of a particular investment opportunity, tax, structural or other reasons, to purchase or sell the same security for more than one of the Advisory Clients that it may, but shall be under no obligation to: (1) aggregate, to the extent permitted by applicable law and regulations, the securities to be purchased or sold (in the form of subscriptions or withdrawals/redemptions) in order to seek more favorable access to Hedge Funds or more favorable investment prices; and (2) to generally allocate the purchase or sale of such security among the Advisory Clients based upon the relative asset size of the Advisory Clients participating in the purchase or sale in question on that date. In the event that an investment opportunity is within the investment parameters for more than one Advisory Client but will not be allocated between such Advisory Clients on a *pro rata* basis, Chalkstream will review the reasons why such opportunity will not be allocated *pro rata* (i.e. why an account was included/excluded from the

allocation) in the conflicts committee meeting to: (i) ensure that no one Advisory Client is benefiting at the expense of another; (ii) avoid the appearance of “cherry picking” favorable positions for Advisory clients which are held by principals/pay incentive fees; and (iii) ensure that allocation decisions are being made in the best interests of all affected Advisory Clients and made on a fair and equitable basis consistent with Chalkstream’s fiduciary obligations.



## **ITEM 13 – REVIEW OF ACCOUNTS**

The Funds' accounts are reviewed by the following individuals: Rishi Shah, Managing Principal and Chief Investment Officer, Investment Research; Matt Dilmaghani, Principal, Risk and Quantitative Research; and Ron Rosenstrauss, Principal, Chief Operating Officer, Chief Financial Officer and Chief Compliance Officer.

Specifically, Mr. Shah is primarily responsible for managing the portfolios of the Funds and Mr. Dilmaghani is in charge of Risk and Analytics for the Funds and is responsible for managing the systematic volatility strategies. The individuals review the portfolios and/or the research pipeline on a recurring basis. In addition, Mr. Dilmaghani has created a proprietary risk management reporting and analysis database that allows for customized reporting and integration with third party tools. Mr. Rosenstrauss, in coordination with the independent administrator, reconciles all trades. Mr. Rosenstrauss also reviews hedge fund and special investment custody reports issued by the custodian on a regular basis and periodically reviews Chalkstream's investments with respect to consistency with applicable law and regulations.

Chalkstream provides monthly statements, periodic unaudited performance information, no less frequently than quarterly, and annual audited financial statements to investors in the Funds. All such reports are written. The Funds may agree to provide additional information to certain investors upon request.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Chalkstream has entered into written arrangements with third parties to solicit investors into Chalkstream's private investment funds. All such compensation is fully disclosed to each investor consistent with applicable law. All such referral activities are conducted in accordance with SEC Rule 206(4)-1 under the Advisers Act as well as relevant SEC guidance. In general, third party solicitors receive a portion of the fees otherwise payable to Chalkstream.

## **ITEM 15 – CUSTODY**

Chalkstream or its affiliates, by virtue of their status as the investment manager or general partner (as applicable) of the Funds, are deemed to have custody of client funds and securities because they have the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to clients are sent by qualified custodians to Chalkstream.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, all investors in the Investment Funds will be provided with audited financial statements, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 180 days, of the end of the Investment Funds' fiscal years. Additionally, the administrator for the Investment Funds sends monthly account statements to investors. Investors should carefully review the audited financial statements of the Investment Funds and monthly account statements upon receipt. Chalkstream may use additional qualified custodians in the future.

The Investment Funds have engaged a third-party administrator whose responsibilities include sending account statements to investors. Investment Fund investors do not receive custodial or prime brokerage statements from the administrator; however, the administrator reconciles the Investment Funds accounting records with the records of the prime brokers or custodians. As described under Item 13, investors receive monthly unaudited statements from the administrator.

## **ITEM 16 – INVESTMENT DISCRETION**

Chalkstream has discretionary authority to manage the investments of the Investment Funds. Chalkstream is authorized to make purchase and sale decisions for the Investment Funds. As explained in Item 4 above, individual investors in the Investment Funds do not have the ability to impose limitations on Chalkstream's discretionary authority. Chalkstream does not have discretionary authority over the portfolio of the Insurance Fund. Prospective investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the investor, enforceable in accordance with its terms, and a limited partnership agreement.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Chalkstream understands and appreciates the importance of proxy voting and ensuring that its proxy voting procedures are clearly described to investors. To the extent that Chalkstream has discretion to vote the proxies of the Funds it manages, Chalkstream will vote any such proxies in the best interests of the Funds and investors. Prior to voting any proxies and if applicable, Chalkstream's Chief Compliance Officer will identify any potential conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer will then decide (which may be in consultation with outside legal counsel or third party compliance consultants) as to whether the conflict is material or not. If no material conflict is identified, Chalkstream will make a decision on how to vote the proxy in question. Chalkstream has retained a custodian to assist it with the receipt, processing and record-keeping of any proxies received on behalf of the Funds. Additionally, Chalkstream may retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

Please let us know if you have any questions about, or would like to be provided with a copy of, our proxy voting procedures. Also, please let us know if you would like detailed information about how any proxies were actually voted by calling the Chief Compliance Officer, Ron Rosenstrauss, at (212) 707-6100.

## **ITEM 18 – FINANCIAL INFORMATION**

Chalkstream is not required to include a balance sheet for its most recent fiscal year, is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has never been the subject of a bankruptcy petition.