

Bayesian Capital Management, LP

Form ADV Part 2A Firm Brochure

This Brochure (the “Brochure”) provides information about the qualifications and business practices of Bayesian Capital Management, LP (“Bayesian,” the “Adviser,” the “Firm,” “we,” “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at (718) 332-4567. 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 Bayesian is also available on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Bayesian is 283967.

Bayesian is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered investment adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.

Bayesian Capital Management, LP

54 Coleridge Street

Brooklyn, New York 11235-4106

Phone: (718) 332-4567

Brochure prepared on September 9, 2022

Item 2 Material Changes

Bayesian filed its initial application to register as an investment adviser with the SEC on June 28, 2017. This section of the Brochure will address only those “material changes” that have been incorporated since the Firm’s last annual updating amendment filed on March 30, 2021. Accordingly, since its last annual updating amendment the following material change occurred:

- The Adviser moved its principal place of business to 54 Coleridge Street Brooklyn, NY.

All recipients of this Brochure are encouraged to read it carefully in its entirety. In the future, this section of the Brochure will identify, address, and discuss only the material changes since the last delivery or posting of this Brochure on the SEC’s public disclosure website (IAPD) to assist and make you aware of certain information that has changed since the prior year’s Brochure.

Bayesian will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, Bayesian’s Brochure may be requested by contacting Mr. Velin K. Tzanov, Chief Executive Officer and Chief Compliance Officer at ceo@bayesian.capital or (718) 332-4567.

Additional information about Bayesian is also available via the SEC’s web site www.adviserinfo.sec.gov. The searchable IARD/CRD number for Bayesian is 283967. The SEC’s web site also provides information about any persons affiliated with Bayesian who are registered, or are required to be registered, as investment adviser representatives of Bayesian.

IMPORTANT NOTE ABOUT THIS DISCLOSURE BROCHURE

This Disclosure Brochure is not:

- *an offer or agreement to provide advisory services to any person*
- *an offer to sell interests (or a solicitation of an offer to purchase interests) in any Issuer*
- *a complete discussion of the features, risks or conflicts associated with any Issuer*

As required by the Advisers Act, Bayesian provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a private pooled investment vehicle, together with other relevant governing documents, such as the private pooled investment vehicle's private placement memoranda or offering circular, prior to, or in connection with, such persons' investment in the private pooled investment vehicle.

Although this publicly available Brochure describes investment advisory services and products of Bayesian, persons who receive this Brochure (whether or not from Bayesian) should be aware that it is designed solely to provide information about Bayesian as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant governing documents. More complete information about each private pooled investment vehicle is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by Bayesian. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall govern and control.

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Item 4 Advisory Business

Background

Bayesian is a Delaware limited partnership that was formed in April 2014 for the purpose of providing discretionary portfolio management and investment advisory services to separately managed accounts and pooled investment vehicles. Bayesian is headquartered in Brooklyn, New York. The primary principal owner of Bayesian is Mr. Velin K. Tzanov. Quantitative Analysis, LLC, a Delaware limited liability company, that is directly majority owned by Mr. Velin K. Tzanov, serves as the general partner to Bayesian. In May 2016, Bayesian initially filed with the SEC as an exempt reporting adviser and withdrew its exemption status on June 28, 2017 in order to transition its status to a SEC registered reporting adviser. Bayesian's registration with the SEC became effective on July 31, 2017.

Advisory Services

Bayesian currently provides discretionary portfolio management and investment sub-advisory services to one (1) unaffiliated privately offered pooled investment vehicle (the "Fund" or the "Client"). Bayesian provides its investment sub-advisory services to the Fund pursuant to an investment management agreement between Bayesian and the Fund. Information about the Fund, and the particular investment objectives, strategies, restrictions, guidelines, and risks associated with an investment, are described in the Fund's governing documents. Bayesian does not provide individualized advice to investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between the investor and Bayesian), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing. In the future, Bayesian may provide discretionary portfolio management and investment advisory services (directly or indirectly through a sub-advisory arrangement with the client's primary investment adviser) to separately managed accounts or privately offered pooled investment vehicles. The type of Fund to which Bayesian provides investment management services is more fully disclosed in Bayesian's Form ADV Part 1 and summarized in *Item 7 – Types of Clients* of this Brochure.

Bayesian's investment sub-advisory (or advisory) services consist of managing a Fund's portfolio, pursuant to an investment management agreement or other similar governing agreement (the "Management Agreement"), by providing origination, acquisition, asset management, and other administrative services to each respective Fund in accordance with each Fund's respective private placement memorandum, offering memorandum, offering circular, limited partnership agreement, indenture or other similar disclosure and governing documents (collectively, the "governing documents"). Bayesian's investment sub-advisory (or advisory) services consist of, but are not limited to, managing each Fund's portfolio of investments, including sourcing, selecting, and determining investments in each Fund, monitoring investments by each Fund and executing transactions on behalf of each Fund in accordance with the investment objectives, policies and guidelines set forth in each respective Fund's governing documents. Accordingly, Bayesian's investment advisory services to the Funds is not tailored to the individualized needs or objectives of any particular Fund investor. An investment in a Fund by an investor does not, in and of itself, create an advisory relationship between the investor and Bayesian. Investors are not permitted to impose restrictions or limitations on the management of any Fund. The Fund's general partner may enter into side letter agreements or arrangements with one or more investors in a Fund that alter, modify, or change the terms of the interests held by such investors.

The investment objective of Bayesian is to seek to achieve superior risk-adjusted returns over a multiyear period by applying a statistically driven approach to global investing. Bayesian uses investment techniques and strategies generally referred to as statistical arbitrage and other investment strategies, indicators, signals, approaches, and methodologies developed or implemented by Bayesian and approved by the Client in writing in order to accomplish its investment objective and goals. As a general matter, statistical arbitrage entails the use of proprietary computer software systems and technology in making and managing investments across a broad range of equity securities, involving both long and short investment holdings, within a short-term to medium-term investment time frame, ranging from a duration of several minutes to several months. The particular arbitrage strategies deployed by Bayesian on behalf of a Client are all specified pursuant to each Management Agreement or otherwise specifically agreed to by such Client. See *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure for more information on Bayesian's investment strategies, philosophy, context and process, including portfolio construction.

Tailored Advice and Client-Imposed Restrictions

Bayesian's investment management and sub-advisory (or advisory) services to a Fund are provided pursuant to the agreed upon terms of a Management Agreement. Bayesian tailors its advisory services to the individual needs of each respective Fund and each Management Agreement is separately negotiated and designed to suit the needs of each particular Fund and its respective investment objectives, policies and guidelines as set forth in each respective Fund's governing documents. Such advisory agreements may impose restrictions on Bayesian's ability to invest in certain securities or types of securities. Additional portfolio restrictions may also include exposure limits, concentration limits, industry and sector limits, geographical limits, and liquidity limits.

Prospective clients and prospective client investors must consider whether a particular Bayesian advisory relationship is appropriate for their own circumstances based on all relevant factors including, but not limited to, the prospective client's own investment objectives, liquidity requirements, tax situation, and risk tolerance. Prospective clients are strongly encouraged to undertake appropriate due diligence including, but not limited to, a review of governing documents relating to the proposed investment program for the Fund and to investigate additional details about Bayesian's investment strategies, methods of analysis and related risks, before making an investment decision or committing to a service provided by Bayesian. See *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure for a more detailed discussion on investment strategies and the risks involved with such strategies.

ALL DISCUSSION OF A FUND IN THIS BROCHURE, INCLUDING BUT NOT LIMITED TO ITS INVESTMENTS, THE STRATEGIES USED IN MANAGING A FUND, AND CONFLICTS OF INTEREST FACED BY BAYESIAN IN CONNECTION WITH THE MANAGEMENT OF A FUND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RESPECTIVE FUND'S GOVERNING DOCUMENTS.

Wrap Fee Disclosure

Bayesian does not participate in or sponsor any wrap fee programs.

Assets Under Management

As of December 31, 2021, Bayesian managed approximately \$392,905,446 of advisory assets, of which all were on a discretionary basis and none were on a non-discretionary basis. The SEC has adopted a uniform method for advisers to calculate assets under management for regulatory purposes which it refers to as an adviser's "regulatory assets under management." Regulatory assets under management are generally an adviser's gross assets, *i.e.*, assets under management without deduction for outstanding indebtedness or other accrued but unpaid liabilities. Bayesian reports its regulatory assets under management in Item 5 of Part 1 of Form ADV which you can find at www.adviserinfo.sec.gov.

Item 5 Fees and Compensation

Compensation

Currently, in consideration for Bayesian's investment advisory services, Bayesian is only entitled to receive compensation in the form of a "Performance-Based Fee" (e.g., carried interest or incentive fees) in connection with the management of the Fund. Bayesian does not receive any "Management Fee" in connection with the management of the Fund. Bayesian's compensation in the form of a Performance-Based Fee is described in detail in the applicable Management Agreement and summarized below in Item 6 of this Brochure.

Additionally, Bayesian is entitled to "Advance Performance Fee Draws" to cover certain expenses set forth in the Management Agreement, payable monthly in advance. Advance Performance Fee Draws will be applied against and reduce the Performance-Based Fee (and any unearned or unapplied Advance Performance Fee Draws paid during a twelve (12) month period shall be carried forward as a reduction to future Performance-Based Fee until the full amount of the aggregate unearned Advance Performance Fee Draws is earned, and subsequently applied against, and reduces, the Performance-Based Fee).

Such Performance-Based Fees and Advance Performance Fee Draws are paid directly to Bayesian by the Client and are not automatically deducted from the Client by Bayesian.

Termination

The termination of a Client's Management Agreement is set forth in each respective Client's Management Agreement.

Billing

Generally, Performance-Based Fees are payable annually in arrears within forty-five (45) days after the end of each twelve (12) month period to which the Performance-Based Fee relates. Expenses set forth in the Management Agreement are payable on a periodic basis agreed upon by the Client and Bayesian.

Other Expenses

In addition to Performance-Based Fees, pursuant to their Management Agreement, a Client generally will bear all costs and expenses relating to or associated with the Clients' investment activities, including, but not limited to, all expenses incurred in connection with the making, holding, management, sale or proposed sale of any Client investment, including commitment fees, interest expense, taxes, brokerage commissions and other transactional charges, any expenses associated with proposed investments that are ultimately not made by the Client, consultants' and other experts' fees, prime brokerage fees, research, legal and due diligence expense (including travel and lodging expenses) and custody expense. In addition, the Client may pay its direct operating expenses, such as offering expenses, legal, accounting, audit and tax preparation expenses, premiums for liability insurance covering Bayesian and interested affiliates and the members, partners, directors, officers, employees and agents of any of them, printing and mailing costs, fees of the administrator, market information systems and computer software expenses, data fees and expenses, fees of pricing services and financial modeling services, filing fees, regulatory and compliance costs, and any extraordinary expenses (including indemnification or litigation expenses) and certain other fees and expenses that may be authorized under a Client's governing documents or Management Agreement.

Sales-Based Compensation

Neither Bayesian nor any of its supervised person accepts compensation for the sale of securities or other investment products. This practice presents a conflict of interest and gives Bayesian or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular Client's needs.

Item 6 Performance-Based Fees and Side-By-Side Management

As discussed in Item 5 above, Bayesian is entitled to receive compensation in the form of a Performance-Based Fee (*e.g.*, carried interest or incentive fees) in connection with the management of the Fund. The specific payment terms and other conditions of the Performance-Based Fees available to Bayesian are set forth in the applicable Fund's Management Agreement. Generally, the Fund will pay Bayesian an annual Performance-Based Fee of the "Net Profits" for each year within forty-five (45) days after the last day of a calendar year in which the Performance-Based Fee was earned. The Performance-Based Fee is subject to a "high water mark" so that Bayesian is only entitled to receive the Performance-Based Fee if profits for the calendar year are sufficient to recoup all prior trading losses in the Fund's portfolio, thus surpassing the previous "high water mark." For any calendar year in which the Fund has a "Net Loss," such amount is carried forward and no Performance-Based Fee is payable with respect to the Fund unless and until the Net Losses of the Fund are recovered by subsequent Net Profits.

The receipt of Performance-Based Fees from a Fund may create an incentive for Bayesian to make riskier or more speculative investments on behalf of a Fund than might otherwise be made in the absence of such Performance-Based Fees. Performance-Based Fees may also incentivize Bayesian to overvalue assets in order to increase the amount of its Performance-Based Fees. The performance on which Performance-Based Fees are calculated may, in certain circumstances, include unrealized appreciation and depreciation of investments that may not ultimately be realized and as a result may create an incentive for Bayesian to time investments, and the realization of investments, so as to maximize Performance-Based Fees rather than the returns of the Fund.

As stated in Item 4 of this Brochure, Bayesian currently provides discretionary portfolio management and investment sub-advisory services to only one (1) Fund and does not advise multiple accounts or funds having different fee structures. However, in the future, Bayesian may provide discretionary portfolio management and investment advisory services (directly or indirectly through a sub-advisory arrangement with the client's primary investment adviser) to other funds and may be entitled to receive Performance-Based Fees from such future funds. Accordingly, Performance-Based Fee calculations and hurdle rates may differ from fund to fund which may result in certain conflicts of interest, such as motivating Bayesian to invest a fund in assets with heightened risk profiles that have the potential to produce relatively higher returns or causing Bayesian to favor certain funds over others. In addition, Bayesian may compensate or provide discretionary bonuses to portfolio managers that are based on, among other things, the performance of a fund they manage or are otherwise responsible for, or based on the outcome of the specific advisory project. Bayesian or its personnel or affiliates may have other pecuniary interests in Bayesian's advisory Client's accounts.

In the event Bayesian should advise multiple accounts or funds having different fee structures, Bayesian believes that it has reasonable controls in place to mitigate potential conflicts of interest. These controls include trade allocation procedures that govern allocation of securities, including limited offerings and average pricing of executed trades among similar accounts, and analysis of performance achieved by accounts managed in a similar strategy. Bayesian's procedures generally require accounts with similar investment strategies to be managed in a similar fashion, subject to a variety of exceptions, such as particular investment restrictions or policies applicable only to certain accounts, differences in cash flows and account sizes and similar factors.

Performance-Based Fee compensation is subject to Section 205(a)(1) of the Advisers Act, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that Performance-Based Fees only be charged to “qualified clients” as defined in Rule 205-3(d)(1) of the Advisers Act.

SPECIFIC CONFLICTS OF INTEREST AND PRACTICES DESIGNED TO MITIGATE SUCH POTENTIAL CONFLICTS OF INTEREST

Like all investment advisers who advise multiple accounts or funds having different fee structures, Bayesian and its personnel will face actual and potential conflicts of interest, including an incentive to favor those Client accounts in which Bayesian or its personnel have greater pecuniary interests over other Client accounts. Such potential conflicts of interest and Bayesian’s practices that are designed to mitigate such potential conflicts of interest are discussed below. As a general matter, Bayesian addresses such potential conflicts by following a thorough, detailed, and consistent investment decision-making process and by regular reviews of investments by Bayesian’s investment staff.

- **Allocation of Investments.** Bayesian may have an incentive to allocate investment opportunities based on pecuniary interest. Bayesian and its personnel will face a conflict of interest when considering how to allocate limited investment opportunities among Client accounts having different fee structures or pecuniary interests, including Client accounts in which an affiliate is an investor. Through its relevant policies and procedures, Bayesian seeks to promote fair and equitable treatment of Client accounts (including the allocation of investment opportunities), over time, based on considerations that are unrelated to pecuniary interests.
- **Compensation of Bayesian and its Personnel.** Bayesian and its personnel may have an incentive to take on more risk when compensation is based on performance: The receipt of Performance-Based Fee compensation and the payment of bonuses relating to performance of Client accounts creates an incentive to make riskier investments than might be made in the absence of Performance-Based Fee compensation, as such compensation generally allows participation in gains in excess of exposure to losses. On the other hand, Performance-Based Fee compensation encourages an alignment of long-term investment interests between the Client and Bayesian. Moreover, Performance-Based Fee compensation may be subject to mechanisms designed to ensure that prior losses are recouped and/or a certain level of gains is achieved before any Performance-Based Fee compensation accrues, such as loss carry forwards, hurdle rates, and/or high-water marks. Furthermore, as discussed in more detail in Item 13 of this Brochure, Bayesian reviews each Client account on a regular basis to monitor risk levels. In addition, engaging in high risk investment practices that cause adverse performance will have a negative impact on the receipt by Bayesian of Performance-Based Fee compensation and the receipt of discretionary bonuses paid to portfolio managers.
- **Performance-Based Fees for Bayesian and Valuations.** When Bayesian’s compensation is based on the value or performance of investments, Bayesian has an incentive to value a position at a price higher than it might otherwise be valued or to accelerate or defer realizations. To the extent that performance allocations may be based on increases in the net assets of a Client’s account, Bayesian’s compensation would be based upon unrealized appreciation as well as realized appreciation. This means that Bayesian may be compensated on performance that is ultimately not realized if positions

decrease in value and are subsequently sold at a loss. The potential for inflated valuation of positions is increased when such positions are illiquid or otherwise lack a readily ascertainable market value. Bayesian seeks to mitigate this conflict by valuing assets in accordance with its valuation policy, which is reasonably designed to assure that valuations are performed in a consistent and thorough manner that insulates the conflict. In general, Bayesian considers the views of outside experts, including third-party valuation firms, in determining the value of illiquid or other hard to value assets. Bayesian further seeks, on a best effort basis, to receive third party valuations from broker/dealers for security holdings of Bayesian's Clients accounts.

- **Cross-Transactions.** Generally, Bayesian will not engage in cross-transactions. However, should Bayesian engage in cross-transactions, it may have an incentive to favor Client accounts in which it has a greater pecuniary interest. Bayesian will conduct such transactions in accordance with its policies to promote fairness to all participating accounts (*e.g.*, by assuring that an appropriate price is assigned to the security being crossed). Where required by law or the governing documents for a Client account, cross transactions are subject to Client consent prior to settlement. Information about said transaction, including the nature of the rebalancing transaction, the price at which it will be effected, and Bayesian's position as principal, if applicable, are provided to allow the Client to determine whether or not to consent.
- **Other Conflict Mitigation Practices.** Many of the conflicts resulting from performance-based fees and side-by-side management are mitigated by Bayesian's relevant policies and procedures. As a general principle, Bayesian requires that potential conflicts of interest be addressed by placing Client interests before personal or proprietary interests. Bayesian has also instituted policies to promote fair treatment of Client accounts based on considerations unrelated to pecuniary interests to ensure that, wherever possible and over time, opportunities are allocated in a fair and equitable manner.

Item 7 Types of Clients

As discussed in Item 4 – Advisory Business of this Brochure, Bayesian currently provides discretionary portfolio management and investment sub-advisory services to one (1) unaffiliated privately offered pooled investment vehicle, Whitney Capital Series Fund, LLC (*i.e.*, the Fund). Bayesian provides its investment sub-advisory services to the Fund pursuant to an investment management agreement between Bayesian and the Fund. Information about the Fund, and the particular investment objectives, strategies, restrictions, guidelines, and risks associated with an investment, is described in the Fund’s governing documents. In the future, Bayesian may provide discretionary portfolio management and investment advisory services (directly or indirectly through a sub-advisory arrangement with the client’s primary investment adviser) to separately managed accounts or privately offered pooled investment vehicles.

Generally, investors participating in the current Fund are required to meet certain suitability and net worth qualifications, such as (i) an “accredited investor” within the meaning of Rule 501 of Regulation D under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or (ii) a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “1940 Act”). As such, the Fund Bayesian sub-advises is exempt from registration as an investment company through the exemption provided by Sections 3(c)(1) and/or 3(c)(7) of the 1940 Act.

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

The following is a summary of the investment strategies and methods of analysis employed by Bayesian on behalf of Clients. This summary should not be interpreted to limit in any way Bayesian's investment activities. Bayesian may offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that may not be described in this Brochure, that Bayesian considers appropriate, subject to each Client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each Client's governing documents. In the case of sub-advised or separate accounts managed by Bayesian, the investment strategies and methods of analysis employed on behalf of each managed account will be set forth in the Management Agreement between the managed account and Bayesian or in other related documents. There can be no assurance that the investment objectives of any Client will be achieved.

Methods of Analysis and Investment Strategies

Each Client's investment strategy is outlined in its applicable governing documents and/or Management Agreement or in other related documents. Bayesian develops its investment strategies for its Clients based primarily on techniques and methods commonly referred to as statistical arbitrage. While some aspects of statistical arbitrage may vary from one technological implementation to another, the analytic investment process rests on certain shared fundamental principles, such as broad diversification through investment in a wide array of highly liquid equity securities, with such securities typically being owned for very short duration, and with the use of extensive computer modeling and algorithms in order to identify market pricing anomalies that present the opportunity to realize profit as a result of reversion to historic pricing patterns.

The precise methodologies and technology deployed by Bayesian in performing statistical arbitrage is proprietary and highly confidential. However, in general terms, Bayesian's investment strategy is focused on highly liquid equity securities, traded on exchanges or over the counter in U.S. equity markets, which may be held long or sold short, for periods typically within a short-term to medium-term investment time frame, ranging from durations of several minutes to several months. The strategy involves computer driven trading activity. Each Client portfolio is designed to be market neutral within a narrow range on either the long or short side in an effort to generate consistently attractive risk-adjusted returns during rising, falling, and sideways markets. .

As stated herein above, Bayesian's investment strategies can be broadly classified as statistical arbitrage with holding periods in the range of minutes to months. Bayesian's investment process consists of three (3) primary steps: (i) the identification of plausible investment hypotheses related to situations or events in the equity markets, which occur frequently enough to be subject to statistical analysis; (ii) the statistical testing and refinement of the identified hypotheses with the use of historical market data; and (iii) the implementation of trading strategies, which rely on the historically confirmed investment hypotheses and which aim to construct a dynamic portfolio of long and short positions that would maximize investment returns while mitigating risk, under the assumption that the investment hypotheses would continue to be valid in the future, which cannot be guaranteed.

In selecting investments for the Clients, Bayesian also determines suitability based upon the portfolio requirements that have been agreed to with the Clients and are embodied as contractual requirements in

applicable governing documents and/or Management Agreement or in other related documents. These portfolio requirements include, among other things, overnight and intra-day investment limits per position, per issuer, per industry, and as a percentage of total portfolio size, all of which are factored into Bayesian's analysis with regard to the size and duration of its investment decisions.

Risks of Loss

Clients should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss and Clients should be prepared to bear the loss of assets invested. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client's investments fluctuates due to market conditions and other factors. The investment decisions made and the actions taken for Clients accounts are subject to various market, liquidity, currency, economic and political risks, and will not necessarily be profitable. Past performance of Clients accounts is not indicative of future performance.

Investing with Bayesian involves a high degree of risk for the Client and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences, and the risks associated with the investment strategy. There can be no assurance that Bayesian's investment program will be profitable or that any particular Client will not incur losses in its account. The material risks include the limited trading history of the investment strategy, the risk that the strategy may be based on assumptions and premises that will not prove to be correct over any particular market cycle or in the long term, the unpredictability of financial markets and investor reactions to significant market events and the risk of technological glitches in the strategy and hardware or software systems failures, including, but not limited to, technology performance risks, communication errors and other risks inherent in computer driven trading that is dependent on technology for timely information and trade implementation.

Brokers and Custodians. Client's assets may be held in accounts maintained for the Client by certain banks, broker-dealers, and other financial institutions. These financial institutions are subject to various laws and regulations in various jurisdictions, some of which are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and regulations and their application to the Client's 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 one of these financial institutions, their agents or affiliates, it is impossible to generalize about the effect of their insolvencies on the Client and its assets. Investors should assume that the insolvency of any one of the Client's service providers could result in the loss of all or a substantial portion of the Client's assets held by or through such entity.

Business and Market Risks. Investments may involve a high degree of business and financial risk, which could result in substantial loss to a Client. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

Business and Regulatory Risks. The regulatory environment is evolving, and changes in the regulation of investment advisers may adversely affect the value of investments in Client's accounts and the ability of Client accounts to obtain the leverage they might otherwise obtain or to pursue Bayesian's trading strategies. In addition, securities markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on Client's accounts could be substantial and adverse.

Concentration Risk. The increased risk of loss associated with not having a diversified portfolio (*i.e.*, Client accounts concentrated in a geographic region, industry sector, or issuer are more likely to experience greater loss due to an adverse economic, business or political development affecting the region, sector or issuer than an account that is diversified and therefore has less overall exposure to a particular region, sector or issuer).

Cyber-Security Risk. Investment advisers, including Bayesian, increasingly rely on information and technology systems to conduct their business. Such systems might in some circumstances be subject to cybersecurity incidents or similar events that could potentially result in damage or interruption to these systems, unauthorized access to sensitive transactional and personal information, intentional misappropriation, corruption or destruction of data, or operational disruption. Bayesian maintains an information technology security policy and has implemented certain technical and physical safeguards intended to protect the integrity of its information and technology systems. Nonetheless, despite reasonable precautions, cybersecurity incidents could potentially occur, and might in some circumstances result in the failure to maintain the security, confidentiality, or privacy of sensitive data. Cybersecurity incidents experienced by third party vendors or service providers may indirectly affect Clients. Cybersecurity risks can disrupt the ability to engage in transactional business, cause direct financial loss and affect the value of assets in which Clients invest, harm Bayesian's reputation, lead to violations of applicable laws, result in ongoing prevention, risk management and compliance costs, and otherwise affect business and financial performance.

Equity Risks. The market price of securities owned by Clients may go up or down, sometimes rapidly or unpredictably. The equity securities in Clients' portfolios may decline in value due to factors affecting equity securities markets generally or the energy sector. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, including the basic minerals sector, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which Bayesian believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, Clients may lose all or substantially all of their investments in any particular instance.

Exchange Traded Funds. Bayesian may invest Client assets in Exchange Traded Funds (“ETFs”) as an efficient means of carrying out its investment strategies. The value of an investment in an ETF may vary depending upon the performance of the underlying pool of investments held by the ETF, the fees and expenses charged by the ETF, and other factors. ETFs are traded on exchanges or on the over-the counter market, and the shares may trade at, above, or below their net asset value. Investors typically pay only customary brokerage fees to buy and sell shares. When shares are traded on an exchange, an active trading market for shares may not develop or be maintained, and trading of the shares may be halted if the listing exchange’s officials deem such actions appropriate, the shares are delisted from the exchange or the activation of market-wide “circuit breakers” (which are tied to large decreases in stock prices) halts stock trading generally. An investment in an ETF by Bayesian on behalf of Clients generally will have the same primary risks as the investment strategy that Bayesian is utilizing to manage the Client’s account for which an ETF is purchased by Bayesian. The risks of investing in ETFs are described fully in their prospectuses and other offering documents. Like other investments, it is possible to lose money by investing in an ETF.

General Economic and Market Conditions. The success of Bayesian’s Clients is affected by general economic and market conditions, including, among others, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and trade barriers. These factors may affect the level and volatility of securities prices and the liquidity of investments. Volatility or illiquidity could impair profitability or result in losses. These factors also may affect the availability or cost of leverage, which may result in lower returns.

General Market Risks. Recent legal and regulatory changes, and additional legal and regulatory changes that could occur may adversely impact Clients. The regulation of the US and non-US securities and futures markets and investment funds has undergone substantial change in recent years and such change may continue. The effect of such new regulations on Clients, while impossible to predict, could be substantial and adverse and may, directly or indirectly, subject Clients to increased capital requirements, fees and expenses, as well as limits on the types of investors they may solicit. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment, and trade applicable to the activities of a Client can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the Client’s interests. It is impossible to predict what, if any, changes in regulation applicable to Clients or Bayesian, the markets in which they trade and invest, or the counterparties with which they do business may be instituted in the future. Clients and/or Bayesian may be or may become subject to unduly burdensome and restrictive regulation.

In recent years, due to events in the financial markets, the financial services industry generally, and the activities of private pooled investment vehicles and their managers in particular, have been subject to intense and increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and accompanying regulatory changes may increase the exposure of Clients to potential liabilities and to legal, compliance, and other related costs and may have an adverse effect on private pooled investment vehicles generally, and in particular, on the ability of Clients to achieve their investment objectives. The private pooled investment vehicle industry may continue to be adversely affected by the recent developments in the financial markets in the U.S. and abroad going forward, and any future legal, regulatory, or

governmental action and developments in such financial markets and the broader global economy could have an adverse effect on the business of Clients, operations, and performance.

The entire market or particular instruments traded on a market may decline even if earnings or other factors improve inasmuch as the prices of such instruments are subject to numerous economic, political, psychological, and other factors that have little or no correlation to the performance of a particular company. A Client may elect to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that Clients engage in certain hedging transactions, there can be no assurances that such hedging will insulate such Client from risks, and hedging techniques, whether via a derivative or other product or instrument, may give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

Hedging Policies/Risks. In connection with certain investments, Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, commodities prices, currency exchange rates, as well as other risks. While such transactions may reduce certain risks, hedging transactions themselves entail other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodities prices, currency exchange rates, or other factors may result in a poorer overall performance.

Highly Volatile Markets. The prices of financial instruments in which Bayesian may invest Client assets can be highly volatile. Price movements of the financial instruments in which Client assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures, and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

Illiquid Investments. Under certain market conditions, such as during volatile markets or when trading in an interest or market is otherwise impaired, the liquidity of Client investments may be reduced. In addition, a Client may from time to time hold large positions with respect to a specific type of investment, which may reduce the Client's liquidity. During such times, the Client may be unable to dispose of certain assets, which would adversely affect the Client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Client to dispose of assets at reduced prices, thereby adversely affecting the Client's performance. If there are other market participants seeking to dispose of similar assets at the same time, the Client may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a Client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, the Client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Client's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for Client investments.

Investment and Trading Risks Generally. All investments risk the loss of capital. No guarantee or representation is or can be made that Bayesian's investment program will be successful. Bayesian's investment program may involve, without limitation, risks associated with limited diversification, short-selling, commodity interest trading, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in Bayesian's activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which Bayesian's Clients may be subject. In addition, Client investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions. Bayesian's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

Investments in Distressed Issuers. Bayesian may invest Client assets in equity securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and "below investment-grade" debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that Bayesian will analyze such investments correctly.

IPO Risk. The market value of IPO shares will fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about the issuer. The purchase of IPO shares may involve high transaction costs. IPO shares are subject to market risk and liquidity risk.

Key Person Risk. Bayesian relies heavily on the services of its Chief Executive Officer, Mr. Velin K. Tzanov. Mr. Tzanov is responsible for all of the major decisions affecting Bayesian and is the sole expert on the proprietary software and algorithms used in Bayesian's investment program. Should Mr. Tzanov discontinue managing the affairs of Bayesian or withdraw from Bayesian, or should Mr. Tzanov die, be incapacitated, or be unable to effectively manage the affairs of Bayesian for some other reason, the performance of Client accounts may be adversely affected.

Large-Cap Company Risk. Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion.

Liquidity Risk. The risk that a Client may not be able to monetize investments and may have to hold to maturity or may also only be able to obtain a lower price for investments either because those investments have become less liquid or illiquid in response to market developments or adverse investor perceptions. Investments that are illiquid or that trade in lower volumes may be more difficult to value.

Low Trading Volume Risk. The risk that a Client may not be able to monetize his/her investment or will have to do so at a loss as a result of generally lower trading volumes of the securities compared to other types of securities or financial instruments.

Management and Strategy Risk. The value of a Client's investment depends on the judgment of Bayesian about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, which may prove to be incorrect. Investment strategies employed by Bayesian may not result in an increase in the value of the Client's investment or in overall performance equal to other investments.

Market/Volatility Risk. The risk that the value of the assets in which a Client invests may decrease (potentially dramatically) in response to the prospects of individual companies, particular industry sectors or governments, changes in interest rates and national and international political and economic events due to increasingly interconnected global economies and financial markets.

Micro-Cap Companies Risk. Stock prices of microcap companies are significantly more volatile, and more vulnerable to adverse business and economic developments, than those of larger companies. Microcap stocks may also be thinly traded, making it difficult for a Client's portfolio to buy and sell them.

Monetary Policy and Governmental Intervention. As part of the response to the 2008 global financial crisis, the U.S. Federal Reserve (the "Federal Reserve") and global central banks, including the European Central Bank, have – in addition to other governmental actions to stabilize markets and seek to encourage economic growth – acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the investments of Clients. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

No Assurance of Investment Returns. Bayesian cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such Clients' individual investment objectives.

Pay-to-Play Laws, Regulations and Policies. A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict, or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees or agents makes a contribution to certain elected officials or candidates. If any of Bayesian's employees or

affiliates or any service provider acting on their behalf fail to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on Clients.

Portfolio Turnover. Bayesian's investment strategy typically involves active trading in Client accounts, and as a result, turnover and brokerage commission expenses incurred by Clients may significantly exceed those incurred in other types of investment strategies.

Position Limits. Position limits imposed by various regulators may also limit Bayesian's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if Bayesian does not intend to exceed applicable position limits, it is possible that different accounts managed by Bayesian may be aggregated. To the extent that Client position limits are collapsed, the effect on Clients and resulting restriction on their investment activities may be significant. If at any time positions managed by Bayesian were to exceed applicable position limits, Bayesian would be required to liquidate positions of its Clients to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, Bayesian might have to forego or modify certain of Client contemplated trades.

Possibility of Fraud and Other Misconduct of Employees and Service Providers. Misconduct by employees of Bayesian, service providers to Clients, and/or their respective affiliates could cause significant losses to such Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Clients, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Clients, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Clients. Bayesian has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Bayesian will be able to identify or prevent such misconduct.

Regulation and Enforcement; Litigation. Clients may be subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the Clients. Additional regulation could also increase the risk of third-party litigation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission (the "CFTC"), the SEC, and the Consumer Financial Protection Bureau (the "CFPB") broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer finance markets. These expanded powers have resulted in rules that could adversely affect Clients or investments made by Clients.

In addition, there can be no assurance that Clients, Bayesian, or any of their respective affiliates will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in a sanction being imposed against Bayesian or any of its affiliates, or such sanction is small in monetary amount, the Clients, Bayesian and/or their respective affiliates may be subject to adverse publicity relating to the investigation, proceeding or imposition of such sanctions. There is also a risk that regulatory agencies in the United States and abroad will continue to adopt, change or enhance new or existing laws or regulations, which may result in additional regulatory scrutiny.

Clients may also indirectly be affected by regulation of banks and other financial services firms with which the Clients do business, from which they obtain financing or other services, or to which they seek to sell interests in securities. The regulatory regimes applicable to financial services firms with which Clients do business may increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of securities, or have other indirect effects.

Risk Control Framework. No risk control system is fail-safe, and no assurance can be given that any risk control framework employed by Bayesian will achieve its objective. Target risk limits developed by Bayesian may be based upon historical trading patterns for the securities and financial instruments in which it invests. No assurance can be given that such historical trading patterns will accurately predict future trading patterns.

Short Sales. Short selling is the practice of selling securities, commodities, or other underlying investments or derivative investments that are not owned by the seller, generally when the seller anticipates a decline in the price of the underlying investment or for hedging purposes. To complete a short sale, Clients generally must borrow the underlying investments from a third party in order to make delivery to the buyer. Bayesian generally will be required to pay a brokerage commission that will increase the cost to Clients of selling such underlying investments. The proceeds of the short sale plus additional cash or underlying investments must be deposited as collateral with the lender of the underlying investments to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the underlying investments that a Client is required to return to the lender. The Client generally will be entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. The Client will be obligated to return the applicable underlying investments equivalent to those borrowed at any time on demand of the lender of the underlying investments borrowed by purchasing them at the market price at the time of replacement. Until the underlying investments are replaced, the Client will be required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the underlying investments. An increase in the value of any underlying investment that is the subject of short selling by a Client may, as a result of the foregoing, have a material adverse effect on the assets of the Client, and therefore the return on investment of the Client.

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the performance of Client accounts. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Small-Cap and Mid-Cap Company Risk. The securities of small-capitalization and mid-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. In addition, such companies typically are more likely to be adversely affected than large capitalization companies by changes in earning results, business prospects, investor expectations, or poor economic or market conditions.

Systems and Operations Risk. Bayesian developed a quantitative strategy that incorporates assumptions based upon variables abstracted from complex financial markets or instruments. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. The outputs of Bayesian's strategy may differ substantially from the reality of the markets, resulting in major losses. Bayesian relies on computer programs and systems to trade, clear, and settle securities transactions, to evaluate certain investments based on real-time trading information, to monitor its Client's portfolios and to generate risk management and other reports that are critical to oversight of its activities. In addition, certain of Bayesian's operations interface with or depend on systems operated by third parties, including custodians, prime brokers, and other service providers. Bayesian may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses, and power failures. Any such defect or failure could have a material adverse effect on the performance of Bayesian's Client accounts. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect Bayesian's ability to monitor its Client portfolios and risks and may cause Client accounts to suffer losses.

Terrorist Attacks, War, and Natural Disasters. Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent Bayesian and its Clients from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and Bayesian's Clients for the short or long-term in ways that cannot presently be predicted.

Trading Decisions Based on Technical Analysis. Many of the trading decisions made by Bayesian on behalf of Client accounts will be based on technical, rather than fundamental, analysis. The best trading method or strategy, whether based on technical and/or fundamental analysis, will not be profitable if there are not price moves or trends of the kind the trading method or strategy seeks to identify and follow. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Any factor which would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy, whether technical and/or fundamental, will be profitable in the future. Moreover, any factor which would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. No assurance can be given that Bayesian's strategies will be successful under all or any market conditions.

A limiting factor in the use of technical analysis is that such an approach requires price movement data that can be translated into price patterns sufficient to dictate a market entry or exit decision. Any trading method that is based upon such technical concepts may inaccurately forecast price patterns, which may result in losses.

Uncertainty of Financial Projections. As part of its due diligence of a potential investment, Bayesian may review, and make certain assumptions based on, the company's financial projections. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such company.

Use of Leverage. Depending on the specific arrangement with each Client, Bayesian may use leverage which would result in a Client account controlling substantially more assets than the amount of equity in the account. Leverage increases the returns if the Client account earns a greater return on investments purchased with borrowed funds than the cost of borrowing such funds. However, the use of leverage would expose the Client's account to additional levels of risk, including (i) greater losses from investments than if the Client account had not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the assets in a Client account, Bayesian might not be able to liquidate assets quickly enough to repay the borrowings, further magnifying the losses.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE INVESTMENT RISKS BAYESIAN AND ITS CLIENTS ARE EXPOSED TO AS A PART OF BAYESIAN'S BUSINESS.

Item 9 Disciplinary Information

This Item requests information relating to legal and disciplinary events in which Bayesian or any supervised persons, as defined by the Advisers Act, have been involved that are material to Client's or prospective Client's evaluations of Bayesian's advisory business or management. There are no reportable material legal or disciplinary events related to Bayesian or any of its supervised persons. In the ordinary course of Bayesian's business, Bayesian, its affiliates and employees have not in the past been subject to any formal or informal regulatory inquiries, subpoenas, investigations, legal or regulatory proceedings involving the SEC, or any other regulatory authorities, including private parties and self-regulatory organizations (SRO).

Item 10 Other Financial Industry Activities and Affiliations

Affiliated Broker-Dealers

Bayesian and its affiliates are not registered, nor have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Bayesian has no existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer.

Affiliated CPO and/or CTA

Bayesian and its affiliates are not registered, nor has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Bayesian has no existing or pending affiliations with a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Relationship or Arrangements with Affiliates and/or Related Persons

Neither Bayesian, nor its principals or any executive officer has any relationship or arrangement with a related person that is material to its advisory business or its Clients or could create a material conflict of interest with Clients.

Other Activities and Affiliations

Bayesian may from time to time engage third-parties to provide certain consulting and strategic advisory services with respect to Bayesian. In consideration of such services, Bayesian may provide office space, administrative support, and other benefits to such persons.

Conflicts Related to Affiliations and Other Legal Restrictions

Bayesian may be restricted by law, regulation, or contract as to how much of a particular security it may invest on behalf of a Client, and as to the timing of a purchase or sale. For example, holdings of a security on behalf of Bayesian's Clients may, under some SEC or state regulations, be aggregated with the holdings of that security by its affiliates. These holdings, on an aggregate basis, could exceed certain regulatory reporting thresholds unless Bayesian, as well as its affiliates, monitor and restrict additional purchases.

Item 11 Code of Ethics

Bayesian maintains a policy of strict compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC, and has adopted policies and procedures described in its Code of Ethics. The Code of Ethics has been adopted by Bayesian in compliance with Section 204A-1 of the Advisers Act. The Code of Ethics applies to each employee of Bayesian and any other “access person” as defined under the Advisers Act. It is designed to ensure compliance with legal requirements of Bayesian’s standard of business conduct.

A complete copy of Bayesian’s Code of Ethics is available to any Client or prospective Client upon request.

The Code of Ethics is based upon the premise that all Bayesian personnel have a fiduciary responsibility to render professional, continuous, and unbiased investment advisory services. The Code of Ethics requires all personnel to: (i) comply with all applicable laws and regulations; (ii) observe all fiduciary duties and put Client interests ahead of those of Bayesian; (iii) observe Bayesian’s personal trading policies so as to avoid “front-running” and other conflicts of interests between Bayesian and its Clients; and (iv) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by Bayesian’s Chief Compliance Officer, and that personnel who violate the Code of Ethics are subject to sanctions by Bayesian, up to and including termination.

Standards of Conduct: Bayesian and its access persons are expected to comply with all applicable federal and state laws and regulations. Access persons are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of the Chief Compliance Officer. Access persons are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and Bayesian or Client.

Ethical Business Practices: Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Payments to government officials or government employees are prohibited except for political contributions approved by Bayesian’s Chief Compliance Officer or his designee. Bayesian seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance not illegal or unethical dealings. Access persons are strictly prohibited from (i) participating in industry-related online blogging and communication with the media, unless approved by the Chief Executive Officer, and (ii) spreading of false rumors pertaining to any publicly traded company.

Confidentiality: Employees must maintain the confidentiality of Bayesian’s proprietary and confidential information, and must not disclose that information unless the necessary approval is obtained. Bayesian has a particular duty and responsibility, as investment adviser, to safeguard Client information. Information concerning the identity and transactions of investors is confidential, and such information will only be disclosed to those employees and outside parties who may need to know it in order to fulfill their responsibilities.

Gift and Entertainment Policy: Access persons shall not, directly or indirectly, take, accept or receive gifts or other consideration in merchandise, services or otherwise of more than nominal value from any person, firm, corporation, association or other entity other than such person's employer that does business, or proposes to do business, with Bayesian or any of its affiliates.

Personal Trading

Personal Trading Policy: Access persons are allowed to trade reportable securities, however all transactions in reportable securities must be pre-approved by the Chief Compliance Officer or his designee. Access persons may not purchase or otherwise acquire direct or indirect beneficial ownership of any reportable security, and may not sell or otherwise dispose of any reportable security in which he or she has direct or indirect beneficial ownership, if he or she knows or should know at the time of entering into the transaction that: (i) a Client has purchased or sold the reportable security within the last five (5) calendar days, or is purchasing or selling or intends to purchase or sell the reportable security in the next five (5) calendar days; or (ii) Bayesian has within the last five (5) calendar days considered purchasing or selling the reportable security for any Client or within the next five (5) calendar days intends to consider purchasing or selling the reportable security for any Client. Access persons must obtain approval from the Chief Compliance Officer or his designee before directly or indirectly acquiring beneficial ownership in any securities in an initial public offering or in a limited offering (including, private placements). Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions outlined in the Code of Ethics. Personal securities transactions are reviewed by the Chief Compliance Officer or his designee for compliance with the personal trading policy and applicable SEC rules and regulations.

No access person shall recommend any transaction in any reportable securities by Clients without having disclosed to the Chief Compliance Officer his or her interest, if any, in such reportable securities or the issuer thereof, including: (i) the access person's beneficial ownership of any reportable securities of such issuer; (ii) any contemplated transaction by the access person in such reportable securities; (iii) any position the access person has with such issuer; and (iv) any present or proposed business relationship between such issuer and the access person (or a party in which the access person has a significant interest).

Prohibition against Insider Trading: Bayesian forbids any access person from trading, either personally or on behalf of others, including Clients advised by Bayesian, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as "insider trading". The concepts of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

Reporting Requirements: In compliance with SEC rules, access persons are required to disclose all of their personal brokerage accounts and holdings within ten (10) days of initial employment with Bayesian, within ten (10) days after the end of each calendar quarter of opening a new account, and annually thereafter. Additionally, the last day of the month following each quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership. Access persons are also required annually to affirm all reportable transactions from the prior year.

Privacy and Confidentiality

Privacy Policy: Bayesian has adopted a privacy policy that explains the manner in which Bayesian collects, utilizes, and maintains nonpublic personal information about Clients and Clients' investors. Bayesian recognizes and respects the privacy concerns of potential, current, and former Clients and Clients' investors. Bayesian is committed to safeguarding this information. As a member of the financial services industry, Bayesian will provide this Privacy Policy for informational purposes to Clients, Clients' investors and employees and will distribute and update it as required by law. A complete copy of Bayesian's Privacy Policy is available to any Client or prospective Client upon request.

Collection of Information and Disclosure of Nonpublic Personal Information: To provide investors with effective service, Bayesian may collect several types of nonpublic personal information about investors, including: (i) information from forms that investors may fill out, such as subscription forms, questionnaires, and other information provided by investors in writing, in person, by telephone, electronically or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; (ii) information investors may give orally; (iii) information about transactions within Bayesian, including account balances, investments, and withdrawals; (iv) information about the amount investors have invested, such as initial investment and any additions to and withdrawals from an investment in the Clients; and (v) information about any bank accounts investors may use for transfers to or from accounts (if applicable).

Disclosure of Nonpublic Personal Information: Bayesian does not sell or rent Client investor information. Bayesian uses this information to conduct business with its Clients: to develop or enhance its products and services; to understand the financial needs of its Clients so that Bayesian can provide such Clients with quality products and superior service; and to protect and administer its Clients' records, accounts, and funds. Bayesian does not disclose nonpublic personal information about its investors to nonaffiliated third parties, except as permitted or required by law. For example, Bayesian may share nonpublic personal information in the following situations: (i) to service providers in connection with the administration and servicing of Bayesian and its Clients; this may include attorneys, accountants, auditors and other professionals. Bayesian may also share information in connection with the servicing or processing of investor transactions; (ii) to affiliated companies in order to provide investors with ongoing personal advice and assistance with respect to the products and services investors have purchased through Bayesian and to introduce investors to other products and services that may be of value to such investors; (iii) to respond to a subpoena or court order, judicial process or regulatory authorities; (iv) to protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and (v) upon consent of an investor to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the investor.

Protection of Client Information: Bayesian's policy is to require that all employees, financial professionals, and companies providing services on its behalf keep Client and investor information confidential. Bayesian maintains safeguards that comply with federal standards to protect Client and investor information. Bayesian restricts access to the personal and account information of Clients and investors to those employees who need to know that information in the course of their job responsibilities. Third-parties with whom Bayesian shares Client or investor information must agree to follow appropriate standards of security and confidentiality. Bayesian's privacy policy applies to both current and former Clients and investors. Bayesian may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

Changes to Privacy Policy: Bayesian may make changes to its privacy policy in the future. Bayesian will not make any change affecting any Client without first sending to that Client a revised privacy policy describing the change.

Potential Conflicts of Interest

Material Non-Public Information: Bayesian's Chief Compliance Officer or his designee maintains a list of restricted securities as to which Bayesian may have access to material non-public information and in which Clients are not permitted to trade without prior approval from the Chief Compliance Officer or his designee. In the event that any employee of Bayesian obtains such material non-public information, Bayesian may be restricted in acquiring or disposing investments on behalf of Clients, which could impact the returns generated for Clients.

Notwithstanding the maintenance of restricted lists and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in Bayesian, or one of its investment professionals, buying or selling a security while potentially in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the reputation of Bayesian, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact Bayesian's ability to perform investment management services on behalf of Clients.

In an effort to mitigate these risks, Bayesian maintains a Code of Ethics, as described herein above, and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Bayesian's policies and procedures.

Investment Activity by Bayesian and Affiliates: From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of Bayesian, its affiliates, and their personnel. Bayesian will endeavor to resolve conflicts with respect to investment opportunities in a manner they deem equitable to the extent possible under the prevailing facts and circumstances. Bayesian's affiliates may invest, on behalf of themselves, in securities and other instruments that would be appropriate for, are held by, or may fall within the investment guidelines of a Client. Bayesian's affiliates may give advice or take action for their own accounts that may differ from, conflict with, or be adverse to, advice given to or action taken for Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for, one or more Clients. Potential conflicts also arise due to the fact that Bayesian's affiliates may have investments in some Clients but not in others, or may have different levels of investments in the various Clients, and that each of the Clients may pay different levels of fees.

Conflicts Related to Relationships with Third Parties: Bayesian may work with institutional investment consultants and such consultants may also provide services to Bayesian and its affiliates. Consultants may provide transaction advisory services to related parties and related parties may attend conferences sponsored by consultants. Bayesian may be hired to provide investment management or other services to an institutional investment consultant that works with a Client, which may create conflicts. Related parties may in-source or out-source to a third-party certain processes or functions, which may give rise to conflicts. There may be conflict when negotiating with third-party service providers if related parties bear operational expenses of various Clients to the extent that a given fee structure would tend to place more expense on

Clients for which related parties have a greater entitlement to reimbursement or less expense on Clients for which related parties have lesser (or no) entitlement to reimbursement. Related parties may provide information about a Client's portfolio positions to unrelated third parties to provide additional market analysis and research to related parties and they may use such analysis to provide investment advice to other Clients. Related parties may purchase information (such as periodicals, conference participation, papers, and surveys) from professional consultant firms, and such firms may have an incentive to give favorable evaluations of related parties to their clients.

Approach to Other Potential Conflicts: Various parts of this Brochure discuss potential conflicts of interest that arise from Bayesian's asset management business model. Bayesian discloses these conflicts due to the fiduciary relationship with its investment advisory Clients. As a fiduciary, Bayesian owes its investment advisory Clients a duty of loyalty. This includes the duty to address, or at a minimum disclose, conflicts of interest that may exist between different Clients; between Bayesian and Clients; or between its employees and its Clients. Where potential conflicts arise, Bayesian will take steps to mitigate or at least disclose them. Conflicts that Bayesian cannot avoid (or chooses not to avoid) are mitigated through written policies that Bayesian believes protect the interests of its Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment – regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules, using robust compliance practices, Bayesian believes that it has handled these conflicts appropriately. These interactions are not static; Bayesian's business is continually evolving and changes in Bayesian's activities can lead to new potential conflicts. Bayesian reviews its policies and procedures on an ongoing basis to evaluate their effectiveness and update them as appropriate.

Item 12 Brokerage Practices

Generally, Bayesian receives discretionary investment authority from its Clients at the outset of an advisory relationship. Depending on the terms of the applicable investment management agreement, Bayesian's authority may include the ability to select broker-dealers through which to execute transactions on behalf of its Clients, and to negotiate the commission rates, if any, at which transactions are effected. Bayesian may also have the authority to enter into International Swap and Derivatives Association ("ISDA"), repurchase clearing, trading brokerage, margin future, options, or other types of agreements on behalf of Bayesian's Clients. In making decisions as to which securities are to be bought or sold and the amounts thereof, Bayesian is guided by the mandate selected by the Client and any Client-imposed guidelines or restrictions. Unless Bayesian and the Client have entered into a non-discretionary arrangement, Bayesian generally is not required to provide notice to, consult with, or seek the consent of its Clients prior to engaging in transactions.

Brokerage Selection

The overriding consideration in allocating Client orders for execution is the maximization of Client profits (or minimization of losses) through a combination of controlling transaction costs (including market impact) and seeking the most effective uses of a broker's capabilities. When Bayesian has the authority to select broker-dealers to execute transactions for its Clients, it seeks to obtain the best execution reasonably available under the circumstances (which may or may not result in paying the lowest available brokerage commissions or spread). In so doing, Bayesian considers all factors it deems relevant. Such factors may be either venue specific or transaction specific and may include, but are not limited to: (A) for venues: (i) execution capability including speed of execution, quality of communication links to Bayesian, clearance and trade settlement history, and capability and ratio of complete versus incomplete trades; (ii) ability to handle large trades in securities having limited liquidity without undue market impact and ability to provide liquidity (as principal, agent or otherwise); (iii) access to market liquidity and quotation sources; (iv) financial condition of the counterparty, including reputation and creditworthiness; (v) responsiveness and reliability in executing trades, keeping records and accounting for and correcting administrative errors; (vi) ability to maximize price improvement opportunities, including the ability to provide ad hoc information or services; and (vii) ability to comply with all regulatory requirements; and (B) for transactions: (i) price and overall cost of the transaction, including any related credit support; (ii) the size, type, and timing of the transaction; (iii) existing and expected activity in the market for the security, including any trading patterns of the security and the particular marketplace; (iv) nature and character of the security or instrument and the markets on which it is purchased or sold; (v) value of research provided, if permitted under applicable law or regulation; (vi) fund or portfolio objectives or Client requirements (if permissible), as may be applicable; (vii) if applicable, Client-directed brokerage arrangements; and (viii) applicable execution venue factors.

Soft-Dollars Arrangement

As of the date of this Brochure, Bayesian does not engage in soft dollar arrangements, including participating in any soft dollar relationships with other firms for research or any other service. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process.

Bayesian will limit the use of “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e).

Brokerage for Client Referrals

Bayesian does not consider, in selecting or recommending a broker-dealer, whether Bayesian or a related person receives Client referrals from that broker-dealer.

Directed Brokerage

Bayesian does not routinely recommend, request or require that a Client direct Bayesian to execute transactions through a specified broker-dealer. Clients may recommend Bayesian uses their preferred broker-dealer(s). Bayesian will use such broker-dealer(s) subject to its determination that said broker-dealer provides best execution of the Client transactions. In a situation where a Client directs Bayesian to place trades with a particular broker-dealer, Bayesian may not be free to seek the best price, volume discounts or best execution by placing transactions with other broker-dealers. Additionally, as a result of directing Bayesian to place trades with a particular broker-dealer, a disparity in commission charges may exist between the commissions charged to Clients who direct Bayesian to use a particular broker-dealer and those Clients who do not direct Bayesian to use a particular broker-dealer as well as a disparity among the brokers to which different Clients have directed trades.

Order Aggregation

As stated in Item 4 of this Brochure, Bayesian currently provides discretionary portfolio management and investment sub-advisory services to only one (1) Fund and is not in a position to aggregate orders for various client accounts.

Item 13 Review of Accounts

Mr. Velin K. Tzanov, as Portfolio Manager, has the responsibility to exercise and maintain prudent supervision and control of the Client's portfolio of investments. As stated in Item 8 of this Brochure, Mr. Tzanov is responsible for overseeing the investment process from the origination of each investment transaction, through asset management, and ultimately the realization of the investment. As Portfolio Manager, Mr. Tzanov periodically reviews and ensures the investment policies, guidelines, and objectives of the Client's general investment strategy are achieved and attained per the Client's governing documents. Mr. Tzanov maintains prudence and effectiveness of each portfolio investment of the Client and formulates and oversees the investment process and management of the Client's assets, and periodically reviews investment strategies and investment performance. In carrying out his duties, Mr. Tzanov performs intra-day, daily, weekly and monthly reviews of the Clients' portfolios regarding performance, risk, volatility, and other statistical analysis. In monitoring a Client's portfolio of investments, Mr. Tzanov ensures (i) the management of investments and capital actions are consistent and comply with attainment of the Client's investment policy, objectives, and strategy goals, and (ii) the Client's portfolio is in compliance with legal and regulatory requirements.

Nature and Frequency of Reporting

The frequency and nature of reports prepared for Clients varies depending on each Client's requirements and interests. Clients generally receive monthly or quarterly written reports showing portfolio activities and performance on a current and year-to-date basis. Bayesian may furnish certain account transaction and portfolio holdings to Clients and their service providers on a more frequent basis upon request. Depending on the type of account, Bayesian may also provide oral and/ or written presentations about the account's performance on a periodic basis. Bayesian will also provide Clients, upon request, other information regarding their portfolio within the parameters of its compliance policies. Face-to-face meetings or teleconferences are held at least annually with each Client. Clients may request a meeting with Bayesian at any time.

With respect to each Client, their qualified custodian generally provides, on at least a quarterly basis, an account statement identifying the amount of the funds and securities in the Clients' account(s) and any transactions in the Clients' account(s) during the applicable calendar quarter.

Clients are urged to compare any account statements that they receive from Bayesian with the account statements that it receives from its qualified custodians.

Item 14 Client Referrals and Other Compensation

Bayesian does not receive any economic benefits, including sales awards or prizes, from non-clients for providing investment advice and other advisory services.

Currently, Bayesian does not directly or indirectly compensate any third-party for advisory client referrals (each a “Solicitor”). In the event Bayesian desires to engage a third-party Solicitor in the future to solicit prospective advisory clients, such third-party client solicitation arrangements will be in compliance with the Advisers Act.

Currently, Bayesian does not directly or indirectly compensate any third-party for referring investors into the Clients (each a “Placement Agent”). In the event Bayesian desires to engage a third-party Placement Agent in the future to refer prospective investors into the Clients, such arrangements will be in compliance with the Advisers Act.

Item 15 Custody

Bayesian does not have custody of its Client's funds or securities, as defined under Rule 206(4)-2 of the Advisers Act (the "Custody Rule").

Item 16 Investment Discretion

Bayesian has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each Client, including the selection of, and commissions paid to, broker-dealers. This discretionary authority is subject to terms set forth in the applicable Management Agreement with each respective Client. Additionally, Bayesian's discretionary authority is subject to the investment objectives, policies, and restrictions as set forth in the governing documents of each respective Client. For Bayesian to assume such discretionary authority, each respective Client must enter into a Management Agreement prior to the establishment of an advisory relationship granting such authority.

Item 17 Voting Client Securities

Unless the Client instructs otherwise in writing, Bayesian is granted the power and authority as Client's proxy and attorney-in-fact to vote, tender, or non-tender, or direct the voting, tendering, or non-tendering of securities held in the Clients' accounts and take actions on behalf of Client with respect to such securities.

Due to the very high level of diversification of Bayesian's investment strategies, Bayesian generally will not hold significant voting power with respect to any particular issuer. In addition, given the high turnover of Bayesian's investment strategies, it is unlikely that securities held on a particular record date on behalf of a certain Fund would still be held by that Fund on the date of the vote or when the effects of the matters voted upon would be realized, which significantly reduces the relevance to the Fund of the proxies that Bayesian might vote. As a result of the foregoing Bayesian has determined that the costs associated with voting proxies outweigh the potential benefits, if any, that would accrue to the Funds from proxy voting. Therefore, it is Bayesian's policy not to vote proxies on behalf of the Funds.

Notwithstanding the foregoing, Bayesian may vote proxies with the approval of the Chief Compliance Officer, if such voting would be in the best interest of the Funds.

Please let Bayesian's Chief Compliance Officer know if you have any questions about these procedures or if you would like detailed information of how any proxies were actually voted. The Chief Compliance Officer can be contacted at ceo@bayesian.capital or (718) 332-4567.

Item 18 Financial Information

Bayesian does not solicit prepayment of more than \$1,200 in fees per Client six months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279. There is no financial condition that is reasonably likely to occur that would impair Bayesian's ability to meet contractual commitments to Clients. Bayesian has not been the subject of a bankruptcy petition during the past ten years.