

Form ADV Part 2A: Firm Brochure

Portman Square Capital LLP

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This brochure provides information about the qualifications and business practices of Portman Square Capital, LLP (“PSC” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at +44 203 627-6800. 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 the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This brochure (“Brochure”) was prepared in connection with Portman Square Capital LLP’s (“PSC” or the “Adviser”) initial application for registration with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and, as such, there have been no material changes applicable to PSC to disclose.

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Item 4 – Advisory Business

Portman Square Capital, LLP (“PSC” or “Adviser”) is an investment adviser with its principal place of business at 20 North Audley Street, London, UK W1K 6LX. PSC commenced operations as an investment adviser on June 2013. Sutesh Sharma, Lalit Das and Yusaf Khan are the founding partners of PSC.

PSC provides investment advisory services on a fully discretionary basis to its clients (“Advisory Clients”), which currently consist of pooled investment vehicles intended for sophisticated investors and institutional investors. PSC, in conjunction with its registration as a Securities Exchange Commission Registered Investment Adviser.

The funds include the “Portman Square Master Fund Limited” and its feeder fund, “Portman Square Feeder Fund Limited” (collectively, the “PSC Funds”). PSC acts as investment manager, distributor and promoter of the PSC Funds and has full discretionary investment management authority.

PSC also acts as sub-advisor to Neuberger Berman Europe Limited and Neuberger Berman Investment Advisers LLC which are the collective manager and promoter of two sub-funds of an Irish UCITS fund, namely “Neuberger Berman Investments plc – Neuberger Berman Uncorrelated Strategies Fund” and “Neuberger Berman Investments plc – Neuberger Berman Trading Fund” (together, the “UCITS Sub-Funds”). Although PSC is not responsible for the promotion and general management of the UCITS Sub-Funds, it does have full discretionary investment management authority under the advisory agreement it has entered into with the Neuberger Berman entities referred to in this paragraph.

The PSC Funds include investors that are US Persons.

For each of the PSC Funds and the UCITS Sub-Funds, PSC employs a discretionary strategy of investing globally in volatility strategies aiming to generate positive returns in benign market conditions and outsized returns in risk-off environments (market dislocations).

The strategy is market-neutral and structurally long volatility at all times. Equity, FX, rates, credit and hybrid volatility strategies are used in combination to either run long volatility exposure or to generate “carry” with a capped downside exposure.

PSC provides advice to its Advisory Clients based on specific investment objectives and strategies, which are more fully described in the governing documents for the PSC Funds and UCITS Sub-Funds.

Some Advisory Clients may require bespoke investment strategies such that the allocation of investment opportunities may not be made by PSC across all accounts it manages on a pari passu basis (see Item 12).

PSC does not participate in wrap fee arrangements.

As at July 31, 2022, PSC managed \$693,350,916 in Regulatory Assets Under Management.

Item 5 – Fees and Compensation

Asset-Based Fees and Compensation. PSC is entitled to receive a management fee on assets under management and a performance-based fee, subject to a high-water mark, on the PSC Funds and UCITS Sub-Funds as follows.

Fee Schedule

	Management/Advisory Fee	Performance Fee	Gate
PSC Funds	2% per annum payable monthly in arrears (subject to any agreed reductions between PSC and an investor. The ability to agree to reduced fees is fully disclosed to all potential investors and investors in the PSC Funds.)	20% per annum payable annually (subject to any agreed reductions between PSC and an investor. The ability to agree to reduced fees is fully disclosed to all potential investors and investors in the PSC Funds).	25% fund and individual investor level gates (imposed at the discretion of the independent board of the PSC Funds).
UCITS Sub-Funds			
Neuberger Berman Investments plc – Neuberger Berman Uncorrelated Strategies Fund	0% per annum	20% per annum payable annually	N/A
Neuberger Berman Investments plc – Neuberger Berman Trading Fund	0.5% per annum payable monthly in arrears	10% per annum payable annually (subject to a performance benchmark)	N/A

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In addition to Management/Advisory and Performance Fees, each of the PSC Funds and UCITS Sub-Funds will bear certain operating and administrative expenses as fully disclosed in the relevant offering documents or agreed in the respective investment advisory or investment management agreements.

Such expenses for the PSC Funds typically include, but are not necessarily limited to, brokerage and research services, including without limitation, investment consultants (e.g. economists, geopolitical consultants, macro conferences hosted industry roundtable lunch and dinner events or other similar meetings and events organized and/or attended by investment personnel of the Adviser and other industry participants, and news and quotation equipment and services (including fees for data and software providers)), investment banking and any other professional fees or compensation relating to particular investments or contemplated investments, transaction costs, custody and administrator fees, legal and accounting (audit) fees, compliance and filing fees (including without limitation, fees and expenses incurred in connection with the preparation and filing required under the Alternative Investment Fund Managers Directive (AIFMD), Form PF, Form CPO-PQR, Section 13 filings, Section 16 filings, blue sky filings and other similar regulatory filings)), directors' fees, PSC Fund director's D and O insurance, organizational expenses, and the fees and reasonable expenses of the board of directors of the PSC Funds.

The UCITS Sub-Funds will bear certain research and other costs pre-approved and agreed by Neuberger Berman.

PSC has entered into separate letter agreements with certain investors in the PSC Funds that reduce the Management and/or Performance Fee charged to that investor. Such right to agree individual fee terms with investors is fully disclosed to all investors, and potential investors, in the PSC Fund offering documents.

The allocation of expenses by PSC between it and any Advisory Client and among Advisory Clients may represent a conflict of interest for the Adviser. Accordingly, PSC has adopted an Expenses Policy that is designed to address this conflict. The policy determines that PSC will allocate expenses to each Advisory Client in accordance with the Advisory Client's individual arrangements with the Adviser (including applicable Advisory Client disclosures). The Adviser seeks to allocate shared expenses for products and services benefitting the Adviser and the Advisory Client and not covered in the Advisory Client's arrangements in a fair and reasonable manner and usually on a pro rata basis.

Neither PSC nor any of its officers, partners, personnel, or affiliate entities accept any compensation for the sale or distribution of interests in any of the products it manages.

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

As noted in Item 5, PSC is entitled to receive performance-based compensation from Advisory Clients. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. Performance based fees could potentially incentivise PSC to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements or if all Advisory Clients assumed the

same fee structure. In addition, PSC may be incentivized to favor certain Advisory Clients over other Advisory Clients (i) as a result of higher investment participation levels by related persons of PSC in certain PSC Funds and/or (ii) because the compensation received from one Advisory Client may exceed the compensation received from another Advisory Client.

To mitigate these conflicts, PSC implements an Aggregation and Allocation Policy designed to seek fair and equitable treatment of all Advisory Clients over time and to prevent conflicts from influencing the allocation of investment opportunities among Advisory Clients, as further described in Item 12.

Item 7 – Types of Clients

PSC's Advisory Clients consist of the funds described above (PSC Funds and UCITS Sub-Funds), which are intended for sophisticated investors.

Investors in the PSC Funds are not considered direct clients of PSC. Such investors may include pension plans, charitable foundations, endowments, fund of funds, sovereign wealth funds, private funds, investment companies, trusts, family offices, private banks, high net worth individuals and other entities and institutions. Investors in the PSC Funds must meet certain suitability requirements as set forth in the PSC Funds offering documents. Any initial and additional subscription minimums are disclosed in the offering memorandum for the PSC Funds.

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

Methods of Analysis and Investment Strategies.

PSC's investment strategy is investing globally in volatility strategies aiming to generate positive returns in benign market conditions and outsized returns in risk-off environments (market dislocations). The strategy is market-neutral and structurally long volatility. Equity, FX, rates, credit and hybrid volatility strategies are used in combination to either run long volatility exposure or to generate "carry" with a capped downside exposure.

Material Risks Relating to Investment Activities.

The following summary identifies the material risks that might be related to PSC's investment strategy and should be carefully evaluated before making an investment. This list, however, is non-exhaustive and does not intend to identify all possible risks of an investment or provide a full description of the identified risks.

Investors should refer to the relevant governing or offering documents documents and/or investment advisory or investment management agreements for a complete understanding of PSC's investment strategy and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents.

Risks of Investments Generally. Any investment involves risks, including the risk that the entire amount invested may be lost. PSC's strategy involves actively trading in securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the fixed income, equity, commodity, rates and currency markets, the potential illiquidity of securities and other financial instruments and the

risk of loss from counterparty defaults. No guarantee or representation is made that an Advisory Client's investment objective will be achieved. The nature of the Advisory Client investments involves certain risks and will utilize investment techniques, such as hedging, leverage, short selling and the use of derivatives, which may carry additional risks. PSC's strategy therefore carries a high degree of risk and is suitable only for persons who can assume the risk of losing their entire investment.

Availability of Strategy. The success of the Advisory Clients' investment strategy depends upon PSC's ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that PSC will be able to locate investment opportunities or to exploit such imbalances. In the event positions fail, Advisory Clients may incur losses, which could be substantial.

Concentration and Non-Diversification. Certain Advisory Clients are not restricted as to the percentage of the Advisory Client's assets that may be invested in any particular market, sector, strategy, currency, instrument, jurisdiction or issuer. For example, the Master Fund has the ability to concentrate its investments by investing a majority of its assets in a single industry or country and few issuers. Such concentration of risk may make the Master Fund's investments more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular market, strategy, sector, currency, instrument, jurisdiction or issuer, and may expose the Master Fund to losses disproportionate to those that it might have incurred if the Master Fund maintained a greater level of diversification. A consequence of the potential to be invested in only a limited number of investments is that the aggregate returns realized by the Master Fund may be substantially affected by the unfavorable performance of a small number of such investments.

Short Selling. The Adviser utilizes short selling. Short selling involves directly or indirectly selling (or having the equivalent exposure to) securities or other instruments which may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace any such borrowed securities at a later date. Short selling allows Advisory Clients to profit from declines in market prices to the extent such decline exceeds the transaction costs and any costs of borrowing. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could increase without limit, thus increasing the cost to the Advisory Client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase and purchasing securities to close out a short position can itself cause the price to rise further, thereby exacerbating the loss. Additionally, certain market participants could accumulate such securities in a "short squeeze," which would reduce the available supply, and thus increase the cost, of such securities. In addition, rules may prohibit short sales of equity securities at prices below the official closing price, which may prevent the Advisory Client from executing short sales at the most desirable time. Short strategies can also be implemented synthetically through various instruments, be used with respect to indices or in the over the counter market and may also be used with respect to futures and other instruments. In some circumstances they can also be implemented on a leveraged basis. Short sales, in certain circumstances, can substantially increase the impact of adverse price movements on an Advisory Client's portfolio. Subject to any restrictions pursuant to applicable law, the Adviser has discretion in determining when, whether and in what manner to engage in short selling.

In certain jurisdictions globally certain short positions must be disclosed publicly, usually subject to a minimum position threshold. This disclosure may increase the risk to an Advisory Client's investment in such instruments by affecting the market price or the behavior of other investors with positions in the disclosed instruments.

Hedging Transactions. The Adviser is not required to attempt to hedge portfolio positions against fluctuations in interest rates or currency rates; nor is it required to hedge against any other specific eventualities or general exposures. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. When an Advisory Client does utilize hedges, it may employ a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Advisory Client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the Advisory Client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Advisory Client's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Advisory Client's liabilities or assets; (vi) protect against any increase in the price of any securities the Advisory Client anticipates purchasing at a later date; (vii) reduce exposure to a particular common risk factor or group of factors; or (viii) for any other reason that the Adviser deems appropriate. There is no certainty that hedges will be effective in achieving their goals.

The success of the Adviser's hedging strategy is subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Adviser hedges portfolio positions in for an Advisory Client is also subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While an Advisory Client may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Advisory Client than if they had not engaged in any such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent an Advisory Client from achieving the intended hedge or expose the Advisory Client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Advisory Client's portfolio holdings. There will be times in which the Adviser believes that it is not advisable to enter into hedging transactions and instead elect to keep an Advisory Client unhedged against particular types of risk that in other cases the Advisory Client might hedge against.

Counterparty Risk. Advisory Clients are expected to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit the Advisory Clients to trade in any variety of markets or asset classes over time. However, there can be no assurance that an Advisory Client will be able to establish or maintain such relationships or establish such relationships. An inability to establish or maintain such relationships could limit an Advisory Client's trading activities, create losses, preclude the Advisory Client from engaging in certain transactions or prevent the Advisory Client from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on an Advisory Client's business due to the Advisory Client's reliance on such counterparties.

An Advisory Client may affect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, an Advisory Client enters into a contract directly with dealer counterparties, which may expose the Advisory Client to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, an Advisory Client may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Advisory Client had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that an Advisory Client post collateral.

If there is a default by a counterparty, an Advisory Client under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Advisory Client being less than if the Advisory Client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of an Advisory Client's securities from such counterparty or the payment of claims therefor may be significantly delayed, and the Advisory Client may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether an Advisory Client may terminate its agreement with an insolvent counterparty.

Collateral that an Advisory Client posts to its counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, an Advisory Client may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, an Advisory Client may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to an Advisory Client's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on an Advisory Client and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering an Advisory Client's securities from or the payment of claims therefor by such counterparty and a loss to an Advisory Client, which could be material.

Limited Nature of Credit Ratings. In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. Credit ratings are not absolute or quantitatively precise standards of quality, nor do they evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue/issuer in a timely manner. Substantial loss may result if a security's

rating is downgraded.

Counterparty Insolvency. An Advisory Client's assets may be held in one or more accounts maintained for an Advisory Client by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of an Advisory Client's counterparties is likely to impair the operational capabilities or the assets of an Advisory Client. Although the Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of an Advisory Client's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of an Advisory Client's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, an Advisory Client may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to an Advisory 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 a counterparty, it is impossible to generalize about the effect of their insolvency on an Advisory Client and its assets. Investors should assume that the insolvency of any Advisory Client counterparty would result in a loss to the Advisory Client (and, indirectly, an underlying Fund), which could be material.

Counterparty Fraud. Of paramount concern when investing is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. The Adviser relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to an Advisory Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Exposure to Material Non-Public Information. From time to time, the Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, an Advisory Client may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, (iii) pursuing other investment opportunities related to such issuer, and (iv) investing in securities of other issuers for which an Advisory Client deems itself restricted by virtue of the Adviser's involvement in such issuer of publicly traded securities.

Brexit. The United Kingdom formally left the European Union on January 31, 2020. The ongoing transition period could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on Advisory Clients or the Adviser from an economic, financial or regulatory perspective but any such impact could have material consequences for Advisory Clients.

Direction to Employ New Strategies and Techniques. The Adviser has considerable discretion in the types of securities which Advisory Clients may trade and has the right to modify the trading strategies or hedging techniques of Advisory Clients without the consent of investors. Any of

these new trading techniques may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to Advisory Clients. In addition, any new trading strategy or hedging technique used for an Advisory Client may be more speculative than earlier techniques and may increase the risk of an investment for an Advisory Client.

Portfolio Turnover. An Advisory Client's investment activities may occasionally involve frequent trading, which may result in higher investment costs and charges to the Advisory Client.

Discontinuation of LIBOR. It is expected that the U.S. dollar London Interbank Offered Rate ("LIBOR"), which is commonly used as a reference rate within various financial contracts (any such rate, a "Reference Rate", will not be published after June 30, 2023 (other than the one-week and two-month tenors, which will not be published after the year 2021)). In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which Advisory Clients are a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including Advisory Clients and their counterparties. With respect to certain financial contracts to which Advisory Clients are a party, any such contract that has a maturity that extends beyond 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or other curative mechanisms) may need to be renegotiated, the process of which will consume resources of Advisory Clients and may result in disputes among counterparties, the result of which may be adverse to Advisory Clients. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which Advisory Clients are a party may adversely affect the performance of Advisory Clients.

Risks Associated with Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks).

Equity Securities. An Advisory Client's investment portfolio may include long and, to the extent permitted under applicable law, short positions in common stocks, preferred stocks, depository receipts, derivative instruments whose values are dependent on the prices of equity securities, and convertible securities. An Advisory Client may hold various securities and derivative instruments whose value is based on the prices of a basket of or an index of equity securities, either listed on a public exchange or traded over the counter. Equity securities of companies traded "over-the-counter" may not be traded in the volumes typically found on a national securities exchange. Consequently, an Advisory Client may be required to dispose of such securities over a longer (and potentially less favorable) period of time than is required to dispose of the securities of listed companies. Any of the abovementioned investments may be based on U.S. or non-U.S. equities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, interest rates, general equity market factors, and economic conditions.

An Advisory Client generally may invest in equity securities without restriction as to market capitalization and, thus, may invest in securities issued by smaller capitalization companies,

including those with very limited market capitalizations. The prices of the securities of these smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies because they often are traded in lower volume and the earnings and prospects of these issuers may be subject to more volatility. An Advisory Client may purchase securities in all available securities trading markets, including initial public offerings and the aftermarket.

Investments in equities (including preferred stock) entail the risk of being subordinate to the claims of a company's creditors. Dividends customarily paid to equity holders can be suspended or cancelled at any time.

Corporate Debt and Fixed-Income Securities. An Advisory Client may invest in U.S. and non-U.S. issuers of corporate debt and fixed-income securities. The Advisory Client may also invest in derivative instruments whose values are based on these securities or on interest rates directly. The value the Advisory Client's investments in these instruments and securities will change in response to fluctuations in interest rates (both nominal and real rates) and in response to changes in expectations by market participants of future interest rates. The prices of certain instruments will be affected directly by interest rate policy decisions of the local monetary authorities. In addition, the value of certain corporate debt and fixed-income securities can fluctuate in response to perceptions of creditworthiness (ability to meet principal and interest payments), political stability, soundness of economic policies, and broader changes to the economic environment that may affect future cash flows. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of corporate debt and fixed-income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed-income securities generally can be expected to decline. For certain fixed-income securities market value will be affected by counterparty credit risk and liquidity.

Convertible Securities. An Advisory Client may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock or other securities of the same or different issuer within a particular period of time at a specified price or formula. A convertible security often entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable nonconvertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics, (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. In the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of an Advisory Client's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared, or the issuer enters another type of corporate transaction which increases its outstanding securities.

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

Interest Rate, Extension and Reinvestment Risk. The value of fixed rate debt and preferred stock securities can be expected to vary inversely with changes in prevailing interest rates. Fixed rate debt and preferred stock securities with longer maturities are subject to potentially greater capital appreciation and depreciation than securities with shorter maturities. An Advisory Client may not be restricted to any maximum or minimum time to maturity in purchasing individual portfolio securities, and the average maturity of the assets of Advisory Clients will vary.

During periods of rising interest rates, the average life of certain fixed rate debt and preferred stock securities is extended because of slower than expected principal payments. As issuers choose to delay principal payments in order to benefit from below-market interest rates, the duration of these securities increases, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, these securities may exhibit additional volatility and additional loss in value. This is known as extension risk.

Investments of an Advisory Client in debt and fixed income securities may be subject to reinvestment risk. This is the risk that future proceeds of principal and interest from those investments then will have to be reinvested at a rate that turns out to be lower than was expected at the time of the original investment.

Low Credit Quality Securities. An Advisory Client may invest in securities deemed by credit rating agencies to have substantial vulnerability to default in payment of interest and principal. Such instruments may actually be in default or present elements of danger with respect to the payment of principal or interest, while others may have the lowest quality ratings, indicating that payments are in default, that a bankruptcy petition has been filed with respect to the issuer, or that the issuer is regarded as having extremely poor prospects for being able to meet its financial obligations.

Investors should recognize that the lower rated and unrated securities in which a Fund may invest have large uncertainties or major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities but involve greater volatility of price and greater risk of loss of interest and principal, including the possibility of default or bankruptcy of the issuers of such securities.

The market values of certain of these securities also tend to be more sensitive to changes in economic conditions than higher rated securities. In addition, an Advisory Client may incur additional expenses related to its investments in such securities to the extent that it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings.

Distressed Obligations. An Advisory Client may invest in securities of U.S. and non-U.S. companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to an Advisory Client, they involve a substantial degree of risk. Any one or all of such companies may be unsuccessful in their reorganization and their ability to improve their operating performance. In the case of liquidations, the proceeds realized through the liquidation process may be significantly less than originally projected at the time of investment. Further, the level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the

intrinsic value of any or all the companies, the securities of which an Advisory Client may acquire. There is also no assurance that the Adviser will correctly evaluate how such value will be distributed among the different classes of creditors, nor that the Adviser will have properly assessed the steps and timing thereof in the bankruptcy or liquidation process. In any reorganization or liquidation proceeding relating to a company in which an Advisory Client invests, an Advisory Client may lose its entire investment, and may be required to accept cash or securities with a value less than an Advisory Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an investment may not compensate an Advisory Client adequately for the risks assumed.

Troubled company and other asset-based investments require active monitoring and will, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, the Adviser may have a more active participation in the affairs of the issuer. In addition, involvement by the Adviser in a company's reorganization proceedings could result in the imposition of restrictions limiting an Advisory Client's ability to liquidate its position in the securities of the company.

Among the risks inherent in such investments is the difficulty of obtaining reliable information as to the true financial condition of their issuers. Distressed and certain stressed investments may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of distressed and stressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Municipal Market Risk. An Advisory Client may invest in municipal bonds and related securities. The municipal securities market is fragmented, with significant variations in economic conditions, credit quality, and supply-demand fundamentals. It may be difficult to hedge the credit risk of specific municipal bonds, because it is typically not possible to take a short position or purchase CDS protection with respect to a given bond. Public information in the municipal market is also less available than in other markets, increasing the difficulty of evaluating and valuing securities.

Currencies. An Advisory Client may invest in global currencies. Investments in currencies are subject to fluctuation of currency exchange rates. Exchange rates fluctuate for a number of reasons, including, but not limited to, inflation, trade imbalances, differences between domestic and foreign interest rates, budget deficits and differences between domestic and foreign savings rates, political factors and government controls on international flows of both goods and capital.

An Advisory Client may enter into spot and forward currency contracts or invest in currency futures contracts and options on currencies and on futures. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract can result in losses that increase in proportion to the total movement of the exchange rate from the rate specified in the contract.

Currency trading is subject to risks different from those of other securities transactions. Because exchange rate control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively

affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to an Advisory Client if it is unable to deliver or receive currency or funds in settlement of obligations. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally.

Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation. The ability to establish and close out options on currency futures is subject to the maintenance of a liquid market, which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

At or before the maturity of a forward currency contract, an Advisory Client may either make delivery of the currency or terminate its contractual obligation to deliver the currency by buying an "offsetting" contract obligating it to buy, on the same maturity date, the same amount of the currency.

If an Advisory Client engages in an offsetting transaction, it may later enter into a new forward currency contract to sell the currency. If an Advisory Client engages in an offsetting transaction, it will lock in a gain or loss to the extent that there has been movement in forward currency contract prices. If forward prices go down during the period between the date an Advisory Client enters into a forward currency contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Advisory Client will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to buy. If forward prices go up, the Advisory Client will suffer a loss to the extent the price of the currency it has agreed to buy exceeds the price of the currency it has agreed to sell.

Commodities. An Advisory Client may invest in financial contracts based on the price of various commodities. The values of commodity futures contracts and other commodity derivatives, both listed and over the counter generally are affected by, among other factors, the cost of producing, transporting and storing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. The Adviser has no control over the factors that affect the price of commodities. Accordingly, the value of an Advisory Client's investments could change substantially and in a rapid and unpredictable manner. Notwithstanding the foregoing, an Advisory Client will not take physical delivery of commodities.

Derivatives. An Advisory Client may invest in complex derivative instruments that seek to modify or emulate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets or specific risks thereof on a leveraged or unleveraged basis which can be equivalent to a long or short position in the underlying asset or risk. These investments are subject to risks that may result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand, and general

economic factors and activity. Derivatives may have very high and variable embedded leverage embedded which may substantially magnify market movements and result in losses substantially greater than the amount of the investment and which in some cases could represent a significant portion of an Advisory Client's assets.

Some of the markets in which an Advisory Client may affect derivative transactions are "over-the-counter" markets. These instruments if entered into bilaterally may entail counterparty credit risk or, if centrally cleared, may entail clearinghouse credit risk. This may expose an Advisory Client to the risk that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. This may expose an Advisory Client to the risk of loss of collateral or margin posted with the counterparty or of loss of unrealized profit if the counterparty defaults on its obligations under the bilateral contract for the derivative. An Advisory Client may not be restricted from dealing with any particular counterparty or from concentrating all its transactions with one counterparty.

Options. Options are a particular class of derivative instruments which an Advisory Client may either buy or sell. These instruments entail unique risks for an Advisory Client. An Advisory Client may purchase and sell ("write") listed and over-the-counter options on equity, currency, commodity, fixed income, and credit instruments in the domestic and international markets. The seller ("writer") of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The seller of a put option which is covered (e.g., the writer has a short position in the underlying security or currency) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying, plus the premium received, and gives up the opportunity for gain on the underlying below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying above the exercise price of the option. The writer of a call option which is covered (e.g., the writer holds the underlying) assumes the risk of a decline in the market price of the underlying less the premium received, and gives up the opportunity for gain on the underlying above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. Options may be cash settled or settled by physical delivery. Options may be exited by entering into a closing transaction or by exercising (a long position) or by being exercised against (a short position). Unlike other instruments, adverse price movements in the option, resulting in a loss to an Advisory Client on the option position, may arise not only from the price movement of the underlying, but also from the mere passage of time and changes in the volatility of the underlying.

An Advisory Client may also invest in "exotic" options. Such options have risk profiles that differ from other options and hence may pose additional risks to an Advisory Client. Certain exotic options may subject an Advisory Client to the risk of premature expiry of the option. Certain exotic options involving multiple underlying instruments may subject an Advisory Client to loss from correlation risk. Certain exotic options may expose an Advisory Client to additional risk from inability to accurately hedge exposure to either the underlying or other factors affecting the option performance. Certain exotic options are executed under bilateral contracts and cannot be centrally cleared. For such options an Advisory Client is exposed to losses associated with counterparty credit events. In addition, liquidity in such options may be limited, potentially increasing transaction costs and the costs to exit a through offsetting the position.

Futures. Listed futures markets are highly volatile. To the extent an Advisory Client engages in transactions in futures contracts and options on futures contracts, the profitability of the Advisory Client will depend on the ability of the Adviser to analyze correctly the futures markets, which are influenced by, among other things, changing supply and demand relationships, governmental policies, commercial and trade programs, changes production or storage costs, weather, world political and economic events, and changes in interest rates. Some futures contracts, despite being exchange listed, may be highly illiquid. Hence exiting these contracts may be difficult and costly. Futures clearing houses require the posting of a performance bond to satisfy daily marking to market of futures positions. The requirement of daily marking-to-market represents a funding liquidity risk for an Advisory Client. If an Advisory Client does not post required margin daily, its positions may be closed by the clearing house at a time or price unfavorable to the Advisory Client. The clearing house may change margin requirements with no notice and in some cases may require intra-day marking to market. These represent additional funding liquidity risks to an Advisory Client on its futures positions.

Swap Agreements. An Advisory Client may enter into swap agreements. Investments in swaps involve the exchange by an Advisory Client with another party of all or a portion of their respective interests or commitments. Depending on their structure, swap agreements may increase or decrease an Advisory Client's exposure to long-term or short-term interest rates, foreign currency values, corporate borrowing rates, payments by debtors, or other factors. Swap agreements can take many different forms and are known by a variety of names. Advisory Clients may not be limited in its use of any type of swap agreement. Advisory Clients may enter into a wide array of swaps which may be surrogates for other instruments such as currency forwards, forward volatility agreements, credit default swaps, interest rate options, and equity instruments.

Depending on how they are structured, swap agreements may increase or decrease the overall volatility of an Advisory Client's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, volatility, credit or other factors that determine the payment obligations of the parties to the swap. If a swap agreement calls for payments by an Advisory Client, the Advisory Client must be prepared to make such payments when due. In addition, for any swap that is not centrally cleared, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by an Advisory Client. Use of swaps subjects an Advisory Client to risk of default by the counterparty. If there is a default by the counterparty to such a transaction, an Advisory Client will have contractual remedies pursuant to the agreements related to the transaction.

Illiquid Investments. An Advisory Client may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and an Advisory Client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Notwithstanding the foregoing, an Advisory Client will not purchase securities of private companies.

Collateralized Obligations. An Advisory Client may trade securitized debt products and their derivatives, including tranches and options on those. There are a variety of different types of collateralized debt obligations ("CDOs") and collateralized loan obligations ("CLOs"), including CDO and CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO debt. CDOs are subject to credit, liquidity and interest rate risks, which are each discussed in greater detail herein. The CDO equity may be unrated or non-investment grade. As a holder of CDO equity, an Advisory Client will have limited remedies available upon the default of the CDO. An Advisory Client may be unable to find a sufficient number of attractive opportunities to meet its investment objective or fully invest its committed capital. For example, from time to time, the market for CDO transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. CDOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CDOs to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry.

The value of CDOs generally fluctuates with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO ("CDO Collateral"), general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of CDOs must rely solely on distributions on the CDO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO Collateral are insufficient to make payments on the CDOs, no other assets will be available for payment of the deficiency and following realization of the CDOs, the obligations of such issuer to pay such deficiency generally will be extinguished. CDO Collateral may consist of high-yield debt securities, loans, asset-backed securities and other securities, which often are rated below investment grade (or of equivalent credit quality). High-yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high-yield securities and below investment grade loans reflect a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative.

ABS and MBS. The investment characteristics of asset-backed securities ("ABS") and mortgage-backed securities ("MBS") differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

ABS and MBS Subordinated Securities. Investments in subordinated MBS and ABS involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of MBS and ABS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities, therefore, possess some of the attributes typically associated with equity investments.

Commercial MBS. Mortgage loans on commercial properties often are structured so that a

substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default.

Most commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third-party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related MBS. Revenues from the assets underlying such MBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

ABS. ABS are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Repurchase Agreements. An Advisory Client may enter repurchase agreements, whereby the Advisory Client sells securities to a broker-dealer and agrees to repurchase the securities at a mutually agreed date and price. Generally, the effect of such a transaction is that an Advisory

Client can recover and reinvest all or most of the cash invested in the portfolio securities involved during the term of the repurchase agreement and still be entitled to the returns associated with those portfolio securities. Such transactions are advantageous if the interest cost to an Advisory Client on the repurchase transaction is less than the return it obtains on investments purchased with the cash. Repurchase agreements involve leverage risk and the risk that the market value of the securities an Advisory Client is obliged to repurchase under the agreement may decline below the repurchase price. In the event a buyer of securities under a repurchase agreement files for bankruptcy or becomes insolvent, an Advisory Client's use of the proceeds of the agreement may be restricted pending determination by the other party, or its trustee or receiver, whether to enforce an Advisory Client's obligation to repurchase securities.

An Advisory Client may also enter into reverse repurchase agreements. Reverse repurchase agreements are generally collateralized principally by cash or treasury securities (together "collateral"). An Advisory Client takes possession of such collateral underlying reverse repurchase agreements, monitors the relative value to the amounts due under the agreements, including accrued interest, throughout the lives of the agreements, and when necessary, requires transfer of collateral in order to manage exposure and liquidity. Such securities may continue to be held by an Advisory Client or may be delivered to the counterparties of short sale transactions. To the extent the securities are worth less than the value of the collateral, an Advisory Client is exposed to the credit risk of the counterparty to the reverse repurchase agreements. If the counterparty defaults or enters an insolvency proceeding, return of the collateral to an Advisory Client may be delayed or limited.

Bank Loans, Assignments and Participations. Loans may become non-performing for a variety of reasons. Such nonperforming loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of the loan. In addition, because of the unique and customized nature of a loan agreement and the private syndication of a loan, certain loans may not be purchased or sold as easily as publicly traded securities, and, historically, the trading volume in the loan market has been small relative to other markets. Loans may encounter trading delays due to their unique and customized nature, and transfers may require the consent of an agent bank or borrower. Risks associated with bank loans include the fact that prepayments may occur at any time without premium or penalty and that the exercise of prepayment rights during periods of declining spreads could cause an Advisory Client to reinvest prepayment proceeds in lower-yielding investments.

An Advisory Client may acquire interests in loans either directly (by way of assignment ("Assignment")) or indirectly (by way of participation ("Participation")) or through the acquisition of synthetic securities, structured finance securities or interests in lease agreements that have the general characteristics of loans and are treated as loans for withholding tax purposes. The purchaser by an Assignment of a loan obligation typically succeeds to all the rights and obligations of the selling institution (the "Selling Institution") and becomes a holder of the debt obligation under the loan or credit agreement with respect to such debt obligation. In contrast, Participations acquired by an Advisory Client in a portion of a debt obligation held by a Selling Institution typically result in a contractual relationship only with such Selling Institution, not with the obligor. An Advisory Client would have the right to receive payments of principal, interest and any fees to which it is entitled under the Participation only from the Selling Institution and only upon receipt by the Selling Institution of such payments from the obligor. In purchasing a Participation, an Advisory Client generally will have no right to enforce compliance by the obligor

with the terms of the loan or credit agreement or either instrument evidencing such debt obligation, nor any rights of setoff against the obligor, and an Advisory Client may not directly benefit from the collateral supporting the debt obligation in which it has purchased the Participation. As a result, an Advisory Client would assume the credit risk of both the obligor and the Selling Institution. In the event of the insolvency of the Selling Institution, then an Advisory Client may be treated as a general creditor of the Selling Institution in respect of the Participation and may not benefit from any setoff between the Selling Institution and the obligor.

In addition, when an Advisory Client holds a Participation in a debt obligation, the Advisory Client may not have the right to vote to waive enforcement of any default by an obligor. Selling Institutions commonly reserve the right to administer the debt obligations sold by them as they see fit and to amend the documentation evidencing such debt obligations in all respects. However, most participation agreements with respect to bank loans provide that the Selling Institution may not vote in favor of any amendment, modification or waiver that forgives principal, interest or fees, reduces principal, interest or fees that are payable, postpones any payment of principal (whether a scheduled payment or a mandatory prepayment), interest or fees, or releases any material guarantee or security without the consent of the participant (at least to the extent the participant would be affected by any such amendment, modification or waiver). A Selling Institution voting in connection with a potential waiver of a default by an obligor may have interests different from those of an Advisory Client, and the Selling Institution might not consider the interests of an Advisory Client in connection with its vote. In addition, many participation agreements with respect to bank loans that provide voting rights to the participant further provide that, if the participant does not vote in favor of amendments, modifications or waivers, the Selling Institution may repurchase such Participation at par. An investment by an Advisory Client in a synthetic security or a structured finance security related to a loan involves many of the same considerations relevant to Participations.

Purchasers of loans are predominately commercial banks, investment funds and investment banks. As secondary market trading volumes increase, new loans frequently contain standardized documentation to facilitate loan trading that may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because holders of such loans are provided confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not purchased or sold as easily as publicly traded securities are purchased or sold. In addition, historically the trading volume in the loan market has been small relative to the market for high yield debt securities. Notwithstanding the foregoing, Advisory Clients will not engage in loan origination.

Money Market Funds. Advisory Clients may make investments or have indirect exposure to money market funds, including as a result of its excess cash being placed into prime brokerage or other accounts that periodically sweep such excess cash into money market funds. Money market funds have relatively low risks compared to most other financial instruments. By law, money market funds may only invest in certain high-quality, short-term investments issued by governments and corporations. While money market funds aim to keep their net asset value at a stable \$1.00 per share, net asset value may fall below \$1.00 per share if the investments of a money market fund perform poorly. Investor losses with respect to money market funds have been rare, but the risk of loss exists. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for

either bond or stock funds. Accordingly, there exists the risk with respect to money market funds that inflation will outpace and erode investment returns over time. In addition, certain non-US money market funds no longer have a net asset value pegged at a stable value per share but rather, fluctuate each day by the daily yield on the money market fund.

Exchange-Traded Funds. Exchange-traded funds (“ETFs”) are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying financial instruments they are designed to track. ETFs are also subject to certain additional risks, including the risk that their prices may not correlate perfectly with changes in the prices of the underlying financial instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange in which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF’s expenses, including management fees. Accordingly, in addition to bearing their proportionate share of an Advisory Client’s expenses (e.g., management fees and operating expenses), shareholders may also indirectly bear similar expenses of an ETF.

Risks Relating to Management and Operations.

Dependence on Key Individuals. The success of the Adviser’s Advisory Clients depends upon the ability of its founding partners to develop and implement investment strategies that achieve each Advisory Client’s investment objectives. If Advisory Clients were to lose the services of either three founding partners, the consequence to Advisory Clients could be material and adverse and could lead to the premature termination

Systems and Operational Risks. Advisory Clients depend on the Adviser to develop and implement appropriate systems for Advisory Client activities. Advisory Clients rely heavily and on a daily basis on financial, accounting and other data processing systems to execute, allocate, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor their portfolios and capital, and to generate risk management and other reports that are critical to oversight of Advisory Clients’ activities. In addition, Advisory Clients rely on information systems to store sensitive information about Advisory Clients, the Adviser, their affiliates and the Fund investors. Certain of an Advisory Client’s and the Adviser’s activities will be dependent upon systems operated by third parties, including prime brokers, the administrator, market counterparties and other service providers, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Adviser, prime brokers, the administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Adviser’s operations may cause Advisory Clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Adviser, Advisory Clients, and the investors in the PSC Funds.

Cybersecurity Risk. As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of Advisory Clients and personally identifiable information of the investors in the Funds. Similarly, service

providers of the Adviser or Advisory Clients, especially the administrator, may process, store and transmit such information. The Adviser has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Adviser may be susceptible to compromise, leading to a breach of the Adviser's network. The Adviser's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Adviser to Advisory Clients and investors in the PSC Funds may also be susceptible to compromise. Breach of the Adviser's information systems may cause information relating to the transactions of Advisory Clients and personally identifiable information of the investors in the PSC Funds to be lost or improperly accessed, used or disclosed.

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

The loss or improper access, use or disclosure of the Adviser's or Advisory Client's proprietary information may cause the Adviser or an Advisory Client to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Adviser, Advisory Client's and investors in the PSC Funds.

Liquidity Risks. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of an Advisory Client's portfolio positions may be reduced. During such times, Advisory Clients may be unable to dispose of certain assets, which would adversely affect the Advisory Client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force Advisory Clients to dispose of assets at reduced prices, thereby adversely affecting an Advisory Client's performance. If there are other market participants seeking to dispose of similar assets at the same time, Advisory Clients may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if Advisory Clients incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, an Advisory Client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing an Advisory Client's credit risk to them.

Limited Liquidity; Information Rights. An investment in a PSC Fund provides limited liquidity since the interests are not freely transferable and are subject to limitations on withdrawals as provided herein. There is no public market for the interests, and it is not expected that a public market will develop. Also, investors in a PSC Fund may request and receive additional information and reporting and, as a result, may be able to act on such additional information (i.e., may withdraw capital) that other investors do not receive or request.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may

negatively impact an Advisory Client, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over the counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Adviser, the relying adviser and the Advisory Clients, and increase the amount of time that the Adviser and/or the relying adviser spend on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Advisory Clients.

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

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

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

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

Reporting. Most swap transactions have become subject to anonymous "real time reporting" requirements, meaning that information relating to transactions entered into by the Advisory Clients will become visible to the market in ways that may impair each Advisory Client's ability to enter into additional transactions at comparable prices or could enable competitors to "front run" or replicate each Advisory Client's strategies.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared

through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012, affecting certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

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

Another risk is that the Advisory Clients may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the FCM and the clearing house of the Advisory Clients. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Advisory Clients to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Advisory Clients. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Advisory Clients to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Advisory Clients. In addition, clearinghouses may not allow the Advisory Clients to portfolio-margin its positions, which may increase the Advisory Clients' costs.

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

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

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

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

Margin Requirements for Non-Cleared Swaps. Rules issued by U.S., EU and other regulators globally (the "Margin Rules") impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Advisory Clients will be required to post to swap counterparties may increase by a material amount, and as a result the Advisory Clients may not be able to deploy capital as effectively. Additionally, to the extent the Advisory Clients are required to segregate initial margin with a third-party custodian, additional costs will be incurred by the Advisory Clients.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment. Investors are recommended to review the applicable Advisory Clients' governing documents for a more complete discussion of the risk factors associated with an investment.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the adviser or the integrity of the adviser's management. Neither PSC nor any of its officers, directors, partners, or employees have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Neither PSC nor any of its management persons are registered, or have an application to register, as a broker/dealer or a registered representative of a broker-dealer.

PSC is registered with the CFTC as both a commodity pool operator ("CPO") with respect to the PSC Funds and as a Commodity Trading Advisor ("CTA") and is a Member of the National Futures Association ("NFA"). In connection with the CFTC registration and NFA membership, certain firm personnel of PSC or its affiliates are listed and/or registered, as appropriate, with the NFA as principals and/or associated persons of PSC or its affiliates.

PSC does not recommend or select other investment advisers for its Advisory Clients or investors

in the Funds. PSC will regularly review any relationships in which PSC principals, partners and firm personnel have with investors in, and service providers to, the Funds to identify and address any potential conflicts of interest.

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

PSC has adopted a Code of Ethics (the "Code") that requires the Adviser and its personnel to put the interests of PSC's Advisory Clients before their own interests and to act honestly and fairly in all respects in their dealings with Advisory Clients. In addition to compliance with the Adviser's policies and procedures, all the Adviser's personnel are required to comply with applicable federal securities laws. Advisory Clients, investors, prospective Advisory Clients, or prospective investors may obtain a copy of the Code by contacting Toby Lingard PSC's Chief Compliance Officer by email at toby.lingard@portmansquarecapital.com or by telephone at +44 203 627 6800. See below for further provisions of the Code as they relate to the reporting of securities transactions and holdings by the Adviser's firm personnel.

PSC may become privy to material non-public information and be restricted from effecting transactions in investments that might otherwise have been initiated. PSC has designed and implemented policies in order to prevent the improper use of material non- public information (the "Market Abuse Policy"). PSC's Market Abuse Policy prohibits PSC and its personnel from (i) trading either personally or on behalf of Advisory Clients, or recommending trading, in securities of a company while in possession of material non-public information in violation of the law and (ii) communicating material non-public information to others in violation of the law. Additionally, PSC personnel are required to promptly inform the CCO if they receive material non-public information. The CCO will then take steps, as appropriate, to prevent dissemination of material non-public information and to restrict the trading in the security by PSC and its personnel. All PSC personnel are covered by the Market Abuse Policy and Personal Account Dealing Policy and must acknowledge at the time of hire and on an annual basis thereafter that he or she understands and agrees to adhere to both policies.

Subject to certain exceptions and given the broad investment mandates of its Advisory Clients, PSC generally does not allow its firm personnel or their immediate family or household members to conduct personal securities transactions in an effort to avoid conflicts of interest resulting from personal trading activities. The limited exceptions to PSC's trading restrictions generally fall into two categories. The first exception is for certain instruments, the purchase or sale of which is permitted without pre-approval; these instruments are: open-end mutual funds, money market instruments, obligations issued or guaranteed by the U.S. government, certain large broad market and commodity ETFs (subject to a holding period), and certain other instruments that are exempt from the definition of "Reportable Security" pursuant Rule 204A-1, the Code of Ethics Rule.

The second exception is for certain types of transactions that may be permitted, but only after pre-approval from the CCO. Example transactions include: the purchase of interests in private investment partnerships; purchase of equity securities in private companies (i.e., entities whose securities are not publicly-traded); ETFs and ETNs tracking broad market sectors or indices whose market capitalization exceeds a pre-approved threshold (subject to a holding period);

purchases and/or sales of securities in an existing portfolio for rebalancing purposes; and sales of securities held by firm personnel at the time he or she began employment at PSC. Upon approval from the CCO, PSC's personnel will have 24 hours to complete their approved transaction or must re-submit their pre-approval request. Once traded positions must be held for a minimum period of 30 days. Any exceptions to the policy will be granted on a case-by-case basis. The CCO will analyze any requests for approval to determine whether the investment is appropriate considering PSC's fiduciary duty to its Advisory Clients.

To supervise compliance with the Code, PSC requires all firm personnel to report their personal securities holdings and transaction activities to the CCO. Personal securities holdings information in accounts that firm personnel have direct, or indirect beneficial ownership must be disclosed upon hire and annually thereafter. Generally, firm personnel must arrange for duplicate account statements to be sent for all personal securities accounts that he or she has direct or indirect beneficial ownership. Firm personnel must separately report on a quarterly basis any transaction which does not appear on an account statement. The CCO monitors and reviews all firm personnel personal securities transactions to detect potential abuses and to ensure compliance with PSC's personal securities transactions policies and procedures.

The Adviser and its firm personnel may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes reporting of business entertainment in excess of a certain de minimis threshold, reporting of receipt of gifts with certain limited exceptions, and approval by the CCO prior to giving gifts or entertainment above a certain threshold.

The Adviser maintains policies and procedures to govern, monitor, and place limitations on the political contributions made by its firm personnel and affiliates in order comply with the Advisers Act and local laws and regulations.

Any outside business activity of firm personnel is subject to approval by PSC. For example, firm personnel may not serve on the board of directors of a public or private company without obtaining prior approval. In granting approval, PSC will consider whether any outside business activity conflicts or may conflict with the business of PSC or its Advisory Clients.

PSC's personal trading policy has been designed to reduce the potential for conflicts that may arise in connection with firm personnel personal trading activities. With limited exceptions as described above, firm personnel are not allowed to trade. However, PSC recognizes that certain situations may exist where firm personnel legacy investment holdings, such as equity securities, may overlap with the securities that are recommended to PSC's Advisory Clients. Personal transactions may differ from or be contrary to the investment activities of PSC Advisory Clients (e.g., firm personnel sell while a PSC Advisory Client is building a position in the same security). PSC seeks to mitigate this conflict by requiring all firm personnel to receive written approval prior to engaging in such personal trading activities. The CCO, in consultation with the CIO, is responsible for approving all firm personnel transaction requests and will compare such request against Advisory Client trading activities prior to granting approval. On an on-going basis, the CCO, in consultation with the CIO, will conduct periodic reviews of firm personnel trading activities and provide compliance training to ensure that firm personnel abide by PSC's personal trading policy and do not engage in any conflicting or prohibited transactions.

Given the restrictive nature of PSC's personal trading policies, as described in detail in the preceding sections, PSC believes that it has developed and implemented reasonably designed policies and procedures to avoid conflicts of interest and to ensure that PSC and its firm personnel act in a manner consistent with its fiduciary obligations.

Given the potential conflicts associated with firm personnel trading contemporaneously with PSC's Advisory Client trading activity, PSC has implemented a pre-clearance process to ensure that the limited firm personnel trading allowed by PSC does not conflict with Advisory Client investment activities.

PSC and/or its affiliates may, from time to time, offer one or more investors in a PSC Fund or investors in any other investment funds, client accounts and proprietary accounts sponsored or managed by the Adviser or its affiliates (each, an "Other Account") and/or other third-party investors the opportunity to co-invest with an Advisory Client in particular investments (including investments held by an Advisory Client where there is excess capacity). PSC and its affiliates are not obligated to arrange co-investment opportunities, no investor will be obligated to participate in such an opportunity, and the Adviser or its affiliates may offer co-investment opportunities only to certain of the persons referenced above in its sole discretion. The Adviser and its affiliates have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities instead to investors in Other Accounts or to third parties. If the Adviser or an affiliated determines that an investment opportunity is too large for an Advisory Client, the Adviser and its affiliates may, but will not be obligated to, make proprietary investments therein. The Adviser or its affiliates may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by an Advisory Client. Other terms and rights applicable to such co-investors (including without limitation, withdrawal rights, information rights and the terms related to the structure of any co-investment vehicle) may also differ from the terms and rights applicable to investors in a Fund as well as among co-investors.

Item 12 – Brokerage Practices

PSC maintains a list of approved counterparties with whom transactions are placed and has discretionary authority to determine what securities are bought or sold and the execution broker or dealer through which a trade is executed.. The PSC Funds have engaged certain financial institutions to serve as prime brokers (the "Prime Brokers"). The Prime Brokers may serve certain administrative functions including the issuance of broker account statements and recordkeeping on all custody transactions. Additionally, certain financial institutions will serve as FCM and International Swaps and Derivatives Association ("ISDA") counterparties. Please refer to Item 8 above for the risks associated with clearing through FCMs, swaps, derivatives, and associated counterparty risk.

PSC places trades for execution with broker-dealers on the basis of seeking best execution in accordance with its Best Execution Policy, which requires PSC to consider a number of relevant factors, including, but not limited to, price quotes; the size of the transaction; the difficulty of execution; the broker or dealer's expertise in the relevant market or sector; the extent to which the broker or dealer makes a market in the security or has access to such market; the broker or dealer's skill in positioning the relevant market; the broker or dealer's facilities, reliability, promptness and financial stability; the broker or dealer's reputation for diligence and integrity (including in correcting errors); confidentiality considerations; the quality and usefulness of

research products and services and investment ideas presented by the broker or dealer; and other factors deemed appropriate by the Adviser. PSC need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

PSC may use external research but does not enter “soft dollar” or commission sharing arrangements to procure investment research services. PSC may receive research from trading counterparties, broker-dealers and independent research providers. PSC may pay for such research out of Advisory Client assets provided such research budgets are determined and pre-agreed (or disclosed to) Advisory Clients in advance and budget summaries provided to Advisory Clients not less than annually.

PSC’s Best Execution Policy requires PSC’s Management Body and Risk Committee to regularly monitor the quality of service and execution by broker counterparties and to conduct an annual review.

PSC does not recommend, request or require that an Advisory Client direct PSC to execute transactions through a specified broker-dealer, although it may execute a transaction or series of transactions with a particular broker-dealer if explicitly instructed to do so by an Advisory Client.

Aggregation and Allocation of Transactions

If PSC determines that the purchase or sale of a security is appropriate with regard to multiple Advisory Clients, PSC may purchase or sell such security on behalf of such Advisory Clients with an aggregated order. PSC may take such action to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among each Advisory Client differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among each Advisory Client in proportion to the purchase and sale orders placed for each Advisory Client on any given day. In general, in the event that PSC is unable to purchase the entire allotment required to satisfy any such orders, PSC will allocate such securities as partial fills among the purchasing accounts in proportion to the relative sizes of initial orders. Differences in allocation proportions may occur due to tax considerations, avoidance of odd lots or de minimis numbers of shares, and investment strategies of the Advisory Clients.

PSC maintains an investment Aggregation and Allocation Policy for the allocation of securities purchased for more than one Advisory Client. PSC seeks to allocate investment opportunities fairly and equitably among Advisory Clients managed. Allocations of investment opportunities are not necessarily made on a pro rata basis as PSC’s current Advisory Clients may pursue distinct investment strategies or bespoke investment opportunities. Allocations of investment opportunities among Advisory Clients are based on a variety of considerations, including: 1) different or conflicting investment objectives and strategies; 2) the life cycle of various portfolios; 3) risk parameters (including, without limitation, the use of leverage); 4) cash and liquidity availability (e.g. allocation size may vary depending on an Advisory Client’s cash availability, the other liquidity obligations of the Advisory Client or commitments made to other investments); 5) transaction sourcing; 6) investment time frames; 7) legal, tax, and regulatory considerations; 8) timing and size of client/investor capital contributions and/or withdrawals or redemptions; and 9) other criteria deemed relevant by PSC, in its sole discretion.

Trade Errors

In trading on behalf of Advisory Clients, PSC aims to ensure that orders are placed and executed accurately. PSC will seek to detect trade errors prior to settlement and promptly correct and mitigate any potential losses arising from trade errors. A trade error is generally considered to include (i) the placement of orders (either purchases or sales) in excess of the amount of securities the Advisory Clients intended to trade; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; and (v) the purchase or sale of a security for the wrong account and the discovery of this post-settlement.

Notwithstanding the foregoing, delays in executions of orders that are attributable to PSC and errors that do not result in transactions (such as erroneous trade instructions that are withdrawn or corrected prior to execution and erroneous cancellations of actionable orders generated by PSC's trading systems, shall not constitute trade errors. Additionally, trade errors shall not include an error with respect to the allocation of a particular investment in accordance with the Adviser's Aggregation and Allocation Policy. PSC attempts to minimize trade errors by promptly reconciling confirmations with trade tickets, and by reviewing past trade errors to understand the internal control breakdown that caused the errors.

If PSC makes an error while placing a trade for an Advisory Client, PSC will seek to correct the error promptly in a way that mitigates any losses. The cost of errors will generally be borne in accordance with the governing documents for the Advisory Clients' account unless an error is the result of bad faith, gross negligence, or willful misconduct by PSC. As a result of these provisions, the Advisory Clients, not PSC, will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors, absent bad faith, gross negligence, or willful misconduct by PSC, in which case PSC will reimburse the Advisory Clients for any losses resulting from such covered trade errors. In addition, PSC may determine in its own discretion, to reimburse an Advisory Client even where it is not required to do so. Should an error be made with respect to the allocation of a particular investment quantity PSC seeks to correct such error, whenever practicable, in consultation with the CCO, to put each Advisory Client involved in such allocation error in the same place as it would be if such error had not occurred.

Cross Trades

Cross trades occur when PSC causes the purchase and sale of a position between two or more Advisory Client accounts and PSC (and/or its personnel) do not own more than 25% of any participating Advisory Client account. PSC generally does not enter into cross trades on behalf of Advisory Client accounts. In limited circumstances, however, PSC may find it necessary or appropriate to enter into a cross trade on behalf of Advisory Client accounts. For example, PSC may utilize a cross trade to correct an allocation error (pre-settlement or otherwise) in accordance with its allocation error procedures. Additionally, PSC may determine that it is more cost effective and in the best interests of the particular Advisory Clients to cross trade between Advisory Client accounts in order to decrease one Advisory Client's exposure to a certain security and increase another Advisory Client's exposure to the same security. Such decisions may be motivated by a number of reasons.

PSC will use an unaffiliated OTC counterparty, prime broker, custodian or FCM to cross investments and/or cash between Advisory Client accounts when such a transaction is

advantageous for each participant. PSC will follow specific procedures when effecting cross trades with any Advisory Client account. Cross trades are pre-approved, documented and supervised by the CCO in consultation with outside counsel and/or other PSC personnel, committees and governing bodies when deemed appropriate by the CCO.

To the extent that any such cross transactions may be viewed as a principal transaction due to the ownership interest in an Advisory Client by personnel or entities affiliated with PSC, PSC will comply with the requirements of Section 206(3) of the Advisers Act. With respect to any such transaction, prior to its completion, PSC must disclose to the Advisory Client in writing the capacity in which PSC is acting (and any other requisite disclosures pursuant to Section 206(3) of the Advisers Act) and obtain the Advisory Client's consent to the transaction. In certain cases, such disclosure may be made to, and consent to the transaction may be obtained from, a board of directors, board of managers or advisory committee of the Advisory Client.

Item 13 – Review of Accounts

PSC continuously monitors and reviews positions held by Advisory Clients to determine whether securities positions should be maintained in light of relevant market conditions. Additionally, Advisory Client accounts will be reviewed in the context of their stated investment objectives. Matters reviewed include specific securities held, adherence to investment guidelines and the overall performance of each Advisory Client account.

Investors in the PSC Funds receive monthly performance reports from the Adviser in accordance with the offering documents.

Item 14 – Client Referrals and Other Compensation

PSC does not have any arrangements in place to compensate anyone or be compensated for the referral of Advisory Clients. However, PSC may enter into arrangements with placement agents to solicit investors in the PSC Funds and such arrangements may provide for the compensation of such placement agents for their services at PSC's expense. All prospective investors in the PSC Funds receive full disclosure on the possibility of remuneration of placement agents in the offering documents.

With respect to the selection criteria for broker-dealers identified above in Item 12, PSC may have access to certain services that may influence PSC's decision to engage certain of the PSC Funds Prime Brokers. Specifically, the Prime Brokers may provide PSC with access to their respective capital introduction services. While this may present a conflict and may be considered indirect payment for referrals, PSC's decision to engage its Prime Brokers will primarily be based on its ability to service the PSC Funds as a prime broker and custodian (including competitive pricing and financing rates) and will largely disregard access to potential capital introduction services.

Item 15 – Custody

PSC does not have direct custody of any cash or securities of any Advisory Clients. All cash and securities are held by unaffiliated custodians appointed by each Advisory Client (with supervision and approval by PSC).

To comply with SEC custody rules, the PSC Funds engage an independent accountant to perform annual audits of the PSC Funds and to distribute the audited financial statements to fund investors

within 120 days of the PSC Funds' fiscal year end (31 December).

Item 16 – Investment Discretion

PSC has full discretionary authority to determine which securities and the amounts of securities that are bought or sold, as well as the broker-dealer to be used and the commission rates to be paid with respect to its Advisory Clients. Advisory Clients (or PSC Fund investors) will not have the ability to place any limits on PSC's authority beyond the limitations set forth in the Advisory Client governing documents.

Item 17 – Voting Client Securities

PSC has been delegated proxy voting authority by its Advisory Clients. PSC has a Proxy Voting Policy that ensures any proxies to be voted will be voted with diligence and care, addressing any actual or potential conflicts of interest that arise in the voting process, in accordance with Rule 206(4)-6 of the Advisers Act and PSC's fiduciary duty to its Advisory Clients. PSC's general policy is to not vote a proxy if a voting proposal is not adverse to the best interests of the Advisory Client or, if adverse, the outcome of the vote is not in doubt.

Advisory Clients may obtain a copy of the PSC's Proxy Voting Policy by contacting PSC's CCO, Toby Lingard (toby.lingard@portmansquarecapital.com).

In addition, if "Class Action" documents are received by the Adviser on behalf of the Advisory Clients, the Adviser will in its discretion ensure that the Advisory Clients either participate in, or opt out of, any class action settlements received. The Adviser will determine if it is in the best interest of each Advisory Client to participate in the class action to recover any monies.

Item 18 – Financial Information

SEC Registered Investment Advisers are required to provide certain financial information or disclosures about their financial condition. PSC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceeding.