

# Delphia (USA) Inc.

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## **Form ADV Part 2A- Firm Brochure**

**March 31, 2022**

This non-wrap fee program brochure (the “**Brochure**”) provides information about the qualifications and business practices of Delphia (USA) Inc. (the “**Investment Adviser**”). If you have any questions about the contents of the Brochure, please contact us via email at [support@delphia.com](mailto:support@delphia.com). The information in the Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

The Investment Adviser is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that you may use to determine whether to hire, invest with or retain them.

Additional information about the Investment Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for the Investment Adviser is #305091. The SEC’s website also provides information about any persons affiliated with the Investment Adviser who are registered, or are required to be registered, as investment adviser representatives of the Investment Adviser.

## **Item 2 – Material Changes**

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This document is the Part 2A of Form ADV: Firm Brochure (the “**Brochure**”) for the Investment Adviser. Pursuant to the SEC’s requirements and rules, you will receive a summary of any material changes to this Brochure within one hundred twenty days of the close of the Investment Adviser’s fiscal year.

Since the Brochure, November 30, 2021, this Brochure has been updated to update all other information with a currency date of March 31, 2022.

The Brochure may be requested at any time, without charge, by contacting the Investment Adviser at [support@delphia.com](mailto:support@delphia.com) or by checking our website at <https://delphia.com>.

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## Item 4 – Advisory Business

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### A. Description of the Investment Adviser and Identification of Principal Owners.

The Investment Adviser was founded on January 8, 2018. Additional information about the Investment Adviser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using the Investment Adviser’s CRD number, #305091. The SEC’s website also provides information about any persons affiliated with the Investment Adviser who are registered, or are required to be registered, as investment adviser representatives of the Investment Adviser.

The Investment Adviser is a privately held company that is a wholly owned subsidiary of Delphia Holdings Corp. (“DHC”). Headquartered in Toronto, Ontario, Canada, the Investment Adviser is registered with the Securities Exchange Commission as an investment adviser. Information about the Investment Adviser’s organizational and ownership structure is provided on Part 1 of the Investment Adviser’s Form ADV, which is available online at <http://www.adviserinfo.sec.gov>.

### B. Description of Advisory Services.

The Investment Adviser has two distinct lines of business: Institutional Asset Management services and Retail Wrap Fee services.

#### Retail Wrap Fee Services:

Please refer to the Wrap Fee Brochure (described below) for details on the Investment Adviser’s Retail Wrap Fee services.

#### Institutional Asset Management Services:

Please refer to this document for a description of the Investment Adviser’s Institutional Asset Management services.

The Investment Adviser’s institutional asset management business currently runs two strategies: a long / short strategy and a long-biased strategy. The Investment Adviser implements its strategies through the following investment vehicles and portfolios.

Private Pooled Investment Vehicles. The Investment Adviser serves as the investment manager with discretionary trading authority to United States and Cayman-domiciled private pooled investment vehicles, the securities of which are offered to Fund Investors (as defined below) on a private placement basis (each, a “**Fund**” and collectively, the “**Funds**”). The Funds advised by the Investment Adviser currently include:

- i. Delphia US Fund LP (the “**US Feeder Fund**”), a private investment fund organized as a Delaware Limited Partnership,
- ii. Delphia Cayman Master Fund LP (the “**Long Short Fund**”), a private investment fund organized as a Cayman Limited Partnership; and
- iii. Delphia US Long Biased Cayman Master Fund LP (the “**USLB Fund**”), a private investment fund organized as a Cayman Limited Partnership.

Other feeder funds that are not advised by the Investment Adviser also invest in the USLB Fund and the Long Short Fund. The US Feeder Fund will only be sold to investors who are “accredited investors” or “qualified purchaser” (each a “**Fund Investor**”).

Separately Managed Accounts. The Investment Adviser anticipates that it will provide investment advisory services to separate managed account clients (“**SMA**s” and together with the Funds, “**Clients**”).

A number of investment professionals employed by the Investment Adviser or its affiliates assist with the execution of the investment strategies. Investment decisions for each Fund are guided and controlled by the stated investment objectives set forth in its offering documents and/or advisory agreements.

The principal objective for the Clients is to generate attractive, risk-adjusted returns through the deployment of Delphia Asset Management Inc.’s (“**Delphia AM**”) suite of artificial intelligence (“**AI**”) tools that corroborate and calibrate publicly available data that impacts companies, brands, and sectors across the globe. The Investment Adviser utilizes these AI tools in its services to Clients and believes the AI tools will better inform its investment advisory services.

The Investment Adviser seeks to generate attractive, risk-adjusted returns using a machine learning (“**ML**”) framework that corroborates and calibrates a plethora of publicly and commercially available data impacting markets, companies, brands, and sectors across the globe. The Investment Adviser employs a linear factor model with risk, industry and alpha terms that is commonly used by quantitative investors and then engineers proprietary alpha factors using a computationally intensive machine learning pipeline that ingests large volumes and varieties of data, resulting in these factors loading heavily on metrics of future growth and efficiency. The Investment Adviser will also build models of market expectations of growth and efficiency aligned with the alpha factors such that the Investment Adviser understands what is priced into the markets. Using information from the machine learning pipeline and the models of market expectations, the Investment Adviser seeks to be able to predict “surprise” exposures, and to be rewarded through the convergence of market expectations.

In the future, the Investment Adviser expects that its advice will be augmented by the insights it can make when individuals (the “**Members**”) contribute data (a “**Member Contribution**”) by connecting their social media, banking, and other accounts (the “**Source Accounts**”) to its affiliate, Delphia Technologies Inc. (“**Delphia Tech**”), through Delphia Tech’s data collection platform (“**Platform**”). Member Contributions will be made when a Member connects a Source Account to the Platform. This proprietary data will provide the Investment Adviser with a source of unique factors that the Investment Adviser will use to predict public opinion and consumer behavior. Currently, Delphia Tech does not collect Member Contributions and the Investment Adviser does not use Member Contributions to power its advice.

To the extent an individual or institution that qualifies as a Fund Investor retains the Investment Adviser to provide investment advisory services for an SMA, the Fund Investor may impose specific investment restrictions on the SMA with respect to investing in securities or certain types of securities.

Please see Item 8 for further information about the Investment Adviser’s investment strategies.

Additional information about the Investment Adviser's products and services is provided in the Investment Adviser's Form ADV Part 1, available at <http://www.adviserinfo.sec.gov>.

### **C. Tailored Advisory Services.**

The Investment Adviser tailors its advisory services as described in the investment program of the relevant Client's private placement memorandum or as set forth in such Client's organizational documents (e.g., a Client's limited partnership agreement) and/or as set forth in the investment management agreement with such Client.

### **D. Difference Between the Management of Funds, SMAs and Wrap Fee Program**

The Funds are managed by the Investment Adviser in accordance with each Fund's investment objective as disclosed in that Fund's private placement memorandum. Each SMA is managed in accordance with the investment policy statement negotiated by the account holder and the Investment Adviser. The Investment Adviser receives a portion of the fees charged to each Fund and SMA in accordance with the applicable fee schedule.

Further, the Investment Adviser also offers separate advisory services to primarily retail investors (the "**Wrap Fee Account Clients**") and has previously prepared and filed a wrap fee brochure ("**Wrap Fee Brochure**") which describes this service. As of the date of this document, Wrap Fee Account Clients do not pay the Investment Adviser any management fees on their investment accounts. For additional details, please see the Investment Adviser's Wrap Fee Brochure.

### **E. Discretionary Client Assets Managed**

As of December 31, 2021, the Investment Adviser and Corton Capital Inc., a non-affiliated Canadian investment adviser whose managed accounts utilize the same suite of AI tools from Delphia AM and the same investment strategy as the Master Fund, have \$180.6 million in client (net) assets under management on a discretionary basis. As of October 31, 2021, Delphia (USA) Inc. manages \$68.4 million of such \$180.6 million aggregate discretionary client (net) assets under management.

## **Item 5 - Fees and Compensation**

Fees are negotiable, and individual arrangements are based on Client specific factors, including, but not limited to, assets under management and the risk/return parameters of the investment. The Investment Adviser offers fee arrangements which vary by strategy and may involve management fees (generally a percentage of assets), annual performance based allocations (generally a percentage of profits), which is payable to an affiliate of the Investment Adviser, or some combination of the two. The details of the fees are calculated and payable in accordance with its applicable private placement memorandum or, in respect of an SMA, the account holder's investment management agreement. The basic fee schedule includes an annual fixed or tiered fee schedule of up to 2% of the applicable investor's net asset value and/or a annual performance based allocation of up to 50% of net profits. The management fee is prorated for any subscription by an Investor that is effective other than as of the first day of a month or quarter, as applicable. The

management fee is refunded on a pro rata basis for any redemption by an Investor that is effective other than as of the last day of a month or quarter, as applicable. The Investment Adviser, in its sole discretion, may waive, reduce or calculate the management fee or performance compensation differently with respect to certain investors, as described further below in this section. Additional operating expenses apply. Investors in certain Funds may be subject to initial “lock-up” periods and gates with respect to redemptions and incur redemption fees, in accordance with the provisions of the applicable fund documentation.

The Investment Adviser’s compensation for its investment advisory services to an SMA is negotiable and is generally based on the market value (or notional value, when applicable) of an SMA at specified month/quarter ends. SMA accountholders will either be billed by the Investment Adviser for fees incurred, or fees will be deducted from the SMA directly.

In addition to the fees referred to above, Funds and SMAs also incur custody, brokerage and other transaction fees.

A Fund or Client may bear some or all of the following organizational and operating costs and expenses, without limitation: all costs and expenses incurred in connection with the Fund’s formation and the offering and sale of the Fund’s interests, including, but not limited to, legal and accounting fees and expenses, registration fees, filing fees and all costs and expenses incurred in connection with the preparation of offering and organizational documents, marketing and similar materials, and drafting and negotiating contracts with service providers at or prior to the formation of the Fund and prior to the initial closing of the Fund. More details are described in the Investment Adviser’s expense-related policies and procedures and/or the offering documents, organizational documents, investment management agreement of a particular Fund or Client.

Each Fund will also bear its pro rata share of operating expenses, which include, without limitation:

- (a) organizational and offering expenses;
- (b) expenses associated with all investments and transactions considered, evaluated and/or consummated, including, without limitation, those expenses incurred before the initial closing of the Funds, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including, without limitation, data and research onboarding, ingestion, aggregation and analysis and third-party research, data, analytics, modeling, risk, structuring, pricing, execution and other third-party information systems;
- (c) the costs of research-related computer hardware and software expenses;
- (d) the costs of the Investment Manager’s portfolio management system and any other software used for accounting and/or monitoring of the portfolio, including, without limitation, subscriptions relating to, among other things, trading and order management systems and services;
- (e) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments of the Funds and all transaction and other costs associated therewith;
- (f) travel and related expenses associated with investments and potential investments;

- (g) professional fees associated with investments and potential investments, including, without limitation, consulting, due diligence, accounting/financial, valuation, financial, legal and other advisory fees and expenses;
- (h) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments;
- (i) expenses associated with legal and regulatory filings of the Funds;
- (j) registered office, administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with the Funds' operations, investments and transactions, including, without limitation, including, without limitation, preparation of financial statements, tax returns and the fees and expenses of the auditor and fees and expenses of the Fund administrator and fees of any service provider engaged to verify the work of the Fund administrator or regulatory matters;
- (k) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization with respect to the Funds;
- (l) broken-deal, failed transaction, break-up and similar fees, costs and expenses (if any);
- (m) costs and expenses of leverage or any other borrowings of the Funds;
- (n) expenses incurred in the collection of monies owed to the Funds, as applicable;
- (o) auditing and accounting expenses of the Funds;
- (p) any entity-level taxes, fees or other governmental charges on the Funds, including, without limitation, any withholding taxes not due to the status or noncompliance of a particular investor;
- (q) costs and expenses associated with investor communications, Fund securityholder meetings, and reports and the delivery thereof to investors;
- (r) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions;
- (s) costs and expenses associated with meetings of the investors;
- (t) insurance expenses, including, without limitation, general partner liability insurance and other policies, if any, as well as Funds' share of expenses with respect to directors' and officers' liability insurance and errors and omissions insurance;
- (u) costs and expenses (including, without limitation, entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Funds;
- (v) wind-up, liquidation, termination dissolution expenses, and other similar expenses;
- (w) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including, without limitation, blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment-related filing expenses;



- (x) costs related to any transfers of Fund interests, unless otherwise charged to or borne by the applicable transferor and/or transferee;
- (y) expenses, including and not limited to, legal expenses, incurred in connection with the preparation of any amendment to the Funds' partnership agreements, the private placement memorandum, and/or applicable Fund materials, as well as the preparation or amendment of any side letter;
- (z) expenses, including and not limited to, legal expenses, incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by the Funds; and (aa) any extraordinary expenses (including, without limitation, all litigation-related and indemnification and contribution expenses, including, without limitation, the amount of any judgment or settlement paid in connection therewith).

Whenever possible, vendor and professional service provider expense invoices are issued, specifically, to the applicable Fund. If a vendor or professional service provider expense invoice is issued to more than one Fund or to the Investment Adviser or its affiliates, expenses shall be allocated pro-rata based on the assets under management. Investment-related expenses among a Fund, one or more other Funds or SMAs, shall be allocated among such Funds and SMAs pro rata based on investment participation.

For billing purposes, the market value of the Funds will be determined using an independent third-party service provider. Unless the Investment Adviser and SMA account holder agree on an alternative source, the Investment Adviser will determine the market value of the SMA for billing purposes as in accordance with our valuation policy, as in effect from time to time.

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

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

The Investment Adviser and its affiliates may from time to time enter into Side Letters with investors in Funds ("**Subscribers**") to waive or modify the standard terms of such Fund in respect of a particular Subscriber. Certain Subscribers are not charged any management fees, are not charged any annual performance based allocations, are charged fees in arrears rather than in advance or have a differing fee structure because of their overall relationship with the Investment Adviser or its affiliates or their investment approach. In particular, certain Subscribers in a Fund that are employees, business associates and other "friends and family" of the Investment Adviser, its affiliates or their personnel will typically not pay management fees or other annual performance based allocations in connection with their investment in a Fund or may pay a reduced rate. Consequently, fees charged to certain Subscribers and annual performance based allocations may deviate from the standard fees disclosed in a Fund's offering documents.

For its Funds, the Investment Adviser has the absolute discretion, subject to its fiduciary duty, to agree with Subscribers, particularly with respect to those Subscribers who are large or strategic investors, to waive or modify the application of any provision of a Fund agreement (including, but

not limited to, those relating to liquidity, investment capacity, fees, and transparency). Moreover, with respect to such Subscribers, the Investment Adviser remains subject to its fiduciary obligations, its duties under the Investment Advisers Act of 1940 (“**Advisers Act**”) and any terms negotiated through Side Letters. In some instances, Side Letters grant such Subscribers materially favorable terms relating to, among other things, liquidity, investment capacity, economic rights, fees, information and reporting rights, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, veto rights, transfer rights and transparency. In addition, the Investment Adviser reserves the right to waive or rebate all or a portion of its management fees and/or annual performance based allocations with respect to a Subscriber. Prospective Subscribers and existing Subscribers should consider these possible conflicts of interest in making their decision to invest or remain invested in a Fund, as certain Side Letters can result in favoring some Subscribers over others and affect a Subscriber’s expectations as to future return and risk.

The Investment Adviser has agreed to provide certain Subscribers enhanced disclosure with respect to specific security positions, risk information and/or portfolio characteristics of Funds. Accordingly, not all Subscribers will have the same degree of access to the type and/or frequency of individual position listings in connection with Funds in which they invest.

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

The Investment Adviser may enter into special fee arrangements with Fund Investors or SMA accountholders. The Investment Adviser (or its affiliate) has entered into performance-based allocation arrangements with the Funds and may, from time to time, enter into performance-based allocation arrangements with the SMAs, in accordance with the conditions and requirements of Rule 205-3 under the Advisers Act.

The capital entitlement given to an affiliate of the Investment Adviser creates an incentive for the Investment Adviser to engage in more speculative investment strategies in an effort to maximize a Client’s gross profits and receive greater compensation. Such capital entitlement arrangements also create an incentive to favor higher paying accounts over other accounts in the allocation of investment opportunities. The Investment Adviser has implemented a policy described below under Item 12, to ensure that trade opportunities are allocated fairly on an average price basis to the Funds, the SMAs, and Wrap Fee Brochure clients regardless of the fee earned.

## **Item 7 – Types of Clients**

The Investment Adviser provides investment advice to the Funds and SMAs. The Adviser also provides advice to clients as specified in its Wrap Fee Brochure. Only individuals, trusts, foundations, pensions and other forms of charitable or business associations that are “accredited investors” or “qualified purchaser” may invest in the Funds or open up an SMA with the Investment Adviser.

Generally, the minimum initial investment in the Funds is \$250,000. Generally, the minimum initial investment in the SMA is \$50,000,000. However, the Investment Adviser, in its sole discretion, may accept smaller initial investments for either the Funds or the SMA from time to

time.

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

### *The Funds and SMAs (the “Client Mandates”)*

Investment decisions for each Fund are guided and controlled by the stated investment objectives set forth in its offering documents and advisory agreements. Similarly, the Investment Adviser’s investment decisions and advice with respect to each SMA are subject to each SMA’s investment objectives and guidelines, as set forth in the SMA’s investment management agreement, as well as any written instructions provided by the SMA to the Investment Adviser.

The Investment Adviser’s principal objective for its Clients is to generate attractive, risk-adjusted returns using a machine learning framework that effectively corroborates and calibrates a plethora of publicly and commercially available data impacting markets, companies, brands and sectors across the globe, as described above.

### *Risk of Loss*

Investing in securities involves risk of loss that clients should be prepared to bear. An investment in a Client Mandate involves substantial risks, including, without limitation, those described below. There can be no assurance that a Client Mandate’s investment objective will be achieved or that there will be any return of capital, and investment results may vary substantially on a monthly, quarterly or annual basis.

The Funds and SMAs are a potentially suitable investment only for sophisticated investors for whom an investment in a Fund or an SMA does not represent a complete investment program and who, in consultation with their own investment and tax advisors, fully understand and are capable of assuming the risks of an investment in either. No list of risk factors can be expected to be full and complete. Each prospective Client should discuss any proposed initial or additional investment in a strategy with such person’s investment, tax, accounting, legal and other advisers prior to making an investment. The following summary of certain material risk factors has been prepared solely to help guide those discussions and to assist each prospective Client in determining what questions, if any, he, she or it may wish to address to the Investment Adviser in connection with an investment decision.

*General Investment and Trading Risks.* All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If the Investment Adviser’s evaluation of an investment opportunity should prove incorrect, a Fund or SMA could experience losses as a result of a decline in the market value of securities in which the Fund or SMA holds a long position or an increase in the value of securities in which the Fund or SMA holds a short position. These investment programs, as executed through the Funds and SMAs, may include short sales, which can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a Client Mandate may be subject. The risk management techniques that may be used by the Investment Adviser do not provide any assurance that a Client Mandate will not be exposed to a risk of significant investment losses. No guarantee or representation is made that a Client Mandate’s investment program will be successful, that a Client Mandate will achieve

its targeted returns or that there will be any return of capital to Fund Investors. In addition, investment results may vary substantially over time.

*Investment Judgment.* The profitability of a portion of a Client Mandate's investment program depends to a great extent upon correctly assessing the future price movements of securities and other investments. There can be no assurance that the Investment Adviser will be able to accurately predict the long-term results of any security or other investment.

*General Economic Conditions.* The success of a Client Mandate's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to the taxation of a Client Mandate's investments), tax considerations and tax treatment, trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors may affect the level and volatility of the prices and liquidity of a Client Mandate's investments and could impair a Client Mandate's profitability or result in losses. The Investment Adviser may consider some or all of these factors when making trading decisions. A Client Mandate could incur material losses even if the Investment Adviser reacts quickly to difficult market conditions, and there can be no assurance that a Client Mandate will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Fund Investors should realize that markets for the financial instruments in which the Funds and SMAs will seek to invest can correlate strongly with each other at times or in ways that are difficult for the Investment Adviser to predict. Even a well-analyzed approach may not protect a Client Mandate from significant losses under certain market conditions.

*Availability of Suitable Investments.* The success of a Client Mandate's investment and trading activities depends on the ability of the Investment Adviser to identify overvalued and undervalued investment opportunities and to manage market risk. Identification and exploitation of the investment strategies to be pursued by a Client Mandate involve a high degree of uncertainty. No assurance can be given that the Investment Adviser will be able to identify suitable investment opportunities in which to deploy all of a Client Mandate's capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments for the Funds and SMAs. Certain of the investment strategies employed by a Client Mandate may be based on historical relationships among securities prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue. **No representation is made by the Investment Adviser as to what results a Client Mandate will or is likely to achieve based on these trends and relationships.**

*Available Information.* The Investment Adviser may select investments, in part, on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to the Investment Adviser by such issuers, or through sources other than the issuers. Although the Investment Adviser evaluates all such information and data and seeks independent corroboration when the Investment Adviser considers it appropriate and when it is reasonably available, the Investment Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

*Concentration of Investments; Limited Diversification and Sector Investing.* The Funds and SMAs may hold a relatively limited number of positions (both long and short) at any given time, and the

Funds and SMAs may hold relatively large positions in a relatively limited number of securities. To the extent there is a lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of a Client Mandate's rate of return. Likewise, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on the performance of a Client Mandate.

*Equity Securities.* The Funds and SMAs may invest in equity and equity-related securities. A risk of investing in a Client Mandate is that equity securities held by a Client Mandate may decline in value. 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, industry market conditions, interest rates and general economic environments. In addition, equity securities that the Investment Adviser believes are undervalued or incorrectly valued may not ultimately be valued by the markets in the manner that the Investment Adviser anticipates.

*Hedging.* A Client Mandate may engage in certain hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses to a Client Mandate. The success of a Client Mandate's hedging strategy will be subject to the Investment 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 portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Client Mandate's hedging strategy will also be subject to the Investment Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance for a Client Mandate than if no such hedging transactions were executed. Moreover, the Investment Adviser may determine not to hedge against, or may not anticipate, certain risks. Finally, a Client Mandate may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

*Derivatives.* A Client Mandate may invest in derivative financial instruments. In addition, a Client Mandate may, from time to time, utilize both exchange-traded and over-the-counter derivatives, including swaps, futures, options and contracts for differences, either to express an investment view or for hedging purposes. Regulatory restraints may restrict the instruments that a Client Mandate may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

*Currency Hedging.* A Client Mandate may be exposed to foreign exchange risk, for example, by way of receipt or payment of a dividend in a foreign currency, and may seek to mitigate this risk through the use of a variety of strategies and products, including, but not limited to, spot trades,

Forex forwards, currency futures and currency swaps. There is no guarantee that any of these currency hedging strategies will reduce or prevent losses to a Client Mandate.

*Leverage.* A Client Mandate may employ leverage in connection with its investment strategies and/or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as the Investment Adviser may determine in its sole and absolute discretion. Such leverage may take a variety of forms, including, but not limited to, margin borrowing from securities brokers and dealers, loans, repurchase agreements, derivative instruments that are inherently leveraged and other financing arrangements, as determined by the Investment Adviser in its sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage employed by a Client Mandate may be secured by the securities holdings and other assets of the Fund or SMA, as applicable. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if the applicable Client Mandate is unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. Liquidation in that manner could have extremely adverse consequences. Additionally, leverage typically will cause a Client Mandate to increase or decrease at a greater rate than if leverage were not used. In addition, the amount of a Client Mandate's borrowing and the interest rates on that borrowing, both of which will fluctuate, may have an effect on a Client Mandate's profitability. In addition, the use of leverage may cause a U.S. tax-exempt investor to realize "unrelated business taxable income" ("UBTI").

*Short Sales.* Short selling involves borrowing, including from securities brokers or other institutions, and selling securities that are not owned, with an obligation to replace the borrowed securities at a later date, the cost of which may be significant. Short selling allows the investor to profit from a decline in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, short sellers are subject to the risk of a "short squeeze." A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the security that has been loaned at any time. If a lender were to demand the return of securities that a Client Mandate had borrowed, a Client Mandate would be required to replace the borrowed securities by borrowing identical securities from another lender. If a Client Mandate were unable to replace the borrowed securities, it would be required to close out the short sale by buying identical securities in the market to make delivery. In such an event, a Client Mandate could incur significant losses if the securities sold short had increased in value.

A Client Mandate also could be forced to close out a short sale prematurely as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice. In addition, the cost to borrow securities in connection with short sales may be significant.

*Interest Rates.* The Investment Adviser may borrow funds from brokerage firms and banks on behalf of a Client Mandate to be able to increase the amount of capital available for marketable securities investments. The rates at which a Client Mandate can borrow, in particular, will affect the operating results of a Client Mandate. Even if a Client Mandate makes a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade.

*Margin.* The Investment Adviser may make use of short-term borrowing or repurchase agreements on behalf of a Client Mandate, and any such use will result in certain additional risks to a Client Mandate. For example, should the securities pledged to brokers to secure a Client Mandate's margin accounts or repurchase obligation decline in value, a Client Mandate could be subject to a "margin call," pursuant to which a Client Mandate must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Client Mandate's assets, a Client Mandate might not be able to liquidate assets quickly enough to pay off its margin debt.

*Price and Liquidity Fluctuations of Investments.* It is expected that a Client Mandate's investments will be in public securities. However, the market value of a Client Mandate's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets and the financial condition of the issuers of the securities in which a Client Mandate invests. During periods of limited liquidity and higher price volatility, a Client Mandate's ability to acquire or dispose of its investments at a price and time that a Client Mandate deems advantageous may be impaired. Some securities (including ETFs) that hold or trade financial instruments may be adversely affected by liquidity issues. As a result, in periods of rising market prices, a Client Mandate may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly; a Client Mandate's inability to dispose fully and promptly of positions in declining markets will conversely cause its net asset value to decline as the value of unsold positions is marked to lower prices.

*Trade Error Risk.* Trade errors include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume and complexity of transactions executed by the Investment Adviser on behalf of a Client Mandate, trade errors are likely to occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. If trading errors do occur, the Investment Adviser will not be responsible for gains or losses resulting from trade errors, except where such trade error is the result of the Investment Adviser's gross negligence, willful misconduct or fraud or as otherwise provided in the policies of the Investment Adviser.

*Competition.* The securities industry is extremely competitive. The Investment Adviser will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staff. Competitive investment activity by other firms may reduce a Client Mandate's opportunity for profit by reducing the availability of or increasing the price of what the Investment Adviser believes to be, based on its investment criteria, exceptional investment opportunities.

*Securities Market Volatility.* Securities markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of debt and equity securities may react differently to these

developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region or the market as a whole.

*Volatility and Correlation Risk.* The Investment Adviser's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions, which may adversely affect the Client Mandates, and may become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

*Risk of Operations/Liquidity Risks.* Although the securities that the Master Fund may acquire generally will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Master Fund to liquidate its positions and would thereby expose it to losses. In addition, some of the securities in which the Client Mandates may invest may be thinly traded, potentially making it difficult for the Client Mandates to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so. There may be a variety of other reasons why a security in which the Client Mandates may invest may be illiquid, and, in such event, the Client Mandates may have similar issues with realizing such security.

*Risks of Foreign Investments.* The Client Mandates may invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Client Mandates may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Client Mandates may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Client Mandates may invest may be thinly traded and relatively illiquid or may cease to be traded after the Client Mandate invests in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Client Mandates occasionally may acquire relatively large positions in a few securities. In such cases, and in the event of extreme market activity, a Client Mandate may not



be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

*ETF Risks, including Net Asset Valuations and Tracking Error.* Exchange traded funds (“ETF”) performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because (1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; (2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and (3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate. Investors in a Client Mandate should be aware that to the extent they invest in ETF securities, they will pay two levels of compensation - fees charged by the Investment Adviser plus any management fees charged by the issuer of the ETF. This scenario may cause a higher cost (and potentially lower investment returns) than if an investor purchased the ETF directly. An ETF typically includes embedded expenses that may reduce the fund’s net asset value, and therefore directly affect the fund’s performance and indirectly affect a Client Mandate’s portfolio performance or an index benchmark comparison. ETF investments will rely on third-party management and advisers. Expenses of the fund may include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

*Company Capitalization.* The Client Mandates may invest in securities of companies with various capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization and mid-capitalization securities are often more volatile than prices of large capitalization securities, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-, mid- and medium-capitalization securities, an investment in those securities may be illiquid. The small-, mid- and medium-capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

*Inflation, Currency, and Interest Rate Risks.* Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor’s future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. In addition, the relative value of the U.S. dollar-denominated assets primarily managed by the Investment Adviser may be affected by the risk that currency devaluations affect purchasing power.

*Securities of Sub-Investment Grade Companies.* Special risks may arise if a Client Mandate invests in the securities of sub-investment grade and highly-leveraged companies. Although such investments may result in significant returns to the Client Mandates, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing works against a Client Mandate’s short position, the Client Mandate’s losses would be heightened. If a Client Mandate purchases distressed and/or non-performing debt securities, and subsequent to purchasing them, finds that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that the Investment Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Client Mandates invest, the Client Mandate may lose its entire investment. Under such circumstances, the returns generated from the Client Mandates’ investments may not compensate the investors adequately for the risks assumed.

*Institutional Risks.* Institutions will have custody of the assets of a Client Mandate. Certain assets of a Client Mandate will be exposed to the credit risk of the dealers, brokers and exchanges through which the Investment Adviser deals, whether the Investment Adviser engages in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of a Client Mandate. If any broker-dealer or other financial institution holding a Client Mandate’s assets were to become bankrupt or insolvent, it is possible that the Client Mandate would be able to recover only a portion, or in certain circumstances, none of its assets held by such bankrupt or insolvent entity.

*Counterparty Risk.* Brokers may trade with an exchange as principals on behalf of the Client Mandates, in a “debtor-creditor” relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of a Client Mandate (for example, the transactions that the broker has entered into on behalf of a Client Mandate as principal as well as the margin payments that the Client Mandate provides). In the event of such broker’s insolvency, the transactions into which the broker has entered as principal could default, and the Client Mandate’s assets could become part of the insolvent broker’s estate, to the detriment of the Client Mandate. The Client Mandate’s assets may be held in “street name,” in which case, a default by the broker could cause the Client Mandate’s rights to be limited to that of an unsecured creditor.

To the extent that a Client Mandate invests in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Client Mandate may also take a credit risk with respect to the parties with whom it trades and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

In addition, a Client Mandate's prime broker and trading agreements may contain certain provisions that allow a counterparty to either terminate the relevant agreement or require additional levels of collateral, as applicable, for various reasons. The termination of the relevant agreement may result in immediate payment by the Client Mandate of the mark-to-market amount, or net liability, due under the agreement, and, if not immediately replaced, a loss of the previously held investment and/or hedging exposure.

*Discretion and Changes in Investment Strategy.* The Investment Adviser has considerable discretion in choosing the securities that may be acquired, and, subject to its fiduciary duties, it has the right to modify the investment strategy, selection criteria or hedging techniques used by a Fund without the consent of its securityholders.

*Financial Crises and Effects on Global Financial Markets.* World financial markets have in the past experienced and may in the future experience extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries previously have taken and may in the future take regulatory actions. However, global financial markets may remain volatile, and it is uncertain whether regulatory actions will be able to prevent losses and volatility in securities markets. It is possible that regulatory actions might increase the possibility of future volatility. Regulations may increase market fragmentation and decrease the global flow of capital as it may be too difficult for a Client Mandate and other market participants to comply with multiple regulatory regimes. There may be significant new regulations that could limit a Client Mandate's activities and investment opportunities or change the functioning of capital markets, and there is the possibility of regional and/or worldwide economic downturn. Consequently, a Client Mandate may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing its risks.

*Novel Coronavirus and Public Health Emergency.* As of the date of this document, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared a global pandemic on March 11, 2020. The outbreak of COVID-19 has caused a worldwide public health emergency with a substantial number of hospitalizations and deaths, and has significantly adversely impacted global commercial activity and contributed to both volatility and material declines in equity and debt markets. The global impact of the outbreak is rapidly evolving, and many national, state and local governments have reacted by instituting mandatory or voluntary quarantines, travel prohibitions and restrictions, closures or reductions of offices, businesses, schools, retail stores, restaurants and other public venues and/or cancellations, suspensions and/or postponements of certain events and activities, including certain non-essential government and regulatory activities. Businesses are also implementing their own precautionary measures, such as voluntary closures, temporary or permanent reductions in work force, remote working arrangements and emergency contingency plans. Such measures, as well as the general uncertainty surrounding the dangers, duration and impact of COVID-19, are creating significant disruption to supply chains and economic activity, impacting consumer confidence and contributing to significant market losses, including by having particularly adverse impacts on transportation, hospitality, tourism, sports, entertainment and other industries dependent upon physical presence. Technological infrastructure has, and will likely continue to be, strained for so long as mandatory or voluntary quarantines are instituted, which will change, and potentially disrupt, the operations of a Client Mandate and its portfolio companies. As COVID-19 continues to spread, potential additional adverse impacts, including a

global, regional or other economic recession of indeterminate duration, are increasingly likely and difficult to assess and, if the spread of the COVID-19 is prolonged, it could adversely affect many economies, global financial markets, a Client Mandate or its portfolio companies even after COVID-19 is contained.

The extent of the impact of COVID-19 on a Client Mandate and its portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of the resulting public health emergency, the extent of any related restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of the COVID-19 pandemic may materially and adversely impact the value, performance and liquidity of a Client Mandate or its portfolio companies, leverage availability and terms, the Investment Adviser's ability to source, manage and divest investments and the Investment Adviser's ability to achieve its investment objectives, all of which could result in significant losses to a Client Mandate and its investors.

COVID-19 may also adversely impact one or more individual Fund Investor's financial condition, which could result in withdrawal requests by such Fund Investors as a result of their individual liquidity situations and irrespective of a Fund's performance. Such Fund Investor withdrawal requests could also adversely affect a Fund.

In addition, COVID-19 and the resulting changes to global businesses and economies likely will adversely impact the business and operations of a Client Mandate, the Investment Adviser, a Client Mandate's portfolio companies and their respective affiliates. Certain businesses and activities may be temporarily or permanently halted as a result of government or other quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors, including the potential adverse impact of COVID-19 on the health of key personnel.

*Other Catastrophic Risks.* In addition to the potential risks associated with COVID-19 as outlined above, a Client Mandate may be subject to the risk of loss arising from direct or indirect exposure to a number of types of other catastrophic events, including without limitation (i) other public health crises, including any outbreak of SARS, H1N1/09 influenza, Zika avian influenza, other coronaviruses, Ebola or other existing or new epidemic diseases, or the threat or fear thereof; or (ii) other major events or disruptions, such as hurricanes, earthquakes, tornadoes, fires, flooding and other natural disasters; acts of war, military conflicts, social unrest or terrorism, including cyberterrorism; or major or prolonged power outages or network interruptions. Such events could exacerbate political, social and economic risks previously mentioned and result in significant breakdowns, delays and other disruptions on a local, regional and global scale, which may have adverse effects on the operating performance of a Client Mandate and its portfolio companies. The extent of the impact of any such catastrophe or other emergency on a Client Mandate and its portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such emergency, the extent of any related travel advisories and restrictions, the impact on overall supply and demand for goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In particular, to the extent that any such event occurs and has a material effect on global financial markets or specific markets in which a Client Mandate participates (or

has a material effect on any Client Mandate's portfolio companies or locations in which such portfolio companies or the Investment Adviser operates or on any of their respective personnel) the risks of loss could be substantial and could have a material adverse effect on a Client Mandate or the ability of the Investment Adviser to fulfill its investment objectives.

*Algorithmic Trading.* The Investment Adviser relies on computer models, data inputs and assumptions in generating trade orders or recommendations (as applicable). Statistical investing models, such as those used by the Investment Adviser, rely on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid.

The Investment Adviser may in the future, through the analysis of Member Contributions, utilize a predictive algorithmic model that is dependent on the input from Source Accounts and therefore relies on a current, diverse and large enough pool of data points to achieve anticipated results. This predictive algorithmic model is currently unused, untested, and may not produce anticipated results.

*Cyber Security Breaches and Identity Theft.* The information and technology systems of the Investment Adviser, its affiliates, the Funds and their service providers and their portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. 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.

The Investment Adviser and/or its affiliates have implemented, or expect to implement, measures to manage risks relating to these types of events. However, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Investment Adviser, its affiliates, one or more Funds, their service providers and/or their portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and/or a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of the Investment Adviser, its affiliates, the Funds and/or their portfolio companies, subject any such entity and their respective affiliates to legal claims and/or otherwise affect their business and financial performance. Specifically, cyberattacks and the failure of such systems may interfere with the processing of Fund Investor subscriptions, deposits or withdrawals, impact a Client Mandate's (or its service providers') ability to value its assets, cause the release of confidential information and/or subject a Fund or SMA's accountholder to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. A Fund also may incur substantial costs for cyber-security risk management to prevent any cyber incidents in the future. A Client Mandate and the Fund Investors could be negatively impacted as a result.

*Outsourced Trading.* The Investment Adviser may delegate the authority to select brokers for the Client Mandate's transactions to a third party. As a result, the Client Mandate's expenses will be

higher as a result of paying such third party than if the Investment Adviser traded directly with such brokers.

*Risk Management.* A Client Mandate's investment program is speculative and entails substantial risks. There can be no assurance that the investment objectives of a Client Mandate will be achieved or that the Client Mandate will be profitable, and results may vary substantially over time. The Investment Adviser will focus on managing risk through the quality of its investment process and monitoring of investments. The Investment Adviser may not broadly diversify the portfolio and, in such event, a Client Mandate will bear greater risk with respect to each investment than would be the case with respect to a diversified portfolio.

There can be no assurance that the investment objectives of a Client Mandate will be achieved. In fact, many of the investment techniques utilized by a Client Mandate may, in certain circumstances, exacerbate the adverse impact of particular transactions or conditions on the investment program of a Client Mandate.

*Large-Cap and Mid-Cap Risks.* Large-cap and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large- and mid-cap U.S. stocks fall behind other types of investments, bonds or small-cap stocks, for instance, the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

*Small-Cap and International Risks.* Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and/or international stocks fall behind other types of investments, U.S. large- and mid-cap stocks, for instance, the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

The foregoing list of risk factors does not purport to be a complete enumeration or discussion of all the risks associated with a Client's specific mandate. A Client's offering memorandum or other disclosure document contains additional information with respect to the risks to which the Client will be subject. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. The Investment Adviser will promptly amend this Brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

## **Item 9 – Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of such adviser or the integrity of such adviser's management. The Investment Adviser does not have any legal, financial, regulatory, or other "disciplinary" item to report that is material to a Client's or prospective Client's evaluation

of the Investment Adviser's advisory business or management. This statement applies to the Investment Adviser and to every employee of the Investment Adviser.

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

The Investment Adviser is registered with the SEC as an investment adviser under the Investment Advisers Act. Along with the investment advisory activities as explained in the Brochure, the Investment Adviser also offers advisory services to individuals as described in the Wrap Fee Brochure.

The Investment Adviser advises the US Feeder Fund, the Long Short Fund and the USLB Fund.

Delphia AM provides a ML framework to Corton Capital Inc. ("**Corton**"), in support of the investment advice Corton provides:

- (a) the Delphia Canadian Fund, and Delphia Canadian Fund Limited Partnership (the "**Canadian Feeders**"). The Canadian Feeders invest in the Delphia Cayman Offshore Fund Corp. The Delphia Cayman Offshore Fund invests in the Long Short Fund; and
- (b) (b) separately managed accounts that employ investment objectives and strategies that are similar to the Long Short Fund (the "**Canadian Accounts**"). The ML framework provides the same data to the Investment Adviser for the Client Mandates that it send to Corton for the Canadian Accounts and the Investment Adviser and Corton share the same order management platform and the same trader, an employee of the Investment Adviser. This could create a conflict of interest should Corton and the Investment Adviser choose to trade the same securities at the same time. The Investment Adviser has policies and procedures in place to ensure that such trades are made simultaneously and the Investment Adviser has not identified any other material conflicts of interest between the Investment Adviser and Corton.

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

The Investment Adviser maintains a Code of Ethics, which applies to all employees of the Investment Adviser, that regulates the personal securities trading activities of all Investment Adviser employees and certain family members and entities (such as corporations, trusts, or partnerships) that an employee may be deemed to control or influence. A copy of the Investment Adviser's Code of Ethics will be provided to any of its clients, prospective clients, investors or prospective investors on request by contacting Investment Adviser at (833) 335-7442 or via email to [compliance@delphia.com](mailto:compliance@delphia.com).

The Code of Ethics imposes limits on activities of employees of Investment Adviser and, in certain circumstances, affiliates and/or other third parties ("**Access Persons**"), where an activity may conflict with the interests of Investment Adviser clients. These include certain personal trading restrictions and prohibitions against the buying and selling of any security while either Investment Adviser or the employee is in possession of material, non-public information concerning the

security or the issuer. As a condition of employment, every employee accepts the absolute obligation to comply with the letter and the spirit of the Code of Ethics.

Employees are required to provide confirmations for or account statements of personal securities transactions, including the transactions of immediate family members living in the same household and accounts over which the employee has investment discretion or influence, to the employee designated by the compliance officer. Employees may not buy or sell any security that the Client Mandates intend to buy, sell or hold for their own account without prior approval of the proposed transaction (certain securities are exempted from this pre-clearance requirement). All employees of Investment Adviser (including portfolio managers) are deemed to be Access Persons.

Subject to applicable law, the Investment Adviser may impose sanctions for violations of the Code of Ethics. Sanctions may include monetary fines, bans on personal trading, reductions in salary increases or bonuses, disgorgement of trading profits, suspension of employment, and termination of employment.

Where appropriate, the Investment Adviser may recommend to its Clients that they invest in the group trusts or in other private investment vehicles exempt from registration under the 1940 Act pursuant to Sections 3(c)(1) or 3(c)(7) thereof, for which the Investment Adviser acts as an investment adviser. Employees, officers, and directors of the Investment Adviser may also invest in private investment vehicles.

The Investment Adviser may make a recommendation to a client to buy or sell securities that the Investment Adviser, or a related person, also buys or sells at or about the same time, or in which Investment Adviser, or a related person, has a material financial interest. On occasion, the Investment Adviser or its employees, directors and officers may buy or sell securities or investment products which are recommended to its clients. However, no employee, officer or director is permitted to do so (a) where such purchase or sale is expected to affect the market price of such securities or investment products, or (b) in anticipation of the effect of such recommendation on the market price. All employees of Investment Adviser are subject to its Code of Ethics, which addresses conflicts of interest that may arise with respect to the recommendation of securities.

## **Item 12 – Brokerage Practices**

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### *Counterparty Selection*

The Investment Adviser has discretionary authority to determine what securities are bought or sold, as well as the brokers or dealers that will effect transactions. As a fiduciary, the Investment Adviser has a duty to seek to achieve best execution for its clients' brokerage transactions. The Investment Adviser shall execute securities transactions for each Client Mandate in a manner such that the net economic results to the Fund or SMA accountholder are the most favorable under the circumstances, are consistent with the best interests of the Fund or SMA accountholder and to employ a trading process that attempts to maximize the value of the Client Mandate. In carrying out this duty, the Investment Adviser considers the full range and quality of a broker's services in placing transactions, including, but not limited to: the ability to achieve prompt and reliable executions; the ability to obtain access to a security; the financial stability and reputation of the particular broker-dealer; the quality, comprehensiveness and frequency of available research and related services considered to be of value to the Funds; and the competitiveness of commission rates in comparison with other broker-dealers satisfying the Investment Adviser's other selection



criteria. In seeking to achieve best execution, the Investment Adviser may not always obtain the lowest possible commission cost.

### *Soft Dollar Policy*

As of the date of this Brochure, the Investment Adviser has not entered into any written soft dollar arrangements (“**soft dollar arrangements**”). The Investment Adviser will attempt to negotiate the lowest available commission rates commensurate with the assurance of reliable, high quality brokerage services. However, the Investment Adviser may select brokers that charge a higher commission or fee than another broker would have charged for effecting the same transaction; *provided*, that the selection of a broker will be made on the basis of best execution, taking into consideration the aforementioned factors and other services or property that are of benefit to the Investment Adviser or Clients; *provided, further*, that the Investment Adviser may be influenced in its selection of brokers by their provision of other services, including, without limitation, marketing assistance, information technology services, operations and operating equipment and other services or items. Such execution services, research, investment opportunities or other services may be deemed to be soft dollars. As noted above, however, the Investment Adviser has not entered into written soft dollar arrangements. In the event that the Investment Adviser enters into soft dollar arrangements, it is expected to do so within the “safe harbor” of Section 28(e) of the Securities Exchange Act of 1934. The provision by a broker of research and other services and property to the Investment Adviser creates an incentive to select such broker since the Investment Adviser would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a Client. Any research, services or property provided by a broker may benefit any Client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

Subject to applicable law and from time to time, the Investment Adviser routes client brokerage business to brokers that refer prospective investors to the Investment Adviser. Because such referrals, if any, are likely to benefit the Investment Adviser but may not provide a benefit to our clients, the Investment Adviser would have a conflict of interest with its clients when allocating brokerage business to such brokers. To mitigate this potential conflict, the Investment Adviser will not allocate brokerage business to a referring broker unless we determine that such allocation is consistent with our best execution duties.

Certain of the brokerage or research products or services received with respect to commissions paid by certain accounts may benefit other accounts under the management of the Investment Adviser. Broker-dealers who provide such services may receive a commission which is in excess of the amount of the commission another broker-dealer may have charged if, in the Investment Adviser’s judgment, the higher commission is reasonable in relation to the value of the brokerage or research products, or services rendered. The Investment Adviser may have an incentive to select or recommend broker-dealers based on the Investment Adviser’s interest in receiving the research or other products or services which could differ from a client’s interest in receiving most favorable execution. Soft dollar arrangements, if any, are internally reviewed periodically to determine if the products or services are needed, whether such products or services provide legitimate assistance in the investment decision making process, and the reasonableness of the commissions

paid in relation to the value of the products or services received. Additionally, in certain instances, the Investment Adviser may receive access to certain proprietary research tools from executing broker-dealers. However, commissions paid to such broker-dealers are not in excess of the amounts other broker-dealers would charge for the same transaction. These benefits are used in the servicing of all client accounts, not just those that paid for the benefit.

#### *Trade Aggregation and Trade Allocation Policy*

The Investment Adviser has implemented a Trade Aggregation and Trade Allocation Policy (the “**Policy**”) designed to ensure the fair and equitable treatment of clients with respect to aggregation and allocation of investment opportunities among different clients and different products and in order to ensure that proprietary trading by, and the financial interests of, the Investment Adviser, its affiliates, and its personnel are not favored over clients and client accounts.

The Investment Adviser’s policy is to aggregate trades for different client accounts if, in the Investment Adviser’s judgment, such aggregation is in the best interest of each participating client and the allocation of completed trades is made among participating accounts in a fair and equitable manner. A client trade may be aggregated with a trade by another account managed by the Investment Adviser only where certain conditions are met. These conditions include: (i) aggregation is consistent with the Investment Adviser’s duty to obtain best execution; (ii) aggregation is not in conflict with the terms of the investment advisory contract of each participating client; and (iii) no advisory clients will be favored over any other client as a result of such aggregation. Subject to the policy and to the extent consistent with applicable law, the execution costs of an account that prohibits the use of brokerage to purchase legitimate research products and services may be lower than the execution costs of other accounts that participate in an aggregated trade.

Partial executions of aggregated equity trades are allocated pro rata to the participating accounts based on order size (i.e., each client shall be allocated that percentage of the executed order that its order size bears to the total size of the order). Allocated amounts may be rounded to whole shares. All accounts generally receive the average price obtained. Execution costs for aggregated equity trades will be allocated pro rata to the participating accounts based, in part, on order size, and trades for client accounts of less than a certain number of shares may receive varying allocations intended to reduce the administrative cost on the Investment Adviser and the client’s custodian bank. The Investment Adviser may make investments in equity initial public offerings within certain of its equity mandates.

Trades in fixed income securities may also be aggregated into a single order if, in the appropriate investment professional’s opinion, there are benefits to the client accounts with respect to liquidity, timing, and other factors. For fixed-income aggregated transactions, all accounts generally receive the same purchase price, and any transaction costs are shared pro rata among participating accounts.

The Compliance Officer may authorize the use of alternative allocation methodologies where the Investment Adviser believes that the circumstances of a trade would cause inequitable allocations or may otherwise be unfair to the participating accounts. Such allocation methodology may be employed only when the Compliance Officer determines that it will result in a fair and equitable allocation for all participating accounts and is based upon objective criteria.

The Investment Adviser may, but is not obligated to, aggregate trade orders alone or with Corton and the accounts as described in the Wrap Fee Brochure, if it determines that the purchase or sale of the same security is appropriate for one or more clients of either or both advisors to the extent permitted by applicable law. As of the date of this Brochure, the Adviser does not aggregate trade orders. If or when the Adviser aggregates trade orders, it will follow the following procedures. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price with transaction costs allocated pro rata based on the size of each such client's participation in the order as determined by the Investment Adviser and Corton. In the event of a partial fill, allocations generally will be made on a pro rata basis on the initial order but may be modified on a basis the Investment Adviser and Corton deem appropriate, including, for example, the avoidance of odd lots or de minimis allocations. As noted above, Corton and the Investment Adviser are not affiliates.

In addition, employees' accounts may trade in the same securities with the clients of the Investment Adviser, including the Wrap Fee Brochure clients and Corton on an aggregated basis when consistent with best execution obligations. The Investment Adviser and Corton expect to aggregate client orders with personal transactions of employees and other persons related to the Investment Adviser and Corton. In such circumstances, employees and clients of the Investment Adviser and Corton will share commission costs equally and receive securities at a total average price.

### *Trade Errors*

The Investment Adviser has adopted a trade error policy and related trade error procedures to facilitate the prompt and appropriate resolution of trade errors ("**Trade Errors**"). Trade Errors may occur as a result of mistakes made on the part of an executing broker, or mistakes on the part of Investment Adviser personnel. Trade errors may include, for example, keystroke errors that occur when entering transactions into electronic trading systems, failures of oral or other communications between and among the Investment Adviser's investment staff, trading staff and operations staff, or between the Investment Adviser's personnel and the third parties, such as executing brokers, with whom the Investment Adviser conducts trading activities or typographical or drafting errors related to purchase contracts or similar agreements. In accordance with the Investment Adviser's trade error policies and procedures, all trade errors, if any, are promptly and appropriately reviewed, evaluated and resolved, and any gains or losses resulting therefrom are allocated properly between the Investment Adviser, the applicable Clients and, where applicable, third parties. Gains and losses from multiple trade errors, if any, generally are not netted. Rather, each trade error generally is separately resolved in accordance with the organizational documents of a Client.

The Investment Adviser strives to correct all trade errors prior to the settlement of any transaction, and to minimize gains and losses resulting from trade errors. Trade errors caused by third parties, such as executing brokers, are the responsibility of the third parties and the Investment Adviser endeavors to have the affected Clients reimbursed for such trade errors by such third parties. Such reimbursements generally are in accordance with the agreements in effect from time to time between the Investment Adviser and such third parties, such third parties' customer policies and procedures and governing law. The Investment Adviser does not absorb and is not otherwise responsible for losses resulting from trade errors caused by third parties and the Investment Adviser does not utilize soft dollar arrangements in resolving trade errors.

To the extent that a trade error may occur on the part of the Investment Adviser's personnel, it almost always would occur as part of the business of the Investment Adviser in effecting transactions for Clients in the ordinary course of their businesses. Thus, to the extent of any trade errors with respect to a Client, (i) all gains in such Client's account resulting from such trade errors will remain in such Client's account for the benefit of such Client, and (ii) in accordance with the exculpation and indemnification provisions between such Client and the Investment Adviser, all losses resulting from such trade errors (that are not reimbursed by third parties, such as executing brokers) will be borne by such Client, and not the Investment Adviser, unless (a) such trade error was caused by the Investment Adviser or their personnel acting in violation of the standards of care applicable to the exculpation and indemnification protections afforded to the Investment Adviser in any applicable governing documents or agreements with respect to Clients or (b) reimbursement by the Investment Adviser to such Client is otherwise required by applicable law.

The Investment Adviser generally will not notify investors in any Client that a trade error has occurred unless a determination has been made that the trade error has or will have a material adverse impact on the investors and/or the Client.

The Investment Adviser maintains a record of trade errors which includes, among other things, the date that the trade error occurred, a description of the persons and entities involved in and the circumstances surrounding the trade error, and the means by which the trade error was addressed and/or resolved. Such record is maintained in accordance with the Investment Adviser's recordkeeping policies.

## **Item 13 – Review of Accounts**

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Based on a Client Mandate's investment strategy, account activity (*i.e.*, additions and withdrawals of funds) and economic or market events, the Investment Adviser's Investment Committee, led by the Chief Investment Officer, reviews each Client Mandate periodically, but in any case, no less frequently than annually. The Investment Adviser's investment personnel reviews the performance of all Client Mandate portfolios and their conformity with the Fund's or SMA accountholder's investment objectives and policies. Such reviews are also conducted by members of the Compliance Department, led by the Chief Compliance Officer. The Investment Committee also reviews the performance of all client portfolios on a monthly basis.

Each Fund will be reviewed at least monthly by operations associates for the purpose of reconciling the Investment Adviser's account records with those of the Fund's administrator(s). If requested by an SMA accountholder, an SMA will be reviewed at least monthly by operations associates for the purpose of reconciling the Investment Adviser's account records with those of the clients' accounting staff or administrator. Where data is available, the operations associate will reconcile custody, cash, and security share positions on a daily basis to the custodian, prime broker, counterparties and FCMs.

With respect to discretionary separate accounts, clients are provided with monthly and quarterly written reports which contain (1) a portfolio appraisal, (2) performance information, and, upon request, (3) a summary of transactions. Fund Investors will receive monthly statements and will also receive annual audited financial statements.

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

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The Investment Adviser and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to Clients. However, the Investment Adviser may receive from a broker-dealer or a fund company, without cost and/or at a discount, certain services and/or products, to assist in monitoring and servicing Fund Investors. These may include investment-related research, pricing information and market data, software and other technology that provide access to Investment Account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware or software, and other products used by the Investment Adviser to assist the Investment Adviser in its investment advisory business operations.

The Investment Adviser will offer cash payments for Client solicitations in accordance with CFR 275.206(4)-3 and may use a placement agent to sell interests in the Funds. The Investment Adviser expects to comply with the new marketing rule, Rule 206(4)-1 of the Advisers Act, by its effective date, November 4, 2022.

## **Item 15 – Custody**

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The Investment Adviser is deemed to have custody of the Funds' assets. The Investment Adviser may be deemed to have custody of an SMA's assets, dependent on the specifics of the engagement. In addition, certain affiliates of the Investment Adviser are deemed to have custody of client assets due to serving as the general partner of a limited partnership.

Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients (including underlying investors) and surprise examinations relating to such clients' funds or securities. However, an adviser need not comply with such requirements with respect to pooled investment vehicles subject to audit and delivery if each pooled investment vehicle (i) is audited at least annually by an independent public accountant and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to their investors, all limited partners, members or other beneficial owners within 120 days (180 days in the applicable case of a fund of fund adviser) of its fiscal year-end. The Investment Adviser relies upon this audit exception with respect to the Funds. Clients with SMAs will receive account statements from the Custodians should review any statement sent by the Investment Adviser against the statements sent by the SMA's qualified custodian.

## **Item 16 – Investment Discretion**

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The Investment Adviser has discretionary investment authority as the investment adviser for the Funds. The Investment Adviser also has discretionary investment authority as an investment adviser for each SMA. The Investment Adviser typically receives discretionary investment authority, including a power of attorney, through an investment management or similar agreement between the Investment Adviser and the SMA accountholder. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client Mandate.

## **Item 17 – Voting Client Securities**

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At the inception of each client account, each SMA client must elect to either retain all voting rights in respect of all client securities or grant the Investment Adviser all such voting rights in respect of all client securities. The Investment Adviser has been delegated proxy voting authority for the Funds.

To the extent the Investment Adviser has been delegated proxy voting authority on behalf of its clients, the Investment Adviser has adopted detailed policies and procedures that are designed to ensure that proxies will be voted with diligence, care, and loyalty, and in accordance with Rule 206(4)-6 under the Advisers Act and the Investment Adviser's fiduciary duty to its clients. In cases where the Investment Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. Generally, the financial interest of the client is the primary consideration in determining how proxies should be voted. The Investment Adviser has a responsibility to analyze proxy issues and vote in a way consistent with those financial interests. To assist the Investment Adviser's determination, the Investment Adviser will use an Environmental, Social, and Governance ("ESG") service that surveys how the top 50 MSCI ESG rated funds have voted their own proxies. It may not always be in the best interest of clients to vote in accordance with the proxy voting policies and procedures on a particular issue. In such circumstances, the Investment Adviser may deviate from the guidelines with approval from the Chief Compliance Officer. The Investment Adviser's clients generally are not permitted to direct their votes in a particular solicitation.

If a material conflict of interest between the Investment Adviser and a client exists, the Investment Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the client or whether to take some other appropriate action.

To the extent that it is granted such authority by clients, the Investment Adviser may, in its sole discretion, deal with class action claims on a case-by-case basis. Upon receipt of a claim, the Chief Compliance Officer, and others, as necessary, will determine if there is a basis of the claim and whether or not to participate. This determination will depend on (i) the nature of the claim; (ii) prospects for recovery; (iii) resources required; and (iv) other relevant factors. Any proceeds from a class action suit will be allocated among the clients and any Fund investors currently existing at the time of recovery of such proceeds.

SMA accountholders and investors in the Funds may obtain a copy of the Investment Adviser's proxy voting policies and procedures upon request. To obtain a copy of the Investment Adviser's proxy voting policy or proxy voting results for your account, please contact the Investment Adviser by email at [compliance@delphia.com](mailto:compliance@delphia.com).

## **Item 18 – Financial Information**

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A balance sheet is not required to be provided as the Investment Adviser (i) does not solicit fees more than six months in advance; (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients; or (iii) has not been subject to any bankruptcy proceeding during the past ten (10) years.

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

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The Investment Adviser is not a state-registered adviser.