

## Collaborative Holdings Management LP

347 Bowery, 2<sup>nd</sup> Floor

New York, NY 10003

<https://www.collaborativeholdings.com/>

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Collaborative Holdings Management LP. If you have any questions about the contents of this Brochure, please contact us by e-mail at [info@collaborativeholdings.com](mailto:info@collaborativeholdings.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Collaborative Holdings Management LP or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2. Material Changes**

There are no material changes to report since March 30, 2021, the date of Collaborative Holdings Management LP's initial Brochure. Nonetheless, clients are encouraged to read this document in its entirety.

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**Item 4. Advisory Business**

Collaborative Holdings Management LP (“we,” “us,” or “our”) is a Delaware limited partnership that was formed in June 2019. We are principally owned and controlled by Sheetal Sharma, who is our Chief Investment Officer (the “CIO”).

We provide discretionary investment advice to the following private funds (each, a “Fund,” and collectively, the “Funds”): (i) Collaborative Holdings Partnership LP (the “Onshore Fund”), (ii) Collaborative Holdings Offshore Ltd (the “Offshore Fund,” and together with the Onshore Fund, the “Feeder Funds”), and (iii) Collaborative Holdings Master Fund LP (the “Master Fund”). The Feeder Funds are feeder funds that invest all their investable assets through the Master Fund. We may also in the future provide investment advice to separately managed accounts for institutional, non-retail investors (“SMAs”) and to additional private funds. References throughout this document to “clients” refer to the Funds and any other private funds and SMA’s that we may advise in the future.

The Funds are managed in accordance with their own investment and trading objectives, as described in their respective offering documents and governing agreements (together, the “Governing Documents”). We do not permit investors in the Funds to impose limitations on the investment activities described in the Funds’ Governing Documents. In the future, we may consider contracting with an SMA client to adhere to limited risk and/or operating guidelines imposed by such client. We would negotiate such an arrangement on a case-by-case basis. (See *Item 16 - Investment Discretion*.)

Collaborative Holdings Fund GP LLC (the “Collaborative GP”) serves as the general partner to the Onshore Fund and the Master Fund.

We do not participate in wrap fee programs.

As of December 31, 2021, we managed \$280,533,193 of regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5. Fees and Compensation**

Our fees and compensation are described in the Funds’ Governing Documents. All of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

We are paid management fees from the Funds quarterly in advance. Once paid, the management fees will be non-refundable. We deduct management fees from the Funds. We have waived or reduced all or part of the management fee applicable to certain investors (including affiliates and persons designated as insiders of ours and/or the Collaborative GP, as determined in our discretion) and may do so in the future with respect to other investors, in our discretion.

The Collaborative GP is entitled to receive performance-based allocations from the Funds, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

*Expenses*

The Funds will, directly or indirectly, bear their own expenses, including, without limitation, the following: (i) expenses related to the research, execution and monitoring of actual and prospective investments

(whether or not consummated) and the consummation of investments, including, without limitation, the following: third-party investment sourcing fees; consulting fees; expert fees; fees and expenses of and related to obtaining research, analytics and market data (including, without limitation, data subscriptions (such as Bloomberg and FactSet) and any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including, without limitation, consulting and appraisal fees; investment- and research-related travel expenses (including business class fares, or first-class if business class is not available); any outsourced trading provider fees; brokerage and prime brokerage fees, commissions and expenses (including the costs of negotiating, documenting and/or amending agreements with prime brokers, ISDAs and other agreements with trading and financing counterparties); expenses relating to borrowing securities to be sold short; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and other borrowing costs; fees and expenses of proxy research and voting services; broken deal expenses; and fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; (ii) organizational expenses and fees and expenses incurred in connection with the offering and sale of shares or interests in the Funds, including, without limitation, the preparation and amendment of the Funds' Governing Documents, investment management agreements and subscription agreements; fees and expenses incurred by us in connection with "world sky" matters and private placement regimes, including the European Alternative Investment Fund Managers Directive, and Form D and blue sky and similar fees and expenses; and expenses incurred in connection with negotiating, documenting and complying with provisions of any side letter agreement with investors; (iii) operational expenses, including, without limitation, the following: fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate marketing, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations and obligations arising from laws and regulations applicable to us) in connection with the activities of the Funds, and facilitate and manage the execution of securities or otherwise manage the Funds (including, in each case, Bloomberg terminals, portfolio management systems and order management systems); fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses, including fees and expenses of the Funds' administrator (the "Administrator") and any middle office and/or back office service provider; fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys, accountants and tax preparers; third-party audit and tax preparation expenses; the Funds' allocable share of insurance expenses, including, without limitation, premiums for liability insurance (including directors and officers liability insurance, errors and omission insurance, cybersecurity insurance and liability insurance) covering us, the Funds, the Collaborative GP, and our respective members, partners, officers, employees and agents, and each member of a Fund's Governance Committee (in each case, even if such insurance covers conduct for which indemnity would not be available from the Funds); fees and expenses associated with meetings with the board of directors of the Offshore Fund (the "Directors"), any Governance Committee meetings and meetings of Fund investors as a whole, including, without limitation, expenses related to the organization and conduct of such meetings (including, without limitation, travel (including business class fares, or first-class if business class is not available), lodging and meal related expenses), Director fees (including registration fees); fees and expenses associated with any Governance Committees; costs of preparing and distributing reports and notices to investors of the Funds (including the development, implementation and maintenance of an investor electronic delivery site and/or system); entity-level taxes; fees and expenses related to compliance with applicable law and regulations in connection with the activities of the Funds, including, without limitation, any governmental, regulatory, licensing, filing, reporting or registration expenses, fees

or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings, and any filings or reporting with respect to compliance with Foreign Account Tax Compliance Act provisions of the United States Hiring Incentives to Restore Employment Act of 2010, the Automatic Exchange of Information or similar laws enacted in other jurisdictions, as well as any foreign tax regime registrations, tax filings and associated annual fees and expenses), and any fees and expenses related to compliance with anti-money laundering laws and regulations applicable to the Funds; and fees and expenses of third-party professionals and service providers related to the foregoing; and (iv) extraordinary expenses, including, without limitation, the following: the costs of any litigation or investigation involving the activities of the Funds (including attorneys' fees and investigative fees and expenses); the cost of settlements and indemnification expenses (including advances thereof); fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, restructuring, dissolution, winding-up or termination of any of the Funds.

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.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

The Collaborative GP is entitled to receive a performance allocation from the Funds on an annual basis and upon withdrawals by investors. Such performance allocation is based on the net capital appreciation of the Funds' assets above a benchmark amount and is subject to a loss carryforward mechanism. We have waived or reduced all or part of the performance allocation applicable to certain investors (including affiliates and persons designated as insiders of ours and/or the Collaborative GP, as determined in our discretion) and may do so in the future with respect to other investors, in our discretion.

Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement.

Currently, the Funds are our only clients and they operate through a master-feeder structure. To the extent that we advise additional client accounts in the future, performance-based compensation arrangements could also create an incentive for us to favor accounts with higher compensation rates over other accounts when allocating investments. Accordingly, if we manage additional client accounts in the future, we will adopt and follow procedures designed and implemented to ensure that all clients are treated fairly and equitably.

In addition, because the Funds' management fees and performance-based compensation are generally based on the Funds' net asset values, we will have a conflict of interest in valuing the Funds' assets. To mitigate this conflict, we follow documented valuation policies and periodically consult with auditors and the Administrator.

We may, from time to time, offer certain parties the opportunity to co-invest with the Funds in particular investments. We are not obligated to arrange co-investment opportunities, and no investor will be obligated to participate in such an opportunity. We have sole discretion as to the amount (if any) of a co-

investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities instead to other parties, taking into account such factors as we determine appropriate based on the relevant facts and circumstances. We will determine the economic and other terms of any co-investment in our sole discretion on a case-by-case basis, and we may receive fees and/or allocations from co-investors, which may differ among co-investors and may also differ from the fees and/or allocations borne by the Funds.

#### **Item 7. Types of Clients**

Investors in the Funds are generally family offices, high net worth individuals, fund of funds and foundations that qualify as “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended (the “Securities Act”)) and qualified purchasers. The minimum initial investment in the Funds is generally \$1,000,000. We have waived, and may in the future waive, such minimum under certain circumstances in our discretion.

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

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

The Funds’ investment objective is to generate attractive returns for investors and to outperform major equity market averages, generally defined by the S&P 500, on a long-term basis by making long and short investments primarily in publicly traded U.S. and non-U.S. equities and equity-related securities. We will employ shorting primarily for the purpose of generating absolute returns on capital rather than to reduce volatility of the portfolio.

We generally employ a fundamental, research-driven approach to investing and will focus our time and effort and deploy capital primarily in technology and technology-enabled businesses and theses. We will also generally focus our time and efforts primarily in the equities of mid-cap and small-cap issuers. We seek to develop a thorough understanding of the fundamentals of a business and the dynamics of an investment situation in order to identify instances in which we believe the market has misjudged or has not recognized the appropriate intrinsic value of a particular security, as well as the concrete path by which the market is likely to rectify this discrepancy over time.

While it is anticipated that the Funds will invest primarily in U.S. and non-U.S. equities and equity-related securities, we have a broad and flexible investment mandate. Accordingly, the Funds’ investments may at any time include, without limitation, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, securities issues in an initial public offering, preferred stocks, stock warrants and rights, swaps, options (purchased or written), forward contracts, foreign exchange (including but not limited to spot transactions, forwards, futures on currencies and non-deliverable forwards) and other derivative instruments, including over-the-counter (“OTC”) derivatives, and other securities or financial instruments including those of investment companies and cash and cash equivalents.

We will modify the strategies, techniques and methods described above from time to time and over time. There is no limitation on the investment strategies, techniques, methods or processes which we may adopt for the Funds or the factors that we may take into account in analyzing investments for the Funds. Depending on conditions and trends in securities markets and the economy generally, we may pursue other objectives, or employ other strategies, techniques, methods or processes, that we consider appropriate and in the best interests of the Funds, without notice to, or the consent of, investors.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.***Risk Factors*

Our investment strategy involves significant risks. A discussion of the material risks is provided below. Prospective investors in the Funds are urged to review the applicable offering memorandum carefully and consult with their own financial, legal and tax advisers before investing.

*Investment and Trading Risks.* All securities investments risk the loss of capital. We believe that the Funds' investment program and our research techniques will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that the Funds' investment program will be successful or that the Funds will not incur losses. The Funds' investment program may utilize investment techniques including, but not limited to, trading in put and call options and other derivatives, the use of leverage and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the Funds may be subject.

In certain transactions, the Funds may not be "hedged" against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations. This can result in losses, even if the proposed transaction is consummated.

We will attempt to assess the foregoing risk factors, and others, in determining the extent of the position we will take in the relevant securities and the price we are willing to pay for such securities. However, such risks cannot be eliminated.

*Investment Analysis.* When assessing investment opportunities, we rely on resources that may have limited or incomplete information. In particular, we rely on publicly available information and data filed with various government regulators. Although we expect that we will evaluate information and data as we deem appropriate and will seek independent corroboration when reasonably available, we will not evaluate all publicly available information and data and are not in a position to confirm the completeness, genuineness or accuracy of the information and data that we evaluate.

As a result, there can be no assurance that the due diligence exercise carried out by us will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any investment in the Funds.

*Sector Risk.* We generally focus on the equities of companies in the global technology, media and telecommunications subsectors. These sectors are characterized by increasing competition and regulation. Companies in these sectors may encounter distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology. Technological innovations may make the products and services of companies in these sectors obsolete. Any such events may adversely affect the Funds' investments in a company in such sectors.

Technology companies are subject to rapid changes in technology, worldwide competition, rapid obsolescence of products and services, loss of patent protections, cyclical market patterns, evolving industry standards and frequent new product introductions.



Media and telecommunications companies can be adversely affected by, among other things, changes in government regulation, intense competition, dependency on patent protection, and rapid obsolescence of products and services due to product compatibility or changing consumer preferences.

Telecommunications companies are also subject to risks, such as a market characterized by the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology, and technological innovations that may make various products and services obsolete.

*Concentration of Investments.* The Funds' assets are concentrated in positions in companies in the global technology, media and telecommunications industry sectors, and/or in certain geographic areas. In addition, it is possible that a significant amount of the Funds' capital could be invested in the securities of only a few companies. Further, there is no limitation on the amount of the Funds' capital that may be invested in any security, company, industry or geographic area, and at times the Funds may hold a relatively large concentration in a limited number of issuers, securities, industry sectors and/or geographic regions.

The concentration of the Funds' portfolio in a small number of securities, issuers, industries and/or geographic areas would subject the Funds to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industries and/or geographic areas. In particular, losses incurred in investments in the technology, media and/or telecommunications industry sectors could have a material adverse effect on the Funds' overall performance and could significantly reduce the Funds' capital. This is because the value of the Funds' investment portfolio will be more susceptible to any single occurrence affecting one or more of those issuers, securities, industry sectors or geographic regions than would be the case with a more diversified investment portfolio.

*Equity Securities.* The Funds invest in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities, results of operations 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, events such as political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect the Funds' positions.

*Short Sales.* A short sale involves the sale of a security that the Funds do not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Funds must borrow the security and the Funds are obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Funds. When the Funds make a short sale in the United States, they must leave the proceeds thereof with the broker and they must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to the Funds. The extent to which the Funds will engage in short sales will depend upon our trading strategy and the value of individual securities. We may engage in short sales on behalf of the Funds as a hedge against potential market declines and/or based on its analysis of the subject issuers.

*Small to Medium Capitalization Companies.* The Funds invest in securities of companies with small- to medium-sized market capitalizations. While we believe these investments often provide significant potential for appreciation, these stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

*Price Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Funds invest may decline or rise substantially. In particular, purchasing assets at prices that may appear to be “undervalued” is no guarantee that such assets will not be trading at even more “undervalued” levels at the time of valuation or at the time of sale. Similarly, shorting assets at prices that may appear to be “overvalued” is no guarantee that such assets will not be trading at even more “overvalued” levels at the time of valuation or at the time of sale.

*Leverage.* We may use leverage as part of the Funds’ investment program and the amount of leverage which the Funds may have outstanding at any time may be material in relation to their capital. Leverage may be obtained by borrowing funds to make trades or by purchasing or entering into derivative instruments that are inherently leveraged, such as swaps, options, futures and forward contracts.

If the interest expense on borrowings were to exceed the net return on the positions acquired with borrowed funds, the Funds’ use of leverage would result in a lower rate of return than if the Funds were not leveraged. If the amount of borrowings which the Funds may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Funds’ portfolio will have a disproportionately large effect in relation to their capital and the possibilities for profit and the risk of loss will therefore be increased. Any gains made with the additional monies borrowed will generally cause the value of the Funds’ assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Funds, the value of the Funds’ assets will generally decline faster than would otherwise be the case. The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit, as well as due to overall market conditions. If, due to market fluctuations or other reasons, the value of the Funds’ assets should fall below required regulatory or counterparty imposed levels, the Funds will be required to reduce their debt by selling securities in their long portfolio. The Funds may also be unable to carry-out their investment programs if they are not able to obtain leverage on reasonable terms.

In the case of derivative instruments, because many derivatives are “leveraged,” such instruments provide significantly more market exposure than the money paid or deposited when the transaction is entered into and, thus, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested.

In addition, in transactions involving derivative instruments, counterparties and lenders will likely require the Funds to post collateral to support their obligations. Should the securities and other assets pledged as collateral decline in value, or should brokers increase their maintenance margin requirements (*i.e.*, reduce the percentage of a position that can be financed), the Funds could be subject to a “margin call” pursuant to which they must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. In the event of a precipitous drop in the value of pledged securities, the Funds might not be able to liquidate assets quickly enough to

pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses. Furthermore, secured counterparties and lenders will generally have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Funds. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Funds may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Funds' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Funds.

*Hedging Transactions.* The Funds may utilize financial instruments, both for investment purposes and for risk management purposes in order (i) to protect against possible changes in the market value of the Funds' portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) to protect the Funds' unrealized gains in the value of the Funds' portfolio, (iii) to facilitate the sale of any such investments, (iv) to enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio, (v) to hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets, (vi) to protect against any increase in the price of any securities the Funds anticipate purchasing at a later date, or (vii) for any other reason that we deem appropriate.

The success of the Funds' hedging strategy will depend, in part, upon our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. We may not hedge against a particular risk because we do not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because we do not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

*Call Options.* There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

*Put Options.* There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for

gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Non-U.S. Investments.* The Funds from time to time trade non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the U.S. Such transactions require consideration of certain risks not typically associated with trading in U.S. securities or other instruments. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the U.S. or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. The Funds might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Funds’ performance.

*Derivatives Generally.* Derivative instruments, or “derivatives,” include options, futures, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, financial assets, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, financial asset, currency or index at a fraction of the cost of investing in the underlying asset. The Funds may seek to acquire derivatives for these or other reasons, however, there is no assurance that derivatives that the Funds wish to acquire will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. OTC derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for derivatives is relatively illiquid. In the case of OTC derivatives contracts, the Funds are subject to the credit risk of the counterparty.

The Funds may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enables the U.S. Commodity Futures Trading Commission (the “CFTC”) and the SEC to enact new regulations on certain OTC derivatives. Pursuant to CFTC regulations, certain OTC derivatives contracts (including interest rate swaps and credit default index swaps) are required to be traded on regulated trading platforms and cleared through registered clearing organizations subject to regulation by the CFTC. Such contracts are traded more like futures and options contracts and parties to such transactions trade standardized contracts and face clearing organizations as contractual counterparties, rather than facing the credit risk of counterparties under individually negotiated bilateral OTC agreements. In the future, additional categories of OTC derivative contracts may be subject to mandatory clearing. The SEC recently adopted rules establishing margin, capital and collateral segregation requirements for security-based swap dealers.

CFTC registered swap dealers and major swap participants (entities who are not swap dealers, but whose level of activity makes them subject to rules governing dealers) are now subject to regulatory oversight and requirements with respect to OTC derivatives, which include business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented within certain time frames. Once registered, SEC registered security-based swap dealers (and major security-based swap participants) will be subject to substantially similar requirements for derivatives that qualify as security-based swaps. Derivative contracts, whether cleared or traded over-the-counter, must be reported to registered swap data repositories. Despite these changes, parties to over-the-counter derivative trades will continue to bear counterparty credit risk.

The effect that the foregoing regulatory changes will have on the price of derivative contracts, liquidity and administrative costs, and the effects resulting from increased transparency, among other things, remains unclear. In addition, the CFTC and SEC are both expected to conduct further rulemakings and potentially revisit previous finalized rules with respect to the Dodd-Frank. Depending upon any such changes, there may be significant differences in the future with respect to the risks associated with derivatives trading. The impact of any such changes is currently unknown, we do not undertake to update investors upon such changes or upon finalization of any CFTC or SEC regulations promulgated under the Dodd-Frank Act.

*Risk of Default or Bankruptcy of Third Parties.* The Funds intend to engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Funds could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, the Funds could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Funds do business, or to which securities have been entrusted for custodial purposes. For example, if one of the Funds’ prime brokers or custodians were to become insolvent or file for bankruptcy, the Funds could suffer significant losses with respect to any securities held by such firm.

Additionally, under CFTC regulations, “futures commission merchants” (“FCMs”), such as the Funds’ prime brokers, are required to maintain customers’ assets in a segregated account. If a Fund’s FCM fails to do so, under certain circumstances, such as the inability of another customer of the FCM or the FCM itself to

satisfy substantial deficiencies in the other customer's account, the Fund may be subject to a risk of loss of its assets on deposit with such prime broker. In the case of any bankruptcy or customer loss, a Fund might recover, even with respect to property specifically traceable to the Fund, only a *pro rata* share of all property available for distribution to all of the FCM's customers.

Counterparty Risk. Some of the markets in which the Funds effect their transactions are "over-the-counter" or "interdealer" markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such "over-the-counter" transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with one counterparty. Our ability to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

The Funds' investment strategy requires use of transactions that expose the Funds to the credit of their counterparties, and vice versa. For example, the Funds will seek to borrow securities intending to sell them short and may enter into long and short derivative positions. All of these transactions, and transactions similar to them, are governed by documents, industry standards, market customs and practices, the parties' prior course of dealing and by the covenant of good faith and fair dealing. At times, and especially in times of market stress, these credit exposures may come under stress, normal business conduct may be interrupted and normal legal protections may prove inadequate or may fail to provide timely relief. Furthermore, the prime brokerage agreements between the Funds and their prime brokers may be terminated at any time upon notice from a prime broker without penalty. Should it become necessary to remove or reduce credit exposure to a particular counterparty, or in the event that a prime broker elects to terminate its prime brokerage agreement, there can be no guarantee that a satisfactory alternative will be available, or even if one is available, that the Funds will be able to avail themselves of that alternative. As a consequence, it is possible that positions may be unwound at a disadvantageous time and any unwinding and/or porting of positions to another counterparty may prove costly and thereby damage the Funds.

While the selecting of brokers or dealers who will maintain custody of the assets of the Funds is done with care, there is a residual risk that any such brokers or dealers could become insolvent. Assets of the Funds held as collateral may not be segregated from the assets of such brokers or dealers and therefore may be made available to third party creditors of the brokers or dealers in the event of insolvency. In addition, there may be practical or timing problems associated with enforcing the rights of the Funds to their respective assets in the case of the insolvency of any such party.

Currency Hedging. The Funds will from time to time invest in securities and other instruments denominated or quoted in currencies other than the U.S. Dollar. In connection therewith, we may hedge against the resulting currency exposure wherever economically prudent. However, changes in currency exchange rates will affect the value of the Funds' portfolio and the unrealized appreciation or depreciation



of investments. Additionally, such hedging transactions may include a credit component pursuant to which the Funds may be required to grant to their hedging counterparty a security interest in certain of their assets. Accordingly, in such a case, if the Funds default with respect to a currency hedging transaction, then the hedging counterparty could lay claim to an interest in such assets.

Further, the Funds may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Funds at one rate, while offering a lesser rate of exchange should the Funds desire immediately to resell that currency to the dealer. The Funds will conduct their currency exchange transactions on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market. The Funds may also take speculative positions in currencies, which will be subject to the same risks discussed above.

*Purchasing Securities of Initial Public Offerings.* The Funds are permitted to, and we will from time to time deem it is advisable to have the Funds, invest in securities of companies during their initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the companies and limited operating histories. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies engaged in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Index Futures.* The Funds may trade in index futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds also are subject to our ability to correctly predict movements in the direction of the market.

*Swaps.* The Funds may trade swaps. Swap agreements and options on swap agreements ("Swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Whether the Funds' use of swap agreements or swaptions will be successful will depend, in part, on our ability to select appropriate transactions for the Funds. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for

example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolio. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of their counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions.

*Foreign Exchange Contracts.* Pursuant to rules promulgated under the Dodd-Frank Act, many foreign exchange contracts will be deemed "swaps" under the U.S. Commodity Exchange Act, as amended, and therefore will be subject to comprehensive regulation by the CFTC. CFTC rules will govern certain terms of such contracts, such as minimum margin requirements, among others, and dealers of such products will be subject to business conduct and reporting obligations. Foreign currency options (unless traded on a securities exchange), non-deliverable foreign exchange forwards, currency swaps and cross-currency swaps will be included in such regulation. The U.S. Treasury Department has exercised its authority to exempt foreign exchange forwards and swaps from most CFTC regulation, although such transactions remain subject to certain CFTC reporting and business conduct requirements. As a result, foreign exchange forwards and swaps are not guaranteed by an exchange or clearing house and consequently, there are no requirements with respect to financial responsibility or segregation of customer funds or positions, which could expose the Funds to unanticipated losses.

*Credit Default Swaps.* The Funds may purchase and sell credit derivatives contracts – primarily credit default swaps – both for hedging and other purposes. The typical credit default contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. In addition, the parties may be required to post collateral to secure their obligations, which can reduce the amount of collateral or funds available for other purposes.

The Funds may also purchase and sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As buyers of credit default swaps, the Funds are subject to certain risks. In circumstances in which the Funds do not own the debt securities that are deliverable under a credit default swap, the Funds are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Funds would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As sellers of credit default swaps, the Funds incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks they would incur if they were holding debt securities issued by the reference entity. However, the Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the



credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Funds.

*Options on Futures.* We may engage in the trading of options on futures for the accounts of the Funds, typically for hedging purposes. If we, on behalf of the Funds, buy an option (either to sell or buy a futures contract or commodity), the Funds will be required to pay a "premium" representing the market value of the option. Unless the price of the futures contract or commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Funds may lose the entire amount of the premium. Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

*Forward Trading.* We may engage in forward trading on behalf of the Funds, typically for hedging purposes. Forward contracts (including certain forward exchange contracts) and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Such forward trading is largely unregulated and currently daily price movements are not limited and speculative position limits are not applicable. The principals who deal in such forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Funds.

*Commodity Trading.* The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, U.S. and non-U.S. governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavorable positions and subject them to substantial losses. In addition, the Dodd-Frank Act significantly expands the CFTC's authority to impose broader aggregate position limits.

*Interest Rate Risk.* Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Funds may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Funds will be successful in fully mitigating the impact of interest rate changes.

*Purchase of Distressed Securities.* The Funds may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, reorganization or other liquidation proceedings. Although such investments may produce significant returns to the Funds, they involve a high degree of risk over a potentially lengthy period of

time, and may provide less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis and there can be no assurance that the Funds will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the applicable company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

The Dodd-Frank Act established the Orderly Liquidation Authority (the “OLA”), an insolvency regime for large, interconnected financial companies, including broker-dealers, whose failure poses a significant risk to the financial stability of the United States. The Funds may invest in such large, interconnected financial companies and therefore may face losses if such financial companies are put into receivership and then liquidated upon a determination by the U.S. Federal Deposit Insurance Corporation and the board of governors of the U.S. Federal Reserve. If a financial company becomes liquidated by the OLA, the Funds’ investments in such a financial company could be adversely affected. Unlike in bankruptcy proceedings, creditors, shareholders and contract counterparties will not have any input into, or advanced notice about, the liquidation or reorganization of the applicable financial company. Many of the procedural rules for the OLA have not yet been written, and it is unclear how financial companies that become subject to liquidation proceedings would be affected.

*Special Situations.* The Funds may from time to time invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell their investments at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of their entire investments in such companies.

*Event and Risk Arbitrage.* An event and risk arbitrage position is generally taken after a merger, tender offer, exchange offer or other transaction is announced, at which point the security has generally risen to a significant premium over the market price that prevailed prior to the announcement. The difference between the price paid by the Funds for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, usually to a level comparable to or below that which existed prior to the announcement and generally by more than the Funds’ anticipated profit. Further, the Funds may invest and trade in securities of companies which, although they are not the subject of an announced proposed merger or acquisition, are viewed as potential candidates for such a transaction. Either of these scenarios (non-consummation of an announced deal or non-consummation of an anticipated unannounced deal) can cause the Funds to suffer a significant loss with respect to any long positions that they have established in the relevant security. Similarly, with respect to any short positions, to the extent such positions have to be covered, the Funds could be adversely affected. Various events may occur which may result in a transaction not being consummated which could adversely affect the Funds’ position.

*PIPE Investing.* The Funds may from time to time make private placement investments in public companies (“PIPEs”). These are typically securities issued pursuant to Regulation D of the Securities Act

to “accredited investors” such as the Funds. Generally, the issuer’s common stock is publicly traded on a U.S. securities exchange or listed on the over-the-counter market. However, the securities acquired by the Funds (in the case of equity or preferred securities) or the underlying securities (in the case of warrants, options, or convertible securities) typically are unregistered and subject to re-sale restrictions, but these securities may have registration rights which generally require the issuer to register them for re-sale by the Funds following the date of issue. Certain convertible securities issued in these privately negotiated transactions, however, may provide for registration at a date several months in the future. Often, the issuers of PIPEs will have unstable, fluid, or weak financial positions. As a result, PIPE investments made by the Funds may lose some or all of their value, which could cause losses to the Funds.

PIPE strategies have historically been significantly more likely to be successful during periods of rising equity prices. In such conditions, not only is it easier to liquidate the equity acquired upon conversion of the Funds’ illiquid and restricted securities, but also the equity price may increase from the date of the conversion, increasing the profit of conversion. PIPE investing also involves making capital commitments to issuers without access to traditional capital markets in situations in which the bankruptcy of the issuer could result in a total loss of the investment and thereby result in losses to the Funds. Analysis of the financial condition of each issuer is an important component of determining whether to make any such investment.

*Loans of Securities; Pledge of Assets.* Pursuant to master securities lending agreements or similar agreements, the Funds may lend securities from their portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash and securities in an amount equal to or greater than the current market value of the loaned securities, including any accrued interest or distribution receivable. During the term of such loan, the Funds will not retain all incidents of beneficial ownership as to the loaned portfolio securities, including voting rights. They will, however, generally retain the rights to interest or other distributions, and will have the right to regain record ownership of the loaned securities to exercise such beneficial rights. Such loans will be terminable at any time upon sufficient notice to the other party.

It should be noted that, pursuant to each Fund’s account agreement with prime brokers, the prime brokers may, under certain circumstances, lend Fund securities to third parties without notice to the Funds and without providing any collateral to the Funds. If a prime broker makes such loans of securities from a Fund’s accounts, the Fund may not be able to vote such securities. In addition, if a prime broker were to become insolvent in the United States, the Funds would not have a claim against any specific assets of such prime broker, but would have a claim against the pool of assets held for the benefit of such prime broker’s customers. Jurisdictions outside of the United States may not provide any similar rights to the Funds.

*Herding Risk.* The substantial growth of the hedge fund industry and funds trading large highly-leveraged positions of the same nature as those held by other funds have augmented herding risks. While we typically strive not to invest, on behalf of the Funds, in securities and/or other instruments that are broadly followed by other funds, such funds may later discover opportunities in the same securities and/or other instruments in which the Funds have already invested. Whatever the “fair price” of a security, instrument or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may provide surprising and sudden losses at unpredictable times, even after long periods of calm. The negative impact of herding is greatest when markets are under stress and traders holding large leveraged positions seek to liquidate or cover positions simultaneously.

Inside Information. From time to time, we and our affiliates may come into possession of inside information concerning specific companies. Under applicable securities laws, this may limit the Funds' ability to buy or sell securities issued by such companies. If the Funds hold the securities of a company with respect to which we are in possession of inside information, the Funds may be restricted from trading the securities of such company for an indefinite period of time, which could result in losses to the Funds.

Significant Positions; Shareholder Activism; Will Not Necessarily Exercise Voting Rights. The Funds may take significant positions in portfolio companies that result in the Funds acquiring (i) more than five percent (5%) of a class of securities of a single issuer which would require the filing of a Schedule 13D or 13G statement with the SEC, or (ii) more than ten percent (10%) of a class of securities of a single issuer (which would impose certain limitations on the Funds' ability to trade in such securities, including the restrictions of Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")).

At times, the Funds may engage in proxy contests, takeover bids, shareholder class actions or other litigation, or other activity which may place the Funds in a high-profile position which is adverse to issuer management and/or other security holders. The Funds may, as a result of such techniques or otherwise, obtain a controlling or other substantial position in any public or private company. The Funds may become subject to regulatory proceedings or other litigation.

At various times, we may agree with unrelated third parties to coordinate investments in activist positions. If any such third party suffers damage to its reputation, a Fund may also incur damage to its reputation as a result of the group association. We may agree with such parties not to purchase and/or sell the applicable securities or related securities without the consent of such parties and may agree with such parties to vote or not to vote such securities in a certain manner. This may result in the Funds being unable to engage in certain transactions when we would otherwise deem it desirable. Under U.S. law, the formation of a "group" may result in the Funds being deemed to own in excess of ten percent (10%) of an issuer's securities even when the Funds' position itself is less than ten percent (10%) thereby resulting in "short-swing" transaction reporting and potential forfeiture obligations.

The Funds' ability to realize value from certain of their positions may depend upon our ability to influence the management of a portfolio company to take certain actions, including, for example, a recapitalization, restructuring, spin-off, sale of the business or change in management. If we are incorrect in our assessment of the impact such action will have on the value of the portfolio company, or if we are unsuccessful in persuading the portfolio company's management to take the desired action, the Funds may sustain a loss on their position.

Other than in the context of activist positions, we do not expect to generally exercise voting authority with respect to proxies in connection with the securities held by the Funds, unless we determine that it would be in the best interests of the Funds to do so.

Litigation Risk. In some cases, the Funds' trading program may result in the Funds taking an activist position with respect to an issuer. For example, we may challenge action sought to be taken by an issuer that we believe will have an adverse impact upon the value of a class of such issuer's securities. In such case, either the issuer itself, or other market participants with positions adverse to that of the Funds, may institute litigation against the Funds challenging their activist conduct. Alternatively, we may initiate litigation as a tool to further activist goals, and such litigation may precipitate counterclaims. Litigation, even if successful, is often expensive. Unsuccessful litigation could result in losses to the Funds.

*Changes and Uncertainty in U.S. and International Regulation.* The Funds may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which the Funds' assets are exposed through their investments or investor base. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause us to alter investment and trading plans, including the holding period of positions and the nature of instruments used to achieve the Funds' investment objectives.

In the United States, we, the Collaborative GP and the Funds may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations, including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd-Frank Act and the rules promulgated thereunder could result in additional regulatory compliance burdens and trade reporting, which may add significant costs to the Funds.

Additionally, there is speculation that some of the provisions of the Dodd-Frank Act and rules and regulations promulgated thereunder may be revised, repealed or amended. The impact of any such changes is unknown. We do not undertake to update investors upon such changes or finalization of any such changes.

*Coronavirus and Global Health Events.* Epidemics, pandemics and other widespread public health problems could adversely affect the Funds' performance. For example, in late 2019, a novel virus started causing a disease ("COVID-19") with severe acute respiratory syndromes in humans, at times with serious health complications that sometimes result in death. What began as a local outbreak in Wuhan, China, spread globally over the course of weeks, stressing advanced healthcare systems of Western countries and resulting in financial disruptions of an extent that remains unclear. On March 11, 2020, the World Health Organization assessed that the outbreak can be characterized as a pandemic. Many countries imposed restrictions on travel and strict measures of social distancing.

As the final impact on global markets from COVID-19, or future epidemics, pandemics or other health crisis, is impossible to predict, the extent to which any such crisis may negatively affect the Funds' performance or the duration of any potential business disruption is uncertain. Precautions or restrictions imposed by governmental authorities and public health departments related to this pandemic have resulted in and are expected to continue to result in indeterminate periods of decreased economic activity throughout the U.S. and globally, including reduced or ceased business operations, decline in international trade and shortages of supplies, goods and services. An outbreak such as COVID-19, and the reactions to such an outbreak, have caused and are expected to continue to cause uncertainty in the markets and businesses and have adversely affected and are expected to continue to adversely affect the performance of the U.S. and global economy, including due to market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees to work at external locations and extensive medical absences among the workforce. As a reaction to such an outbreak, governmental fiscal and economic measures have led, and will likely continue to lead to an increase in spending and other forms of financial stimuli, and it is difficult to predict what effect such measures will have on the U.S. and the global economy. Although vaccines for COVID-19 are being distributed, distribution is lagging and/or

uptake is erratic in certain regions, and it is impossible to predict when or whether the disruptions caused by the COVID-19 pandemic will end.

The impact that pandemics and other public health events will have on the performance of the Funds in particular is uncertain, and it will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of the coronavirus or other health crisis, and the actions taken by authorities and other entities to contain such crisis or treat its impact, particularly in the United States, all of which are beyond our control.

*Operational and Information Security Risk from Cyberattacks; Cyber-Fraud.* We, the Collaborative GP, the Funds and our respective service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cyberattacks affecting us, the Funds, the Collaborative GP, the Administrator, the Funds' prime brokers, custodians and other third party service providers may adversely impact the Funds. For instance, cyberattacks may interfere with the processing of investor transactions, impact the ability to calculate the Funds' net asset values, cause the release of private investor information or other confidential information, impede trading, subject the Funds and their service providers to regulatory fines or financial losses and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for the Funds, and may cause the Funds' investments to lose value. The Funds may also be the targets of cyber-fraud that could result in the theft of assets from the Funds, especially as computer malware, viruses and computer hacking, fraudulent use attempts and phishing and spoofing attacks have become more prevalent. In the hedge fund industry, these attacks have included third-party actors submitting fraudulent withdrawal and transfer requests, resulting in the theft of the rightful investor's assets. The Funds and their service providers may incur additional costs relating to cybersecurity preparations, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change. We have taken measures designed to mitigate these risks (for example, by having our systems and data be "cloud"-based), but there can be no assurance that such risks will not materialize.

#### **Item 9. Disciplinary Information**

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

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

##### *Services by our Related Person*

As noted above, the Collaborative GP serves as the general partner to the Onshore Fund and the Master Fund. Both we and the Collaborative GP are principally owned by Sheetal Sharma, who also serves as one of the Directors of the Offshore Fund.

##### *Relationship with Strategic Investor*

A strategic investor, which is an established venture capital firm (the "Strategic Investor"), is entitled to share in a percentage of the revenues generated by us and the Collaborative GP. In connection with this



arrangement, the Strategic Investor will receive certain other rights, which are not expected to be provided to other investors, including certain limited consent and transparency rights over specific actions. We expect to benefit from certain synergies and efficiencies brought about by this collaborative relationship with the Strategic Investor.

Notwithstanding the foregoing, the Strategic Investor will not be active in the management or day-to-day business activities of the Funds, us or the Collaborative GP and will have essentially no say on our day-to-day operational, investment or trading decisions. Nonetheless, we have implemented various processes to mitigate the compliance considerations associated with our relationship with the Strategic Investor.

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

##### *Code of Ethics Overview*

We have adopted a Code of Ethics, which is designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics sets forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our clients.

Among other things, our Code of Ethics: (i) governs personal trading by our employees, (ii) contains our policies with respect to gifts and entertainment, (iii) contains our policies regarding certain outside activities of our employees, (iv) sets forth our policies and procedures relating to insider trading, and (v) sets forth the manner in which employees may report violations of law or our policies and procedures. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

##### *Personal Trading Policy*

Employees are required to obtain the written consent of our Chief Compliance Officer (the “CCO”) prior to engaging in personal transactions in single-name stocks or derivatives thereon, initial public offerings, limited offerings and private placements. Additionally, employees are required to provide our CCO with periodic reporting relating to their trading activity and personal accounts. Our policies relating to personal trading also generally apply to an employee’s spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

##### *Participation or Interest in Client Transactions*

We make available to qualified prospective investors the opportunity to invest in the Funds. Our CIO has significant personal investments in the Funds. In addition, the Collaborative GP, our affiliate, is entitled to receive performance-based allocations from the Funds.

We will not engage in any principal transactions unless we have determined that the transaction is in the relevant clients’ best interests and have obtained client consent in accordance with our written procedures and applicable law.

**Item 12. Brokerage Practices***Selection of Brokers*

We have an obligation to seek to obtain “best execution” for the Funds with respect to their trading activity. While not defined by statute or regulation, best execution generally means the execution of client trades at the best net price considering all relevant circumstances. We seek best execution with respect to all types of Fund transactions, taking into account various factors. Such factors include, among others: price, the ability of the brokers to effect the transactions, the brokers’ facilities, reliability and financial responsibility and the provision or payment (or the rebate to the Funds for payment) of the costs of property or services (e.g., short-term custodial services, research services, news and quotation services, publications, and other services). In selecting brokers to execute transactions (or series of transactions) and determining the reasonableness of the brokers’ compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations but can (and often does) exceed the suggestions, because total brokerage is allocated based on all the considerations described above.

We have established a Brokerage Committee, which meets on a quarterly basis to evaluate, among other things, the execution that we are receiving from brokers. In conducting its analysis, the committee may consider the factors listed above, among others, and will review gifts and entertainment received, and any known conflicts of interests (e.g., directing commissions to a broker that employs a family member of one of our employees).

*Outsourced Trading*

We delegate the authority to select brokers for certain client transactions to a third party. As a result, client expenses may be higher than if we traded directly with brokers only.

*Research and Other Soft Dollar Benefits*

We do not currently have any formal soft dollar arrangements, but we may enter into such arrangements in the future. Nonetheless, we execute transactions on behalf of our clients with brokers that provide us with access to bundled services, including access to proprietary research reports (such as standard investment research and credit reports) and invitations to attend conferences. To the best of our knowledge, these services are generally made available to all institutional investors doing business with such brokers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such brokers. If we engage in soft dollar transactions in the future, we intend to comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

During our last fiscal year, we acquired research (such as proprietary research from brokers) with client brokerage commissions (or markups or markdowns).



*Brokerage for Client Referrals*

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

*Trade Errors*

We may on occasion experience errors with respect to trades made on behalf of client accounts. We will reimburse each client account for losses resulting from trade errors, subject to and in accordance with the terms of the exculpation provision in such client's Governing Documents.

*Aggregation of Orders*

We will not aggregate trades while the Funds are our only clients, since they will operate through a single master-feeder structure.

**Item 13. Review of Accounts***Review of Accounts*

The Funds' portfolios are reviewed, and their performance analyzed, by our CIO on a regular basis. In addition, our CIO regularly reviews the Funds' portfolios to confirm that the securities held by them remain consistent with their investment strategies, objectives and guidelines.

*Reporting*

We furnish investors in the Funds with periodic written unaudited performance reports as set forth in the Funds' Governing Documents. In addition, on an annual basis, we provide investors with a copy of the relevant Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1).

Pursuant to "side letter" or other agreements, we provide certain investors (including the Strategic Investor (see *Item 10 – Other Financial Industry Activities and Affiliations*)) with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or us (including notifications of redemptions from a Fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

In addition, investors may be provided with certain information about us and the Funds in response to questions and requests. This information may not be distributed to other investors or prospective investors. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

**Item 14. Client Referrals and Other Compensation**

Other than the products and services that we receive from broker-dealers (described above in *Item 12*), we do not receive any economic benefits from third parties in connection with the provision of investment advice to the Funds.

We do not compensate any third-party marketers for introductions to potential investors or clients.

**Item 15. Custody**

For purposes of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the “Custody Rule”), we are deemed to have custody over the Funds’ assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds’ audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) we deliver such annual audited financial statements to investors within 120 days after the end of each Fund’s fiscal year.

**Item 16. Investment Discretion**

We have discretionary authority to manage securities and other investments on behalf of the Funds. The investors in the Funds generally are not able to place any limits on our authority beyond the limitations set forth in their respective Governing Documents. Under certain circumstances, we may contract with SMA clients to adhere to limited risk and/or operating guidelines imposed by such clients. We would negotiate such arrangements on a case-by-case basis.

**Item 17. Voting Client Securities**

We have voting discretion over client securities. Clients are generally not able to direct their votes in a particular situation. Our proxy voting policies and procedures are summarized below.

In light of our investment strategy, we generally believe that proxies will not have a material impact on the value of our clients’ investments. Therefore, in the absence of specific voting guidelines mandated by a particular client, we generally intend to abstain from voting proxies. Nonetheless, we track each proxy and will vote a proxy if we determine that voting would be in the best interests of our clients.

When voting, will vote all proxies in the best interests of each client, absent specific voting guidelines from the client or conflicts of interest. This may result in different voting results for proxies for the same issuer. We may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) management of the issuer’s views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders’ concerns (*e.g.*, instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure), and (iii) whether we believe that the proposal will fairly compensate management for its and/or the issuer’s performance. If we deem that the issue being voted upon is not material for us and our clients or we determine that the cost of voting a proxy would exceed the expected benefit to our clients, we will not be obligated to vote on such matter.

Upon the request by a client, we will disclose to such client how we voted proxies for securities owned by such client. We will also provide a copy of our proxy voting policies and procedures to clients upon request.

**Item 18. Financial Information**

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

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

We are not a state-registered adviser.