

# Troluce Capital Advisors, LLC

Form ADV Part 2A

Firm Brochure

March 29, 2022

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**This brochure (this “Brochure”) provides information about the qualifications and business practices of Troluce Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (617) 306-1130. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

Additional information about Troluce Capital Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

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This Brochure, dated March 29, 2022, provides you with a summary of the advisory business of Troluce Capital Advisors, LLC (hereinafter “Troluce,” the “Adviser” or “us”). Since the Adviser filed its initial Brochure on March 4, 2021, the Adviser notes the following material changes:

- Item 4 – Advisory Business: This item has been updated to reflect that the Adviser now has discretionary regulatory assets under management.
- Item 5 – Fees and Compensation: This item has been updated to reflect the Adviser’s bonus compensation.
- Item 8 – Risk of Loss: This item’s risk factors have been updated to include more information related to COVID-19, public health crises, and economic or political sanctions.

### Item 3 - Table of Contents

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## **Item 4 - Advisory Business**

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Troluce Capital Advisors, LLC (“Troluce” or the “Adviser”) is an investment adviser with its principal place of business located in Dorado, Puerto Rico (USA). The Adviser was formed and began operations in 2021, and has been registered with the SEC as an investment adviser since April 2021. The Adviser is organized as a single member limited liability company. Its sole member is Jared Dubin (the “Principal”).

The Adviser provides investment advisory services as a sub-adviser to a sleeve of a privately offered pooled investment fund (the “Fund”) sponsored by an unaffiliated adviser. Adviser does not presently expect to advise clients other than the Fund, but may choose to do so in the future. The Adviser manages the sleeve of the Fund (the “Account”) on a fully discretionary basis in accordance with the terms of the investment management agreement between the Adviser, the Principal, the Fund, and the Fund’s investment adviser, ExodusPoint Capital Management, LP (the Fund’s investment adviser, the “Firm,” and such agreement, the “IMA”), the risk parameters agreed upon between the Adviser and the Firm, and the investment objectives outlined in the limited partnership agreement, investment management agreement, offering memorandum, and/or other applicable documentation for the Fund or its feeder funds (collectively, the “Offering Documents”). The Adviser manages the Account using both fundamental and quantitative strategies to trade in global equities, ETFs, derivatives, futures, swaps, credit instruments, sovereign obligations, foreign currencies, and other assets with an investment objective of seeking to generate superior risk-adjusted absolute returns. The Adviser does not participate in any wrap fee programs.

Any Fund restrictions on investments are set forth in the IMA and Offering Documents. The Adviser does not tailor its investment advice to any individual Fund investors. As such, investors cannot impose restrictions on the types of investments made through the Fund in the Account. The Adviser has limited trading authority with respect to the Account. In this regard, the Adviser: (i) will not have custody of the Account’s assets, (ii) will not determine the final value of the Account’s positions, (iii) will not have the ability to move the Account’s cash or securities, and (iv) will not enter into any other agreements on behalf of the Account or the Fund. In addition, the Adviser is not responsible for performing trade settlement, and certain administrative and other back-office functions.

As of December 31, 2021, the Adviser has approximately \$285,369,800 in discretionary regulatory assets under management, rounded to the nearest hundred thousand. The Adviser currently does not provide nondiscretionary advice.

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

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### **A. Fees and Billing**

The Adviser does not receive a management fee from the Fund. Instead, the Fund compensates the Adviser for its advisory services by paying certain expenses that the Adviser incurs in connection with its management of the Account and, while the Fund is the Adviser’s sole client, certain operating expenses of the Adviser (such expenses, “Expenses”). Expenses are not deducted directly from the Account. The Adviser’s Expenses are either paid by the Firm on a

monthly basis or reimbursed by the Firm periodically. Such expenses may be directly or indirectly borne by the Fund.

The Adviser receives a fixed annualized fee amount as agreed upon between the Adviser and the Firm (the “Draw”).

In addition to the Expenses and Draw described above, the Adviser is entitled to performance-based compensation with respect to the Account, as further discussed in Item 6 – Performance-Based Fees and Side-by-Side Management below. The Adviser also has received, and is eligible in the future to receive, bonus compensation from the Firm borne by the Fund.

Please refer to the Firm’s Form ADV Part 2A (the “Firm Brochure”) for additional information regarding the compensation structure applicable to the Fund.

## **B. Additional Expenses**

The Firm and/or the Fund pays certain expenses associated with the Adviser’s management of the Fund, as dictated by the Offering Documents.

The Firm and/or the Fund pays brokerage costs associated with transactions the Adviser orders for the Account. These costs are paid to brokers who execute transactions for the Fund, and who supply or pay for the cost of research and execution services. The brokers used for execution will be selected by the Firm. As the Adviser does not select brokers, the Adviser is not in a position to seek to obtain best execution. Rather, the Firm assesses best execution quality and decides which broker to use for transactions in the Account.

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

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In addition to the fees described in Item 5, the Adviser receives a performance-based incentive allocation based on the gross investment performance of the Account net of any expenses allocated to the Adviser (“Incentive Allocation”) if the Account generates net capital appreciation for investors. Following each year end, the Incentive Allocation will be paid to the Adviser. Certain aspects of the Incentive Allocation are based on estimates, and there is a mechanism in place to true up for any overpayment or underpayment with respect to the Incentive Allocation. Investors should note that (i) the fact that the Incentive Allocation is allocated only in respect of net capital appreciation creates an incentive for the Adviser to make investments that are riskier or more speculative than would be the case if the Adviser were compensated solely based on a flat percentage of assets under management and (ii) the Adviser may receive increased allocations because the Incentive Allocation is calculated on a basis that includes unrealized appreciation as well as realized gains.

The Adviser currently does not, but may in the future, advise other client accounts that may be subject to different fees than the Account, including client accounts that do not pay performance-based fees. In such event, the Adviser will have an incentive to favor accounts that pay performance-based fees over accounts that do not.

## **Item 7 - Types of Clients**

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The Adviser provides investment advisory services to the Account, which is a sleeve of the Fund, a privately offered pooled investment fund. Investment advice is provided directly to the Account and not individually to any Fund investor. Investors in the Fund include, but are not limited to, one or more of the following: high net worth individuals, family offices, fund of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, sovereign wealth funds and corporate or business entities.

The Adviser is not seeking or taking on other clients at this time.

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

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

The Adviser seeks to generate superior risk-adjusted absolute returns through the combination of a deep, quantitative, research process coupled with discretionary fundamental overlays, implemented through risk-controlled portfolio construction. The Adviser employs global, low beta, long/short equity, long/short credit, and special situations strategies, pursuant to which it will invest, long and short, in publicly traded equities, equity-related instruments, and credit instruments, across all market capitalizations. Capital is invested across strategies and products based on the perceived potential for each investment to further the Adviser's goal of producing super risk-adjusted absolute returns. The broad mandate allows the Adviser to take an opportunistic approach to investing, while striving to maintain a disciplined, quantitative research-driven approach to security selection.

Quantitative models, which are abstract descriptions of computer codes that process price and securities data from public markets exchanges and other sources, identify investments in products with attractive risk-reward profiles. Outputs of quantitative models may be combined with the Principal's investment judgment to select the final constituents of the portfolio. The purchase and sale of investment products will be predominantly executed through electronic channels, though human involvement in soliciting bids and offers for specific instruments may be used when trading larger notional positions, or for trading instruments derivatively priced or otherwise unavailable for purchase through electronic means.

Special situations are the set of investment opportunities presented by corporate actions and changes in companies' capital structures. The Adviser regularly invests in companies undergoing such processes, with the goal of identifying mispricings in one or more related securities.

The Adviser employs strategies that will cause the portfolio to frequently buy and sell investment products. Decisions on the frequency with which to buy and sell are done commensurate with the Adviser's goal of producing superior risk-adjusted absolute returns.

As mentioned above, the Adviser provides investment advisory services to the Account, which is a sleeve of the Fund, a privately offered pooled investment fund. Investment advice is provided directly to the Account and not individually to any Fund investors. Acquiring an interest in a private investment fund involves a number of risks, including complete loss of investment. Such

investments are speculative and not intended as a complete investment program. They are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their investment. The Adviser makes no guarantee or representation that the Account will achieve its investment objective or that investors in the Fund will not experience a loss of their capital. The investment strategies used on behalf of the Account entail substantial risks, including, but not limited to, those listed below. Further risk factors are listed in the confidential governing documents of the Funds and are further discussed in the Firm Brochure.

## **B. Material Risk Factors**

**Investment Risks:** Risks associated with the Adviser's investment strategies, and the securities and other assets utilized to implement those strategies, include, but are not limited to, those listed below.

Market Risks in General: The Adviser's strategies will always be subject to some dimension of market risk, including, but not limited to directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, changes in credit spreads, equity prices, commodity prices, foreign exchange rates, "flights to quality" and "credit squeezes." Price movements are influenced by many unpredictable factors, such as market sentiment, momentum, inflation rates, interest rate movements and general economic and political conditions both inside and outside the markets where the Adviser will invest. The Account's style of alternative investing (including the use of relative value investing) may be no less speculative than traditional investing strategies. Alternative investment strategies have from time to time incurred sudden and dramatic losses.

The particular or general types of market conditions in which the Account may incur losses or experience unexpected performance volatility cannot be predicted, and the Account may materially underperform other investment advisers with substantially similar investment objectives and approaches.

Volatility: The prices of certain instruments that may be traded by the Adviser have been subject to periods of excessive volatility recently and in the past, and such periods can be expected to continue or recur. While volatility can create profit opportunities for the Account, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, and may cause what should otherwise be comparatively low risk positions to incur losses. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. The expanded influence of social media platforms on the market, combined with the access to costless retail brokerage, can exacerbate the volatility of particular issuers.

Market Disruptions and Governmental Intervention: The global financial markets have recently gone through disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, given the complexities of the financial markets and the speed with which governments have felt compelled to act, these interventions have been unclear in scope and application, and have resulted in confusion and

uncertainty which in itself has been detrimental to some markets as well as previously successful investment strategies.

The Account may incur major losses in the event of disrupted markets and other extraordinary events in which pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets positions may become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its banks, dealers and other counterparties may be reduced (potentially to zero) in disrupted markets, and such a reduction may result in substantial losses to the Account. Market disruptions may cause dramatic losses for the Account, and such events can result in investment strategies performing with unprecedented volatility and risk.

Equity 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 domestic and international political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made on behalf of the Account.

ETFs: ETFs may trade at a discount or premium to their underlying net asset value (“NAV”). ETFs may not fully replicate the construction of their benchmark index, resulting in performance that differs from expectations. Investors purchasing an ETF at a premium may underperform the ETF NAV, while the redemption of ETF shares may result in the ETF trading at a discount to NAV.

International Investments: International investing and trading involve special risks not typically associated with trading in investments relating to markets and/or issuers solely in the United States that can increase the chances that an investment will lose money. Depending on the particular countries and investments involved and on the nature of the particular transactions executed outside of the United States, these special risks may include changes in exchange rates and exchange control regulations; downgrades in sovereign credit ratings; devaluations or non-convertibility of non-U.S. currencies; failures or disruptions in central banks, banking systems, markets, or financial exchanges; changes in monetary policies, interest rates, or interest-rate policies; political, social, and economic instability; adverse diplomatic developments; investment and repatriation restrictions; the nationalization and/or expropriation of assets; government intervention in the private sector; default by public and private issuers on their financial obligations (and limited recourse in connection with such defaults); the imposition of non-U.S. taxes; discrimination against foreign investors; and less liquid markets, less information, higher transaction costs, greater difficulty in enforcing contractual obligations, fewer or different rights for creditors generally, more uncertain procedures (if any) for bankruptcy or other reorganization or liquidation proceedings (“Reorganization Proceedings”), less information regarding legal and regulatory risks, less uniform accounting and auditing standards, greater price volatility, less reliable clearance and settlement procedures, more onerous regulatory requirements for private investment funds, and/or less government supervision of exchanges, brokers, market intermediaries, issuers, and other markets and market participants than is generally the case in the United States.



Further, individual non-U.S. economies may differ favorably or unfavorably from the U.S. economy in various respects, such as pace of economic growth, rate of inflation, amount of capital reinvestment, degree of resource self-sufficiency, and balance of payments position. For example, inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which the Adviser may invest, and may therefore have a material adverse effect on the Adviser's investment strategies.

The Adviser may trade, directly or indirectly, investments on exchanges, or use clearinghouses or clearing firms, located outside the United States. Some non-U.S. exchanges, in contrast to domestic exchanges, are "principals' markets" in which performance is solely the responsibility of the individual member with whom the trader has entered into a contract and not that of an exchange or its clearinghouse. The Account thus may be subject to the risk of the inability of, or refusal by, a counterparty to perform with respect to any such contract. Moreover, as there may be less government supervision and regulation of non-U.S. exchanges, clearinghouses, and clearing firms than of those in the United States, clients also may be subject to greater risk of failures of the exchanges on which its positions trade and/or failures of such exchanges' clearinghouses or clearing firms than it would be in the United States. The governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Many foreign governments do not supervise and regulate stock exchanges, brokers, and the sale of securities to the same extent as does the United States and may not have laws to protect investors that are comparable to U.S. securities laws. Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments.

The foregoing risks are likely to be more pronounced in connection with investments in countries with developing or emerging markets.

Derivatives Use: Derivatives trading is highly speculative. Price movements of derivative contracts are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, and national and international political and economic events. Foreign currency forward prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions, and currency devaluations and revaluations. In addition, unless a portfolio is hedged against fluctuations in the exchange rate between the U.S. dollar and the currencies in which trading is done on some foreign exchanges, any profits that such a portfolio realizes in trading on such exchanges could be eliminated by adverse changes in the exchange rate, or such a portfolio could incur losses as a result of any such changes. Due to the low margin deposits normally required in derivatives trading, an extremely high degree of leverage is typical of a derivatives trading account. As a result, a relatively small price movement in a derivatives contract price may result in substantial losses to a portfolio. Like other leveraged investments, any purchase or sale of a derivatives contract may result in losses in excess of the amount invested. Accordingly, relatively small derivatives positions have the potential to erode significantly or erase gains and compound losses in other investments held by a portfolio.

Leverage: The Fund controls the amount of direct leverage that may be employed in the Account and, in its discretion, may reduce or eliminate the use of such leverage. Certain of the Adviser's investments may expose the Fund to embedded leverage.

Financing Arrangements; Availability of Credit: The Adviser's use of substantial leverage depends on the availability of credit in order to finance its portfolio. There can be no assurance that the Adviser or the Account will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Adviser can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel the Adviser to liquidate all or part of the Account at disadvantageous prices. The financing available to the Adviser from banks, dealers and other counterparties is likely to be restricted in disrupted markets.

Restricted Securities and Private Investments: The Account makes investments in restricted securities issued in exempt offerings and may make other private investments and other investments in illiquid instruments purchased or sold in private transactions. There may be no trading market for these instruments, and the liquidation of such investments could, depending on the circumstances, be difficult or occur at disadvantageous prices. As a result, the Account may be required to hold such securities for extended periods of time. It may be difficult to hedge such investments and, unlike readily marketable securities, such investments typically are not eligible for portfolio financing. In some instances, the Adviser may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at prices lower than similar securities that are not subject to restrictions on resale.

Liquidity Risks: Some of the markets in which the Account may invest may experience periods of illiquidity. As a result, the Adviser may be unable to predict with confidence that an exit strategy will be available for those investments. Lack of liquidity can make it difficult or impossible for the Adviser to purchase or sell instruments or other assets at desired prices or in desired quantities, as a result of which, among other things, it may be economically unfeasible for the Account to recognize profits on open positions or to close out open positions against which the market is moving. In particular, sales of illiquid instruments may be possible only at a substantial discount. In addition, such instruments may be difficult to value, and illiquidity can disconnect market values from the historical pricing indicators used in the Adviser's investment analysis, as the fewer transactions that take place the greater the risk of market values not reflecting true pricing relationships or fair value.

Some of the instruments in which the Adviser may invest are illiquid and not traded in any public market. The Adviser may also acquire substantial positions in certain instruments relative to the total amount of such instruments outstanding. The Adviser may not be able to promptly

liquidate such investments if the need should arise or may be able to liquidate investments only at substantial discount from cost, and it may be extremely difficult to value any such investments accurately.

Hedging: The Adviser engages in a variety of techniques to hedge certain risks at a position, strategy or overall portfolio level. Hedging techniques involve one or more of the following risks: (i) imperfect correlation between the performance or value of the hedging instrument and the value of the instruments needing to be hedged; (ii) possible lack of a secondary market for closing out a position in such hedged instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by the Adviser; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Account trades.

Use of derivatives and other techniques for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

The Adviser may choose to hedge all or certain risks either in full, in part, or not at all, and either in respect of particular positions or in respect of the Account's overall portfolio. Certain risks may not be able to be effectively hedged by the Adviser. The Account's portfolio composition commonly results in various directional risks remaining unhedged. The Adviser may rely on diversification to control such risks to the extent that it believes it is desirable to do so.

The ability of the Adviser to hedge successfully depends on its ability to predict pertinent market movements, which cannot be assured. The ongoing success of any hedging strategy is dependent on the ability to adjust hedges as markets or correlations change, and there can be no assurance that the Adviser will be able to make such adjustments successfully. The Adviser is not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective and not result in losses.

Short Selling: When deemed appropriate by the Adviser, the Adviser will sell securities short for the Account. A short sale is effected by selling a security which the Account does not own. In order to make delivery to the buyer of a security sold short, the Account must borrow the security from a third party lender. In so doing, the Account incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Account must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be

available for purchase. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the client. Furthermore, the client may prematurely be forced to close out a short position if a counterparty from which the Account borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position. If it is determined by the broader market that the Account (and others) are short a heavily shorted security, the client may be susceptible to the risk that groups of investors may coordinate, on social media or otherwise, to drive up the price of the short position for the purpose of causing the holders of such a position, including the Account, to close out of such position at a significant loss.

The U.S. government and certain non-U.S. jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Adviser to implement its strategies. It cannot be determined how future regulations may limit the Adviser's ability to engage in short selling and how such limitations may impact the Account's performance.

Relative Value Strategies: The success of the Account's relative value investing depends on the Adviser's ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional investments as the former attempt to exploit price differentials rather than overall price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which the Account maintains its positions. In addition, arbitrage trades can result in significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. The Adviser's relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third-party valuation models. Market disruptions may also force the Adviser to close out one or more of the Account's positions. Such disruptions have in the past resulted in substantial losses for investment funds employing relative value strategies.

In recent market conditions, the profitability of relative value investing has been materially reduced—in part due to the number of market participants seeking to exploit the same perceived mispricings and increasing correlations in the equity markets.

Event Driven Investing: The Adviser makes investments on its clients' behalf in issuers involved in, or the target of acquisition attempts or tender offers or issuers involved in work outs, liquidations, spin offs, reorganizations, asset sales, changes in control, distributions, bankruptcies and similar transactions. The Adviser makes certain investments in anticipation of such events. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Account 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 Account may be required to sell its investment at a loss.

Event driven investing requires the Adviser to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of an issuer's financial

instruments. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by an issuer may not be valued as highly by the market as the Adviser had anticipated, resulting in losses. In addition, an issuer may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Adviser of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state or foreign regulatory agency; (iii) efforts by the target company to pursue a “defensive” strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing.

**Quantitative and Statistical Methods of Analysis Risks:** Risks associated with the Adviser’s quantitative and statistical methods of analysis include, but are not limited, those listed below.

Quantitative Strategies and Trading: Quantitative strategies and execution techniques cannot fully match the complexity of the financial markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact their performance. Quantitative strategies employed by the Adviser rely on patterns inferred from the historical series of prices and other data. Even if all of the assumptions underlying the strategies were met exactly, the strategies can only make a prediction, not afford certainty. There can be no assurance that the future performance will match the prediction. In addition, changes in underlying market conditions can adversely affect the performance of a statistical strategy. Further, as market dynamics shift over time, previously highly successful strategies and execution techniques tend to become outdated – perhaps without the Adviser recognizing that fact before substantial losses are incurred. Even without becoming completely outdated, a given quantitative model’s effectiveness may decay in an unpredictable fashion for any number of reasons including, but not limited to, an increase in the amount of assets managed, the use of similar strategies and execution techniques by other market participants and/or market dynamic shifts over time. Moreover, there are likely to be an increasing number of market participants who rely on strategies and execution techniques that are similar to those used by the Adviser, which may result in a substantial number of market participants taking the same action with respect to an investment and some of these market participants may be substantially larger than any given client. Should one or more of these other market participants begin to divest themselves of one or more positions, a “crisis correlation,” independent of any fundamentals and similar to the crises that occurred, for example, in September 1998 and August 2007, could occur, thereby causing certain clients to suffer material, or even total, losses.

Reliance on Technology: The Adviser’s investment management process and business operations rely on a variety of computer hardware and software systems and platforms, some of which may be proprietary while others may be licensed from third parties (such systems and

platforms, collectively, “Computer Systems”). Incorrect data, including stale or missing data, hardware or software malfunctions, programming inaccuracies, and similar errors may impair the performance of Computer Systems, which may negatively affect investment performance. The quantitative models utilized by the Adviser are fundamentally dependent on technology, including hardware, software and telecommunications systems. The data gathering, research, forecasting, portfolio construction, order execution, risk management, operational, back office and accounting systems, among others, utilized by the Adviser and/or the Firm or the Fund are all highly automated and computerized. Such automation and computerization is dependent upon an extensive amount of proprietary software and third-party hardware and software. Such software and hardware are known to have errors, omissions, imperfections and malfunctions (collectively, “Coding Errors”). Coding Errors in third-party hardware and software are generally entirely outside of the control of the Adviser. The Adviser seeks to reduce the incidence and impact of Coding Errors through a certain degree of internal testing and real-time monitoring, and the use of independent safeguards in the overall portfolio management system and often, with respect to proprietary software, in the software code itself. Despite such testing, monitoring and independent safeguards, Coding Errors will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s)—all of which can and do have adverse (and potentially materially adverse) effects on clients and/or their returns.

Coding Errors are often extremely difficult to detect. Regardless of how easy their detection appears in retrospect, some of these Coding Errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these Coding Errors can compound over time. Moreover, the Adviser may detect certain Coding Errors that it chooses, in its sole discretion, not to address or fix. While the Adviser will not perform a materiality analysis on many of the Coding Errors discovered in its software code, the Adviser believes that the testing and monitoring performed on such software will enable the Adviser to identify and address those Coding Errors that a prudent person managing a process-driven, systematic and computerized investment program would identify and address by correcting the Coding Errors or limiting the use of the software, generally or in a particular application. Coding Errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic investment manager such as the Adviser. Accordingly, as a general matter, the Adviser does not expect to disclose discovered Coding Errors to clients or their investors. For the avoidance of doubt, Coding Errors are generally not considered trade errors under the Adviser’s trade errors policy.

The Adviser seeks, on an ongoing basis, to create adequate backups of software and hardware where possible but there is no guarantee that such efforts will be successful.

Further, to the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, security breach, virus or other outside force, the clients may be materially adversely affected.

Operational Risk: The Adviser and/or the Firm or the Fund has developed systems and procedures to manage operational risk. Operational risks arising from mistakes made in the

confirmation or settlement of transactions, from transactions not being properly booked or accounted for, or other similar disruption in the Adviser's operations may cause the Adviser to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention, or reputational damage. The Adviser and/or the Firm or the Fund relies heavily on portfolio management, trading, financial, accounting, and other data processing systems. The ability of its systems to accommodate an increasing volume of transactions could also constrain the Adviser's ability to properly manage a client's portfolio.

Trading Judgment: The success of the proprietary investment and trading strategies employed by the Adviser is subject to the judgment and skills of the advisory personnel of the Adviser, who have discretion to override models. Additionally, the abilities of the portfolio managers with regard to execution and discipline are important to a client performance. There can be no assurance that the investment decisions or actions of the portfolio managers, researchers or trading personnel will be correct. Incorrect decisions or poor judgment may result in substantial losses to a client.

Trading Decisions Based on Quantitative and Other Analysis: The Adviser's portfolio management and trading decisions are based on quantitative models, signals, and other analyses. Any factor that would lessen the prospect of major patterns occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible patterns and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisers' investment models and trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that the Adviser's strategies will be successful under all or any market conditions.

Model and Data Risk: The Adviser relies heavily on quantitative models and information and data supplied by third parties ("Models and Data"). Models and Data are used to construct sets of transactions and investments, to value investments or potential investments, to provide risk management insights, and to assist in hedging the clients' investments, if applicable. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose clients to potential risks. For example, by relying on Models and Data, the Adviser may be induced to buy certain investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

Some of the models used by the Adviser are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such models may produce unexpected results, which can result in losses to a client's portfolio. Furthermore, because predictive models are usually constructed based on historical data supplied

by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data.

All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, “model prices” will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative instruments.

Obsolescence Risk: The Adviser’s strategies are unlikely to be successful unless the assumptions underlying the models used to implement those strategies are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and the Adviser does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. The Adviser will continue to test, evaluate, and add new models, as a result of which the existing models may be modified or discontinued from time to time. There can be no assurance as to the effects (positive or negative) of any modification on a client’s portfolio.

Crowding/Convergence: There is significant competition among quantitatively-focused managers. To the extent that the Adviser’s models come to resemble those employed by other managers, the risk that a market disruption that broadly affects the models of quantitatively-focused managers (including the Adviser’s competitors) may adversely affect a client is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

Risk of Programming and Modeling Errors: The Adviser’s research and modeling process is complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although the Adviser seeks to hire individuals skilled in these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform “real world” testing of the end product raises the chances that the finished model may contain an error. One or more of such errors could adversely affect a client’s portfolio and would generally not constitute a trade error subject to reimbursement under the Adviser’s policies.

Involuntary Disclosure: As described above under “Model and Data Risk” and “Crowding/Convergence,” the Adviser’s ability to achieve a client’s investment objective is dependent in large part on its ability to develop and protect its models and proprietary research. The proprietary research and the Models and Data are largely protected by the Adviser through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, extensive position-level public disclosure obligations (or disclosure obligations to clients, exchanges, or regulators with insufficient privacy safeguards) and theft of research, technical specifications, and other data could lead to opportunities for competitors to reverse-engineer strategies, and thereby impair the relative or absolute performance of a client’s portfolio.



Proprietary Trading Methods: Because the Adviser's trading methods are proprietary, a client or investor will not be able to determine any details of such methods or whether they are being followed.

Cybersecurity: With the increased use of technologies such as the Internet to conduct business, the Adviser and its clients are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (*e.g.*, through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (*i.e.*, efforts to make network services unavailable to intended users). Cyber incidents affecting the Adviser, other portfolio managers of a client, and other Fund service providers (including, but not limited to, accountants, law firms, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to trading, the inability of clients and/or investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a client invests, counterparties with which a client engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and other service providers for clients) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While a client's service providers may have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect a client. As a result, clients could be negatively impacted.

**Acts of God and Geopolitical Risks:** The performance of certain investments and the Account could be impacted by Acts of God or other unforeseen and/or uncontrollable events (collectively, "disruptions"), including, but not limited to, natural disasters, public health emergencies (including any outbreak or threat of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola, or other existing or new pandemic or epidemic diseases), terrorism, social and political discord, geopolitical events, national and international political circumstances, and other unforeseen and/or uncontrollable events with widespread impact. These disruptions may affect the level and volatility of security prices and liquidity of any investments. There is risk that unexpected volatility will impair an investment's profitability or result in it suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or securities industry participants in other countries or regions (see "International Investments" above).

The extent of the impact of any such disruption on the Adviser, its clients, and operational and financial performance of the investments' held in client accounts, including the Account, will

depend on many factors, including the duration and scope of such disruption, the extent of any related travel advisories and restrictions implemented, the impact of such disruption on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. A disruption may materially and adversely impact the value and performance of any investment, the Adviser's ability to source, manage and divest investments, and the Adviser's ability to achieve its clients' investment objectives, ultimately resulting in significant losses to clients. In addition, there is a risk that a disruption will significantly impact the operations of the Adviser, its clients, and their underlying portfolio investments, or even temporarily or permanently halt their operations.

In addition, terrorist attacks, or the fear of or the precautions taken in anticipation of such attacks, could, directly or indirectly, materially and adversely affect certain industries in which the Account invests or could affect the countries and regions in which the Account invests, where the Adviser has offices or where the Firm, the Fund, or the Adviser otherwise do business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition of industries or countries in which the Account invests.

COVID-19: The impact of infectious diseases on the health of the Adviser's employees could materially disrupt the Adviser's business activities and negatively affect the Adviser's ability to effectively monitor and manage the Account. Infectious diseases or other public health crises can result in volatility in financial markets, which may disrupt historical pricing relationships or trends that the Adviser's strategies and models are based on, resulting in substantial and sudden losses to the Account. This risk of loss can be compounded by the fact that in disrupted markets positions may become illiquid and financing might become unavailable. Volatility may also make it more difficult or costly to rebalance portfolios or keep them within investment guidelines or targets.

Public Health Risk: The Account could be materially adversely affected by the widespread outbreak of infectious disease or other public health crises, including the COVID-19 pandemic. As further described above, public health crises such as the COVID-19 pandemic, together with any containment or other remedial measures undertaken or imposed, could have a material and adverse effect on the Account, including by (i) disrupting or otherwise materially adversely affecting the human capital, business operations or financial resources of the Adviser, the Account, and/or service providers to the Account and (ii) severely disrupting global, national and/or regional economies and financial markets and precipitating an economic downturn or recession that could materially adversely affect the value and performance of the Account and its investments.

Public health crises and efforts to address them may result in (or, in the case of the COVID-19 pandemic, have already resulted in) any or all of the following: (i) the closure of the Adviser's office or other businesses, including office buildings, factories, retail stores, distribution channels and other commercial venues, (ii) workforce, trade or travel disruptions or restrictions (including related cybersecurity incidents) negatively impacting the Adviser's or a portfolio company's

operations, (iii) disruptions in regional or global trade markets and the logistics necessary to import, export and deliver products to portfolio companies and their customers, (iv) the lack of availability or price volatility of raw materials or component parts necessary to a portfolio company's business (e.g., supply-chain disruptions or delays), (v) depressed demand for a portfolio company's products or services because of reduced consumer confidence or because quarantines, restrictions on public gatherings or interactions and the forced closures of certain businesses significantly inhibit consumption, (vi) a reduction in the availability and/or adverse changes in the terms of capital or leverage, and (vii) an increased risk of investors defaulting on their obligations to the Account. Any of the foregoing could have a material adverse impact on the Account, its investments (including, in the case of debt investments, by adversely impacting the ability of borrowers to repay indebtedness and the value of any collateral in respect of such indebtedness) and its ability to source or complete new investments, dispose of existing investments, fulfill its obligations and raise capital.

In addition, public health crises such as the COVID-19 pandemic and containment efforts may adversely affect the ability, or the willingness, of a party to perform its obligations under its contracts and lead to uncertainty over whether such failure to perform (or delay in performing) might be excused under so-called "material adverse change," force majeure and similar provisions in such contracts. As a result, (i) counterparties and service providers to the Account or portfolio companies may fail to perform (or delay the performance of) their obligations to the Account or its portfolio companies, (ii) pending transactions (including acquisitions and sales of assets by the Account) may not close on time or at all, (iii) the Account, the Adviser, or a portfolio company may be forced to breach (or may determine not to perform its obligations under) certain agreements, and (iv) related litigation would likely ensue. Any of these occurrences could have a material adverse effect on the Account and its investments, including reputational damage to portfolio companies. Insurance coverage, particularly business interruption insurance, may be limited or unavailable to portfolio companies of the Account, which may adversely impact such portfolio companies.

**Sanctions Risk:** Like all investors, the Account is subject to laws that restrict it from dealing with entities, individuals, organizations and/or in investments which are subject to applicable sanctions regimes. Such sanctions regimes may be broad in their application and the interpretation of the application of such regimes may require a substantial degree of subjective judgment, forcing the Account to either cease certain trading activities or risk violating a sanctions regime. If an investment made by the Account subsequently becomes subject to applicable sanctions, the Adviser may be required, without notice to investors or the Firm, to divest from such investment or otherwise cease any further dealings in that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings. Any such sanctions could have an adverse effect on the value or liquidity of such investments. In certain cases, the imposition of sanctions may require the Account to liquidate investments at disadvantageous prices.

## **Item 9 - Disciplinary Information**

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Neither the Adviser nor any of its management persons has any reportable disciplinary events.

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

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Neither the Adviser nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer, or as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Upon beginning to manage the Account, the Adviser intends to rely on an exemption from registration with the Commodities Futures Trading Commission as a commodity trading advisor. While the Firm is not a related person of the Adviser, the Adviser has a relationship with the Firm that is material to its advisory business. The Firm is a registered investment adviser, and serves as the investment manager of the Fund, in which capacity it has engaged the Adviser as a sub-adviser.

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

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### **A. Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all employees. The Adviser recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients and investors; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients and investors come first; and (iii) it has a fiduciary duty to its clients and investors to act for their benefit. All Adviser personnel must put the interests of clients and investors before their own personal interests and must act honestly and fairly in all respects in dealings with clients and investors. All Adviser personnel must also comply with all federal securities laws. The Code of Ethics is available upon request to clients by contacting the Adviser at the address or telephone number listed on the cover page of this Brochure.

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

Subject to the procedures generally described in “Personal Trading” below, Adviser personnel may make or hold investments in some of the same investments that are held or traded by the Account. Further, in the future, Adviser personnel may be permitted to manage a portion of their own capital according to the strategies they execute on behalf of the Account. The Adviser expects that such arrangements will only be permitted on a limited basis and will be subject to policies and procedures designed to mitigate any resulting conflicts of interest.

### **C. Personal Trading**

Employees must pre-clear certain personal securities transactions, including but not limited to securities obtained through a private placement, before completing such transactions. The Adviser may deny any request to participate in a proposed transaction by an employee, particularly if the transaction may pose a conflict of interest. The Adviser requires preclearance for certain transactions in “Reportable Securities” as defined in the Investment Advisers Act of 1940 and imposes a minimum holding period for such approved positions. The Adviser has instituted a holding period of 60 days for all employees. Employees are also required to provide quarterly reports, or arrange electronic data feeds direct from their brokers, regarding

transactions and provide annual holdings reports in Reportable Securities. The Firm maintains a restricted list of securities in which neither the Adviser nor its employees are allowed to transact without preapproval from a compliance officer. The Firm administers the Adviser's personal trading policies.

## **Item 12 - Brokerage Practices**

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### **A. Selection of Broker-Dealers**

The Adviser is responsible for investment decisions with respect to securities for the Account; however, the Firm has retained the power to designate the executing brokers for all such transactions. The Adviser has no obligation or right to solicit competitive bids or seek the lowest available commissions or other transaction costs.

The Firm, acting on behalf of the client, is a sophisticated and experienced institutional investor and has negotiated for the right to designate their respective executing brokers, realizing that by so doing they may forego the opportunity for the Adviser to realize more favorable execution of transactions through other brokers on their behalf. Please refer to the Firm Brochure for a discussion of the Firm's brokerage practices as it relates to the Fund.

### **B. Research and Other Soft Dollar Benefits**

The Adviser will not directly enter into any soft dollar agreements with any of the executing brokers under the safe harbor provisions of Section 28(e) of the Securities and Exchange Act of 1934. The Adviser does not separately compensate any broker for any services provided in connection with transactions executed for the Account. The Adviser benefits from soft dollar credits for research and non-research related services generated by trading activity of the Fund pursuant to soft dollar agreements between the Firm and executing brokers.

## **Item 13 - Review of Accounts**

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The Adviser and the Firm will review the Account at the Firm's request, or when the Adviser or the Firm identifies a portfolio risk that requires an Account review.

The Firm has full transparency, including with respect to the Adviser's trading activity. The Firm reviews the Adviser's trading activity on a regular basis and discusses such activity with the Adviser as needed. As such, the Adviser does not provide regular reports to the Firm or the Fund.

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

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The Adviser does not have any referral arrangements or other compensation to disclose. In addition, the Adviser does not currently utilize any third party marketers or solicitors.

## **Item 15 - Custody**

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The Adviser does not have custody of the funds or securities in the Account.

**Item 16 - Investment Discretion**

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The Adviser manages the Account on a discretionary basis. Discretionary authority allows the Adviser to select the securities to be purchased or sold of a client, including the amount, time, and price at which securities are to be purchased and sold for the Account. The Adviser is authorized to exercise discretion by the IMA and the Offering Documents, subject to limitations as may be agreed upon from time to time in the IMA.

**Item 17 - Voting Client Securities**

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The Adviser is not responsible for voting client proxies on behalf of the Account.

**Item 18 - Financial Information**

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The Adviser is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.