

## DECAGON ASSET MANAGEMENT (US) LP

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**March 2023**

This “**Brochure**” provides information about the qualifications and business practices of Decagon Asset Management (US) LP (hereinafter “**Decagon**”, “**we**”, “**us**”, “**our**” or “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Olivia Cooper, by email at [ocooper@decagonam.com](mailto:ocooper@decagonam.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Registration as an investment adviser does not imply that Decagon or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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March 2023:

Decagon added, in the Part 1 of the SEC's Form ADV, information regarding a Private Fund in Section 7.B.(1) Private Fund Reporting.

Item 5: Clarification of the fee arrangements for Decagon.

Item 12: Details of research arrangement added.

Item 15: Clarification that the Firm does not have custody of Client Accounts ("SMAs")

### Item 3: Table of Contents

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Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	5
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	5
Item 9: Disciplinary Information .....	7
Item 10: Other Financial Industry Activities and Affiliations .....	7
Item 13: Review of Accounts .....	8
Item 14: Client Referrals and Other Compensation.....	9
Item 15: Custody .....	9
Item 16: Investment Discretion .....	9
Item 17: Voting Client Securities.....	9
Item 18: Financial Information .....	10
Appendix A – Risk Factors.....	10

#### **Item 4: Advisory Business**

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Decagon Asset Management (US) LP (hereinafter “**Decagon**”, “**we**”, “**us**”, “**our**” or “**Firm**”) is organised as a Delaware limited partnership; with the general partner being Decagon Asset Management US (GP) LLC (“GP”) and the managing member of the GP being Decagon Asset Management (UK) Ltd. Decagon was incorporated on 12<sup>th</sup> May 2022.

Decagon will provide discretionary investment management services to qualified investors through its private funds and a separately managed account, , as appointed by Decagon Asset Management LLP, (an affiliate of Decagon) under a Sub-Investment Management Agreement, dated 1<sup>st</sup> September 2022, as follows:

The Private Funds (master-feeder arrangement):

- DAM Master Fund Ltd (the “Master Fund”, Cayman domiciled)
- DAM Fund Ltd (the “Offshore Fund”, Cayman domiciled)
- DAM Fund LP (the “Onshore Fund”, Delaware domiciled)

The above are collectively known as the “Fund”.

In addition, Decagon will act as the sub-advisers to the following separately managed account:

- Squarepoint Diversified Partners Fund Limited (Cayman domiciled)

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective investment management agreement or collectively the “**Offering Documents**”.

We do not currently participate in any Wrap Fee Programs.

#### **Regulatory Assets Under Management**

As of 31<sup>st</sup> December 2023, Decagon has regulatory assets under management of USD 205,937,822. The Firm is currently marketing the Funds, but has no regulatory assets in the fund structure.

## **Item 5: Fees and Compensation**

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In consideration of its services as an investment manager, under the Sub-Investment Management Agreement, Decagon shall be entitled to receive the remuneration as may be agreed and updated from time to time, but will be reviewed at a minimum annually. Decagon will receive a fee from firm Decagon Asset Management LLP to cover the costs of Decagons operations and all Decagons partners remuneration.

To the extent that expenses to be borne by a Fund, managed account or Decagons affiliates are paid by Decagon (or by any Person on its behalf and whose expenses are charged to Decagon) , the Fund, managed account or the investment manager shall reimburse Decagon for such expenses. For the avoidance of doubt, the Funds and managed accounts shall be responsible for all costs and expenses as set forth in the Offering Documents and investment management agreements.

The Investment Manager will apply the OECD Transfer Pricing Guidelines in determining the appropriate arm's length remuneration to be paid to the Firm over and above costs incurred.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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We and our affiliates are entitled to a performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

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

At present, the Firm only has one Client Account and therefore this conflict does not currently exist.

## **Item 7: Types of Clients**

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Our clients are as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments and professional investors. A US investor must be an "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" under the Investment Company Act of 1940, as amended (the "Investment Company Act").

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment

strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

### **Investment Objective**

The investment objective of the Fund is to achieve superior absolute returns and preserve capital through the cycle, with low volatility and with low correlation to the overall market and all other asset classes. The Fund seeks to achieve its investment objective by investing all its investable assets in the Master Fund.

### **Risk Management**

Decagon Asset Management (US) LP will maintain an adequate and documented risk management policy that seeks to identify all relevant risks to which the Master Fund is or may be exposed. Decagon's risk management policy will include such procedures as are necessary to enable the Investment Manager to assess the Master Fund's exposure to market, liquidity, counterparty and operational risks as well as all other relevant material risks.

The risk profile of the Master Fund will be disclosed to Shareholders, including (i) the measures taken to assess the sensitivity of the Master Fund's portfolio to the most relevant risks to which the Master Fund is or could be exposed, and (ii) a description of the circumstances where the risk limits, if any, set by Decagon have been exceeded (or are likely to be exceeded) and the remedial measures taken. The Fund or Decagon will make this information available to all Shareholders to the extent not already made through this Memorandum through appropriate Investor Disclosure at least annually or sooner if required by applicable law.

An "**Investor Disclosure**" means any disclosure or communication required to be provided to Shareholders and/or prospective Shareholders pursuant to Article 23 of the AIFM Directive, which is given or made available through one or more of the following methods (with the appropriate method of disclosure or communication for any relevant information being determined by the Board of Directors or Decagon in its sole discretion): an annual report, an update or a supplement to this Memorandum, a newsletter (or other Shareholder letter, announcement or communication), due diligence documentation or Decagon's website.

### ***Risk of Loss Factors***

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Decagon Asset Management (US) LP.

See Appendix A for further details on relevant Risk Factors.

## **Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

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### ***Code of Ethics***

Decagon has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are permitted to liquidate positions held at the time of employment in (a “**Liquidating Trade**”) subject to pre-clearance by the CCO. Employees are prohibited from participating in Initial Public Offerings (“**IPOs**”). Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm’s Restricted List.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

## **Item 12: Brokerage Practices**

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Decagon is authorized to determine the broker-dealer to be used for executing securities transactions for the Funds. The Firm have the authority to select and appoint custodians of the asset of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

### ***Best Execution***

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

### ***Soft Dollars***

Decagon does not have any soft dollar arrangements and does not consider the value of any unsolicited research received from broker-dealers in its determination of which broker-dealers to allocate client brokerage to.

## **Item 13: Review of Accounts**

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Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

### ***Account Reporting***

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute monthly unaudited net asset value statements, quarter-end performance reports, and a monthly investor letter to all Investors.



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

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

#### **Item 15: Custody**

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We will be deemed to have custody of Client funds and securities because we have the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Account statements related to the Clients are sent by qualified custodians to Decagon.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) (i.e., the “custody rule”) by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund’s audited financials to Investors within 120 days of such Fund’s fiscal year end.

#### **Item 16: Investment Discretion**

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We will have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

#### **Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “proxy voting rule”), we have adopted proxy voting policies and procedures. The Firm will assess each vote, proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with the Client’s investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

## **Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.

## **Appendix A – Risk Factors**

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### **Risks Relating to Private Investment Funds and/or Market Conditions Generally**

#### *Legal and Regulatory Environment for Private Investment Funds and their Managers*

The legal and regulatory environment worldwide for private investment funds (such as the Fund and the Master Fund) and their managers is subject to change. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Master Fund to pursue its investment program and on the value of investments held by the Master Fund.

In recent years there has been an increase in regulatory scrutiny of the financial markets and the private investment fund industry, resulting in an unprecedented amount of legislation that impacts the Fund, the Master Fund and the Management Group: principally, the Dodd-Frank Act and the JOBS Act in the United States; and the AIFM Directive, MiFID II and EMIR in the European Union. Such regulatory changes have impacted the private investment fund industry through, among other things: (i) increasing the regulation related to the management and marketing of funds in the EU; (ii) establishing minimum amounts of initial margin that must be posted for certain financial instruments; (iii) requiring certain derivatives to be cleared through central clearinghouses; (iv) changing pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on certain trading venues; and (v) introducing a new focus on regulation of algorithmic and high frequency trading. In addition, the Management Group may, in its sole discretion, cause the Fund or the Master Fund to be subject to certain laws and regulations if it believes that an investment or business activity is in the Master Fund's interest, even if such laws and regulations may have a detrimental effect on one or more Shareholders. These reforms and any other new laws and regulations or actions taken by regulators that restrict or impair the ability of the Master Fund to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Fund and the Shareholders' investments therein.

In addition, increased regulation (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their managers may impose administrative burdens on the Management Group, including responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Management Group's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof).

#### *General Economic and Market Conditions*

The success of the Master Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Fund's investments), trade barriers, currency exchange controls, national and international political circumstances (including wars, terrorist acts or security operations) and public health crises (such as pandemics and epidemics). These factors may affect the level and volatility of

the prices and the liquidity of the Master Fund's investments. Volatility or illiquidity could impair the Master Fund's profitability or result in losses. The Master Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

#### *Governmental Interventions*

Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened 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, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Master Fund's strategies.

#### *Discontinuation of LIBOR*

It is expected that the US Dollar London Interbank Offered Rate ("**LIBOR**"), which is commonly used as a reference rate within various financial contracts (any such rate, a "**Reference Rate**"), will not be published after 30 June 2023 (other than the one-week and two-month tenors, which will not be published after the year 2021). In anticipation of the end of LIBOR, the United States and other countries are currently working to replace LIBOR with alternative Reference Rates. The Secured Overnight Financing Rate ("**SOFR**") is the Reference Rate formally recommended by the Alternative Reference Rates Committee (the "**ARRC**"). The ARRC and regulators have stated that any party choosing another Reference Rate should do so carefully. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Master Fund is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including the Master Fund and its counterparties. With respect to financial contracts to which the Master Fund is a party, including corporate and municipal bonds and loans, consumer loans, bank loans, floating rate debt, certain asset-backed securities, and interest rate swaps and other derivatives, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or which have other curative mechanisms available, such as safe harbour legislation adopted in the State of New York to permit the replacement of LIBOR with the rates recommend by ARRC in contracts governed by New York law) may need to be renegotiated, the process of which will consume resources of the Master Fund and may result in disputes among counterparties, the result of which may be adverse to the Master Fund. Regulators have encouraged market participants to cease entering new contracts that use US Dollar LIBOR as a reference rate as soon as practicable, and in any event by 31 December 2021. As a result, US Dollar LIBOR's liquidity and usefulness will likely diminish as new use comes to an end; and investors should expect that the Master Fund will be a party to SOFR-based contracts in the near- future, and certainly after 31 December 2021. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which the Master Fund is a party may adversely affect the performance of the Master Fund.

### *Systemic Risk*

Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Master Fund interacts, as well as the Master Fund, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Master Fund and on the markets for the financial instruments in which the Master Fund seeks to invest.

### *Assumption of Business, Terrorism and Catastrophe Risks*

The Master Fund may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism, public health crises (such as pandemics and epidemics), and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Master Fund, the Fund and the Shareholders' investments therein.

### **Risks Relating to Management**

#### *Limited Operating History*

Each of the Fund, the Master Fund and the Investment Manager is a newly formed entity and does not have extensive operating history upon which prospective Shareholders can evaluate their anticipated performance. The investment professionals of the Management Group have been using investment strategies similar to some of the investment strategies described herein in other private investment funds for several years. However, there can be no assurance that the Fund, the Master Fund, managed account or the Management Group will be successful.

#### *Dependence on the Management Group*

The success of the Fund and managed account is dependent upon the ability of the Management Group to manage the Master Fund and effectively implement the Master Fund's investment program. The Fund's governing documents do not permit the Shareholders to participate in the management and affairs of the Fund. If the Management Group were to lose the services of the Principal or the Fund or any of the Other Accounts managed by the Management Group were to incur substantial losses, the Management Group might not be able to provide the same level of service to the Master Fund as it has in the past or continue operations. The loss of the services of the Management Group could have a material adverse effect on the Fund and the Shareholders' investments therein.

If, due to extraordinary market conditions or other reasons, the Fund and other private investment funds managed by the Management Group were to incur substantial losses or were subject to an unusually high level of redemptions, the revenues of the Management Group may decline substantially. Such losses and/or redemptions may hamper the Management Group's ability to retain employees, provide the same level of service to the Fund as it has in the past, and continue operations.

#### *Retention and Motivation of Employees*

The success of the Fund is also dependent upon the talents and efforts of highly skilled individuals employed by the Management Group and the Management Group's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that the Management Group's investment professionals will continue to be associated with the Management Group throughout the life of the Fund, and the failure to attract or retain such investment professionals could have a material adverse effect on the Fund and the Shareholders' investments therein. Competition in the financial services industry for qualified

employees is intense and there is no guarantee that, if lost, the talents of the Management Group's investment professionals could be replaced.

#### *Investment and Due Diligence Process*

Before making investments, the Management Group will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Management Group may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Management Group will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Management Group at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

#### *Increasing Assets Under Management*

The rates of return achieved by trading advisers or managers often diminish as the assets under their management increases. The Management Group has not agreed to limit the amount of capital it will manage.

#### *Competition; Availability of Investments*

Certain markets in which the Master Fund may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Management Group will be able to identify or successfully pursue attractive investment opportunities in such environments.

#### *Failure to Prevent the Facilitation of Tax Evasion*

The UK Criminal Finances Act 2017 introduced a criminal offence which is committed where a relevant body fails to prevent a person associated with it from committing an offence of facilitating another person in tax evasion (whether UK tax evasion or non-UK tax evasion). The relevant body has a defence to this "failure to prevent" offence if it can prove that it had in place reasonable prevention procedures designed to prevent persons associated with it from committing tax evasion facilitation offences. The definition of a person associated with a relevant body is widely drawn and includes an employee, an agent or any other person who performs services for or on behalf of the relevant body. Each of the Fund, the Master Fund and the Investment Manager is a relevant body for these purposes and could therefore be held to have committed the UK "failure to prevent" offence if a person associated with it were to commit a tax evasion facilitation offence and it did not have in place reasonable prevention procedures. While each of the Fund, the Master Fund and the Investment Manager has put in place procedures to prevent persons associated with it from committing facilitation of tax evasion offences, it cannot be guaranteed that these procedures will be sufficient in every case to establish the defence of having reasonable prevention procedures in place.

### **Risks Relating to the Structure and Operations of the Fund**

#### *Significant Fees and Expenses*

The fees and expenses of the Fund may be significant. The Fund must generate sufficient income to offset such fees and expenses to avoid a decrease in the net asset value of the Fund.

#### *Limited Liquidity*

An investment in the Fund has limited liquidity because Shareholders will generally have only limited rights to redeem Shares from the Fund or transfer their Shares, and the Fund has the right to suspend redemptions, as described herein. Shareholders must be prepared to bear the financial risks of an investment in the Fund for an indefinite period of time.

#### *Absence of Regulatory Oversight Over the Fund and the Master Fund*

The Fund and the Shares are not expected to be registered under the securities laws of any jurisdiction other than the Cayman Islands. However, registration under the Mutual Funds Act does not involve an examination of the merits of the Fund or the Master Fund or supervision of the investment performance of the Fund or the Master Fund by the Cayman Islands government or CIMA. There is no financial obligation or compensation scheme imposed on or by the government of the Cayman Islands in favour of or available to the investors in the Fund.

#### *Dependence on Service Providers*

The Fund is also dependent upon its counterparties and the businesses that are not controlled by the Management Group that provide services to the Fund or the Master Fund (the “**Service Providers**”). Examples of Service Providers include the Administrator, the Prime Brokers, the Custodians, the Depositary, Legal Counsel and the Auditors. Errors are inherent in the business and operations of any business, and although the Management Group will adopt measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Fund and the Shareholders’ investments therein. Each Shareholder’s relationship in respect of its Shares is with the Fund only. Accordingly, absent a direct contractual relationship between the investor and the relevant Service Provider, no Shareholder will have any contractual claim against any Service Provider for any reason related to its services to the Fund or the Master Fund.

#### *Possibility of Different Information Rights*

Certain Shareholders may invest on different terms that, among other things, provide access to information that may not be available to other Shareholders and, as a result, may be able to act on such additional information (*i.e.*, redeem their Shares) that other Shareholders do not receive. Furthermore, in response to questions and requests and in connection with due diligence meetings and other communications, the Fund and the Management Group may provide additional information to certain Shareholders and prospective Shareholders that is not distributed to other Shareholders and prospective Shareholders. Such information may affect a prospective Shareholder’s decision to invest in the Fund, and Shareholders (which may include personnel of the Management Group) may be able to act on such additional information and redeem their Shares potentially at higher values than other investors. Any such redemptions may result in reduced liquidity for other investors and, in order to meet larger or more frequent redemptions, the Master Fund may need to maintain a greater amount of cash and cash-equivalent investments than it would otherwise maintain, which may reduce the overall performance of the Fund. Each Shareholder 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 the Management Group and the Fund is sufficient for its needs and must accept the foregoing risks.

#### *Payment of Redemption Proceeds to Shareholders Based on Unaudited Data*

The calculation and payment of a Shareholder’s redemption proceeds may be based on estimated and unaudited data. Accordingly, adjustments and revisions may be made to the Fund’s net asset value following the year-end audit of the Fund. Once fully paid, no revision to a Shareholder’s redemption proceeds will be made based upon audit adjustments. Thus, the Fund will not seek reimbursement in the event of any overpayment and will not pay additional amounts in the event of an underpayment. As a result, a redeeming Shareholder may be positively or negatively affected by a revision to the Fund’s net asset value. To the extent that such revisions to net asset value decrease the net asset value of the Fund, the non-redeeming Shareholders will be adversely affected by redemptions.

The Master Fund's assets and liabilities are valued in accordance with the Valuation Policy. The valuation of any asset or liability involves inherent uncertainty. The value of a security determined in accordance with the Valuation Policy may differ materially from the value that could have been realised in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Fund if the judgements regarding the appropriate valuation should prove to be incorrect.

#### *Liability of the Fund, the Master Fund and Separate Classes*

The Fund has the power to issue Shares in classes, series or sub-series. The Articles provide that the liabilities are to be attributed to the specific classes, series or sub-series in respect of which the liability was incurred. However, each of the Fund and the Master Fund is a single legal entity and there is no limited recourse protection for any class, series or sub-series of Shares or Master Fund Shares, as applicable. Generally, creditors of the Fund may enforce claims against all assets of the Fund, but not against assets of the Master Fund, and creditors of the Master Fund may enforce claims against all assets of the Master Fund but not against assets of the Fund. However, all assets of the Fund or Master Fund may be available to meet all its respective liabilities even if, in either case, the liability relates to a particular class, series or sub-series of shares, as the case may be (e.g., new issues and any corresponding hedge positions). Thus, for example, in the event that the assets attributable to Shares participating in a particular asset were completely depleted by losses or liabilities, a creditor could enforce a claim against the other assets of the Fund which would be borne by the other Shares that did not participate in the investment or transaction.

#### *Amendment of Redemption Rights*

Pursuant to the terms of the Articles, Shareholders that are entitled to vote and have in excess of the requisite majority of votes required to pass a special resolution and, if applicable, the necessary class consent may approve any amendment to the Articles that would restrict the redemption rights of all Shareholders holding Shares of such class. Accordingly, the redemption rights of any Shareholder as described herein and as set forth in the Articles are subject to change at any time. Redemption rights that may be affected include the notice period for redemptions, the frequency of redemptions and the time and mechanism that the Fund may require to pay redemptions proceeds (including the implementation of a so-called "slow pay" mechanism for liquidating assets of the Master Fund that are impaired, illiquid and/or hard to value). In addition, members of the Management Group are entitled to vote on any amendment to the Articles. The amendment of the redemption rights of all Shareholders could adversely affect the value of a non-consenting Shareholder's Shares if the value of the Master Fund's investments depreciate following the time such Shareholder would have redeemed all or a portion of its Shares, but was prevented from doing so by the new, more restrictive redemption rights.

#### *Effect of Substantial Redemptions*

In the event the Fund experiences substantial redemption requests, actions taken to meet such redemption requests from the Fund (as well as similar actions taken simultaneously by investors of the Partnership Fund and any Other Accounts) could result in prices of assets held by the Master Fund decreasing and in Master Fund expenses increasing (e.g., transaction costs and the costs of terminating agreements). The overall value of the Master Fund also may decrease because the liquidation value of certain assets may be materially less than their cost or mark-to-market value. The Master Fund may be forced to sell its more liquid positions, which may cause an imbalance in the portfolio that could have a material adverse effect on

the remaining Shareholders. Substantial redemptions could also significantly restrict the Master Fund's ability to obtain financing or transact with derivatives counterparties needed for its investment strategies, which would have a further material adverse effect on the Fund's performance. The Fund and the Management Group generally will not disclose to Shareholders the amount of pending redemptions or redemption requests and are under no obligation to make any such disclosure.

#### *In-Kind Payments; Liquidating SPVs*

Although the Fund does not intend to make payments in kind, under certain circumstances a redeeming Shareholder may receive securities (to the extent received by the Fund from the Master Fund) in lieu of, or in combination with, cash to the extent that the Fund receives such a distribution from the Master Fund. Such distributions may include interests in one or more special purpose vehicles holding securities owned by the Master Fund, or participations therein. To the extent a redeeming Shareholder receives interests in special purpose vehicles, such redeeming Shareholder will continue to be at risk with respect to the Fund's business. The value of the securities paid in kind may increase or decrease before they are sold either by the redeeming Shareholder, if received directly, or by the Management Group, if held through a special purpose vehicle. In either case, the redeeming Shareholder will incur transaction costs in connection with the sale of any such securities and, in the case of interests in a special purpose vehicle, will bear a proportionate share of the operating and other expenses borne by such vehicle. Securities distributed in kind may not be readily marketable. The risk of loss and delay in liquidating these securities will be borne by the Shareholder, with the result that such Shareholder may ultimately receive less cash than it would have received on the date of redemption if it had been paid in cash. Furthermore, to the extent that a redeeming Shareholder receives interests in special purpose vehicles, such redeeming Shareholder will generally have no voting rights or any control over when and at what price the securities in which such vehicles have an interest are sold.

#### *Beneficial Ownership Regime*

Each of the Fund and the Master Fund is regulated as a mutual fund under the Mutual Funds Act and, accordingly, does not fall within the scope of the primary obligations under Part XVIIIA of the Companies Act (the "**Beneficial Ownership Regime**"). Each of the Fund and the Master Fund is therefore not required to maintain a beneficial ownership register. Each of the Fund and the Master Fund may, however, be required from time to time to provide, on request, certain particulars to other Cayman Islands entities which are within the scope of the Beneficial Ownership Regime and which are therefore required to maintain beneficial ownership registers under the Beneficial Ownership Regime. It is anticipated that such particulars will generally be limited to the identity and certain related particulars of (i) any person holding (or controlling through a joint arrangement) a majority of the voting rights in respect of the Fund or the Master Fund; (ii) any person who is a member of the Fund or the Master Fund and who has the right to appoint and remove a majority of the board of directors of the Fund or the Master Fund; and (iii) any person who has the right to exercise, or actually exercises, dominant direct influence or control over the Fund or the Master Fund.

#### *Requests for Information*

The Fund and the Master Fund, or any of its or their directors or agents domiciled in the Cayman Islands, may be compelled to provide information, including information relating to the investor, and where applicable the investor's beneficial owners, controllers and authorised persons, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g., by CIMA, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Act (Revised), or by the Tax Information Authority, or under the Tax Information Authority Act (Revised) and



associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws will not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Fund, the Master Fund and any of its or their directors or agents, may be prohibited from disclosing that the request has been made.

#### *Handling of Mail*

Mail addressed to the Fund or the Master Fund and received at their registered office will be forwarded unopened to the forwarding address supplied by the Administrator to be dealt with. None of the Fund, the Master Fund, their respective directors, officers, advisors or service providers (including the organisation which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular, the directors of the Fund and the Master Fund will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed just to the Fund or the Master Fund).

#### *Data Protection*

Prospective investors should note that personal data must be supplied in order for an investment in the Fund to be made and for that investment in the Fund to continue. Certain personal data must be supplied to enable the investment to be redeemed. If the required personal data is not provided, a prospective investor will not be able to invest or continue to invest in the Fund. Prospective investors are directed to the Privacy Notice of the Fund for further information on how the Fund and the Investment Manager process their personal data.

#### *Restriction on Auditors' Liability*

Cayman Islands law does not restrict the ability of auditors to limit their liability. Consequently, the engagement letter entered into between the Fund and the Auditors may contain such a limitation on liability provision as well as provisions indemnifying the Auditors in certain circumstances. An engagement letter containing similar terms may be entered into between the Master Fund and the auditor to the Master Fund.

#### *Systems and Operational Risks Generally*

The Master Fund depends on the Management Group to develop and implement appropriate systems for the Master Fund's activities. The Master Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets, to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Master Fund's activities.

In addition, the Master Fund relies on information systems to store sensitive information about the Master Fund, its affiliates, the Management Group and the Shareholders. Certain of the Master Fund's and the Management Group's activities will be dependent upon systems operated by third parties, including the Service Providers and other market counterparties, and the Management Group may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Master Fund's operations may cause the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Fund and the Shareholders' investments therein.

### *Cybersecurity Risk*

As part of its business, the Management Group processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Master Fund and personally identifiable information of the Shareholders. Similarly, Service Providers of the Management Group, the Fund or the Master Fund, especially the Administrator, may process, store and transmit such information. The Management Group has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. Breach of the Management Group's or Service Provider's information systems may cause information relating to the transactions of the Master Fund, the disruption of its business, liability to third parties, regulatory intervention, reputational damage and/or personally identifiable information of the Shareholders to be lost or improperly accessed, used or disclosed. Any of the foregoing events could have a material adverse effect on the Fund and the Shareholders' investments therein.

### *GAAP Net Asset Value Divergence*

Due to GAAP requirements, the net asset value of the Fund for purposes of GAAP-compliant financial reporting may diverge from the net asset value of the Fund for all other purposes, including for purposes of allocating gains and losses among the Shareholders, which, as described in this Memorandum, is relevant to, among other things, determining the net asset value of each series of Shares, calculating the Management Fee and the Incentive Fee, and calculating the amounts payable by the Fund in respect of a redemption by or dividend to a Shareholder. Net asset value divergence may occur, for example, in connection with the amortisation of the organisational and initial offering expenses of the Fund, the measuring of fair value (as a result of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820), or the recognition or unrecognition of uncertain tax positions (as a result of FASB ASC 740).

### *Counterparty Risk*

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

In particular, the stability and liquidity of over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Master Fund will monitor on an ongoing basis the creditworthiness of firms with which it will enter into over-the-counter derivative transactions. If there is a default by the counterparty to such a transaction, the Master Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Master Fund being less than if the Master Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Master Fund's counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Master Fund's securities and other assets from such prime broker or

broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. Investors should assume that the insolvency of any counterparty would result in a loss to the Master Fund, which could be material.

#### *Co-Investments with Third Parties*

The Master Fund may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Master Fund or is in a position to take (or block) action in a manner contrary to the Master Fund's investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

#### *Currency Exchange Exposure*

The Master Fund may invest in securities denominated in currencies other than the US Dollar, however, the base currency of the Master Fund is US Dollars. The Master Fund may or may not seek to hedge its non-US currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Master Fund wishes to use them, or that hedging techniques employed by the Master Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Master Fund's positions denominated in currencies other than the US Dollar will fluctuate with US Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

#### *Subscription Monies*

Where a subscription for Shares is accepted, the Shares will be treated as having been issued with effect from the relevant Subscription Date notwithstanding that the subscriber for those Shares may not be entered in the Fund's register of members until after the relevant Subscription Date. The subscription monies paid by a subscriber for Shares will accordingly be subject to investment risk in the Fund from the relevant Subscription Date.

### **Risks Relating to the Investment Program**

#### *Risk of Loss*

No guarantee or representation is made that the Master Fund's investment program, including the Master Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the Master Fund and the Management Group (or investments otherwise made by the investment professionals of the Management Group) are not necessarily indicative of their future performance.

#### *Arbitrage*

The Master Fund may engage in arbitrage investments and may incur significant losses if proposed transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or shareholders of the target company, which often results in litigation to enjoin the proposed transaction; (ii) intervention of government agencies; (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) an attempt by a third party to acquire the offeror; (v) in the case of a merger, failure to obtain the necessary shareholder approvals; (vi) market conditions resulting in material changes in securities prices; (vii) compliance with any applicable legal requirements; and (viii) inability to obtain adequate financing.

#### *Investing in Arbitrage Transactions is Extremely Competitive*

The Master Fund will compete with firms, including many of the larger investment banking firms, which have substantially greater financial resources, larger research staffs and more securities traders than will be available to the Master Fund. In any given transaction, arbitrage activity by other firms will tend to narrow the spread between the price at which a security may be purchased by the Master Fund and the price it expects to receive upon consummation of the transaction thereby reducing the Master Fund's opportunity for profit.

#### *General Risks Associated with Arbitrage and Other Strategies*

The success of the Master Fund's investment activities will depend on the Investment Manager's ability to identify and exploit price discrepancies in the market. Identification and exploitation of market opportunities involve uncertainty. No assurance can be given that the Investment Manager will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which the Master Fund will seek to invest will reduce the scope for the Master Fund's investment strategies. In the event that the perceived mispricings underlying the Master Fund's positions were to fail to materialize as expected by the Investment Manager, the Master Fund could incur a loss.

#### *Leverage and Borrowing*

The use of leverage will allow the Master Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Master Fund's portfolio. The effect of the use of leverage by the Master Fund in a market that moves adversely to its investments could result in substantial losses to the Master Fund, which would be greater than if the Master Fund were not leveraged.

The instruments and borrowings utilised by the Master Fund to leverage investments may be collateralised by all or a portion of the Master Fund's portfolio. Accordingly, the Master Fund may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Master Fund's margin accounts or other lending decline in value, the Master Fund could be subject to margin calls or foreclosures of assets, loss of financing and forced liquidations of positions at disadvantageous prices, which if the Master Fund had continued to hold would have been profitable. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing.

The rates at and terms on which the Master Fund can borrow will affect the operating results of the Master Fund. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Master Fund's portfolio.

#### *Lending of Portfolio Securities*

The Master Fund may lend securities on a collateralised and an uncollateralised basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Master Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the

collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

#### *Hedging Transactions*

The Master Fund may enter into hedging transactions for risk management purposes, including to protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the markets and changes in currency exchange or interest rates or for any other reason that the Management Group deems appropriate. The Master Fund will not be required to hedge any particular risk or its portfolio generally. While the Master Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

#### *Discretion of the Management Group; New Strategies and Techniques*

While the Management Group will generally seek to employ the representative investment strategies and techniques discussed herein, the Management Group (subject to the policies and control of the Master Fund Board of Directors) has considerable discretion in the types of securities the Master Fund may trade and has the right to modify the investment strategies and techniques of the Master Fund without the consent of the Shareholders. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Master Fund. In addition, any new investment strategy or technique developed by the Master Fund may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Master Fund.

#### *Volatility Risk*

The Master Fund's investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by the Master Fund.

#### *Equity Securities Generally*

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Management Group's expectations or if equity markets generally move in a single direction and the Master Fund has not hedged against such a general move. The Master Fund also may be exposed to risks that issuers will not fulfil contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

#### *Convertible Securities*

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is

redeemed, converted or exchanged. Convertible securities generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. CAMPA convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Master Fund is called for redemption, the Master Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Master Fund.

#### *Undervalued Securities*

The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

#### *Unlisted Securities*

Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

#### *Illiquid Securities*

Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Master Fund may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Master Fund 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. As a result, the Master Fund may be required to hold such securities despite adverse price movements. Even those markets which the Management Group expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

#### *Exposure to Material Non-Public Information*

From time to time, the Management Group may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

#### *Long-Term Market Considerations*

The success of the Master Fund's long-term investment strategy depends upon the Management Group's ability to identify and make investments that are undervalued and hold such investments so as to maximise value on a long-term basis. In pursuing any long-term strategy, the Master Fund may forego value in the short-term or temporary investments in order to be able to avail the Master Fund of additional and/or longer-term opportunities in the future. Consequently, the Master Fund may not capture maximum available value in the short-term, which may be disadvantageous, for example, for Shareholders who redeem all or a portion of their Shares before such long-term value may be realised by the Master Fund.

#### *Short-Term Market Considerations*

The Management Group's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

#### *Diversification and Concentration*

The Management Group may select investments that are concentrated in a limited number or types of securities. In addition, the Master Fund's portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

#### *Significant Positions in Securities; Regulatory Requirements*

In the event the Master Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and the Management Group. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the securities or the Master Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Master Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a security. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund's position limits were aggregated with an affiliate's position limits, the effect on the Master Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by the Management Group were to exceed applicable position limits, the Management Group would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Master Fund might have to forego or modify certain of its contemplated trades.

### *Emerging Market Investments*

The Master Fund may invest in securities of companies located in emerging countries or issued by the governments of such countries. Investing in such securities involves certain considerations not usually associated with investing in securities of companies located in developed countries or issued by the government of such countries, including security and economic considerations, such as greater risks of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of funds, nationalisation and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict the Master Fund's investment opportunities; and problems that may arise in connection with the clearance and settlement of trades. In addition, accounting and financial reporting standards that prevail in certain of such countries generally are not equivalent to standards in more developed countries and, consequently, less information is available to investors in companies located in these countries than is available to investors in companies located in more developed countries. There is also less regulation, generally, of the securities markets in emerging countries than there is in more developed countries. Placing securities with a custodian in an emerging country may also present considerable risks.

### *Micro-, Small- and Medium-Capitalisation Companies*

Investments in securities of micro- and small-capitalisation companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalisation and even medium-capitalisation companies are often more volatile than prices of securities of large-capitalisation companies and may not be based on standard pricing models that are applicable to securities of large-capitalisation companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalisation companies, an investment in those companies may be illiquid.

### *Derivative Instruments*

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Master Fund may participate is evolving, and changes in the regulation or taxation of such financial instruments may have a material adverse effect on the Master Fund. In addition, the Master Fund may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time.

### *Futures Contracts*

The value of futures contracts depends upon the price of the assets, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Master Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred



to as “daily price fluctuation limits” or “daily limits”. Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Master Fund from promptly liquidating unfavourable positions and subject the Master Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

#### *Forward Contracts*

The Master Fund may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Management Group would otherwise recommend, to the possible detriment of the Master Fund. In its forward trading, the Master Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Master Fund trades. Master Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Management Group may order trades for the Master Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Master Fund to the risk of loss.

#### *Swap Agreements*

The Master Fund may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Master Fund, for instance, may enter into total return swaps, contracts for difference, correlation swaps, variance swaps, volatility swaps or other swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease the Master Fund’s exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Master Fund is not limited to any particular form of swap agreement.

Whether the Master Fund’s use of swap agreements or swaptions will be successful will depend on the Management Group’s ability to select appropriate transactions for the Master Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Master Fund’s portfolio. Moreover, the Master Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Master Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Master Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is

possible that developments in the swap markets, including potential government regulation, could adversely affect the Master Fund's ability to terminate swap transactions or to realise the amounts to be received under such transactions.

#### *Repurchase or Reverse Repurchase Transactions, Buy-Sell Back or Sell-Buy Back Transactions*

The Master Fund may enter into repurchase and reverse repurchase transactions or buy-sell back or sell-buy back transactions. When the Master Fund enters into a repurchase agreement or a sell-buy back transaction, it effectively "sells" the securities or commodities to a counterparty (such as a financial institution), and agrees to repurchase such securities or commodities on a mutually agreed date for the price paid by the counterparty, plus interest at a negotiated rate. In a reverse repurchase or a buy-sell back transaction, the Master Fund "buys" securities from a counterparty, subject to the obligation of the counterparty to repurchase such securities at the price paid by the Master Fund, plus interest at a negotiated rate. Repurchase, reverse repurchase and sell-buy back or buy-sell back transactions by the Master Fund involve certain risks. For example, if the seller of securities to the Master Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Master Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Master Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Master Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Master Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

#### *Credit Default Swaps*

Credit default swaps can be used to implement the Management Group's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Master Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Master Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Master Fund may also buy credit default protection with respect to a referenced entity if, in the Management Group's judgement, there is a high likelihood of credit deterioration. In such instance, the Master Fund will pay a premium regardless of whether there is a credit event.

#### *Currencies*

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Master Fund are affected generally by relative interest rates, which, in turn, are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

#### *Debt Securities*

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the

issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

The Master Fund may invest in bonds or other fixed income securities, including "higher yielding" (including non-investment grade) debt securities. Such securities are generally not exchange traded and, as a result, these financial instruments trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. In addition, the Master Fund may invest in bonds of issuers that do not have publicly-traded equity securities, making it more difficult to hedge the risks associated with such investments. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. High yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. High yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing.

#### *Credit Ratings*

In general, the credit rating assigned by a nationally recognised rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Master Fund may incur losses if it makes investments based on credit ratings that subsequently change in a way not favourable to the Master Fund's investment objective.

#### *Market Making by Dealer*

The value of the Master Fund's fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair the Master Fund's profitability or result in losses.

#### *Sovereign Debt*

Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued, including securities that the

Management Group believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of sovereign debt in future restructurings, including such issuer's (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their sovereign debt.

#### *Stressed and Distressed Obligations*

The Master Fund may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganisation and liquidation proceedings. These obligations are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterise debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Master Fund's investments in any financial instrument, and a significant portion of the obligations in which the Master Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets, if any, collateralising the Master Fund's investments will be sufficient or that prospects for a successful reorganisation or similar action will become available. In any reorganisation or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Occasionally, the Master Fund may need to make a follow-up investment in an existing troubled position only in an attempt to protect the value of its initial investment. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganisation, there exists the risk that the reorganisation either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) 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 Master Fund of the security in respect to which such distribution was made.

#### *Equitable Subordination*

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalisation of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other

inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “**equitable subordination**”). If the Master Fund engages in such conduct, the Master Fund may be subject to claims from creditors of an obligor that debt held by the Master Fund should be equitably subordinated.

#### *Exchange-Traded Funds*

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

#### *Preferred Stock*

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer’s capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer’s board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer’s common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

#### *Structured Notes*

Structured notes, variable rate mortgage-backed and asset-backed securities each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market’s perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

#### *Stabilised Investments*

The Management Group may effect transactions in investments the prices of which may be the subject of stabilisation. Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities related to it.

Stabilisation may be permitted under the applicable rules in order to help counter the fact that, when a new issue comes on the market for the first time, the price can sometimes drop

for a time before buyers are found. Stabilisation is typically being carried out by a “stabilisation manager” (typically, the firm chiefly responsible for bringing a new issue to the market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.