

ITEM 1. COVER PAGE

FORM ADV PART 2A

Axon Capital LP

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March 31, 2023

Important Disclosure:

This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Axon Capital LP (“**Axon**”, “**we**” or “**Adviser**”, and similar terms), an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”). If you have any questions about the contents of this Brochure, please contact us at 212-479-2000. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Axon is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Adviser and its affiliates is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

Axon is required to identify and discuss any material changes made to this Brochure since the last annual update (which was made on March 31, 2022). Axon has not made any material changes to the Brochure.

This Brochure should be reviewed in its entirety. If Axon makes any material changes to this Brochure, this Item 2 will be revised to include a summary of such changes.

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ITEM 4. ADVISORY BUSINESS

Our Organization

Axon Capital LP (“**Axon**”, “**we**” or “**Adviser**”) is a Delaware limited partnership. The Adviser is a successor to Axon Investments, L.P., which was founded by Dinakar Singh in February 2005. Dinakar Singh, serves as the Adviser’s CEO and is its principal owner. Mr. Singh controls the Adviser and has ultimate responsibility for all management, operations and investment decisions. The Adviser is registered with the United States Securities and Exchange Commission (“**SEC**”).

The Adviser has its principal place of business in New York, New York.

Types of Services Offered

Axon provides discretionary investment advisory services to domestic and offshore private investment vehicles (each a “**Fund**” and collectively, the “**Funds**”). Axon employs a variety of investment strategies pursuant to the guidelines set forth in each Fund’s respective private placement memorandum, partnership agreement (or similar governing documents if a corporation or other form of legal entity) and subscription agreement (these documents collectively hereafter, the “**Offering Documents**”). The Funds invest largely in a global long/short portfolio across regions and asset classes. The investment team applies fundamental research to build a hedged portfolio focused on company-specific and industry investment views.

Adviser may also provide investment advice to separately managed institutional accounts, although currently it does not.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non-“U.S. Persons” as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

Wrap Fee Programs

The Adviser does not currently participate in in wrap fee programs.

Assets Under Management

As of December 31, 2022, Adviser manages client assets on a discretionary basis in the amount of approximately \$481 million regulatory assets under management. Adviser does not manage client assets on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

Axon provides discretionary investment advisory services to domestic and offshore private investment vehicles. For its services, Axon (or an affiliate) is entitled to management fees and performance-based allocations or fees (“**performance-based compensation**”).

Management fees may vary with each investor in a Fund and are more fully explained in the respective Offering Documents. The base annual management fee is generally up to 2% of assets under management. Axon is paid management fees quarterly in advance according to the terms of the relevant agreement with each Fund. Adviser generally deducts management fees from Fund accounts at the beginning of each fiscal quarter. As investors generally may redeem on a quarterly basis, no refund of such fees typically will be required.

Axon (or an affiliate) may receive performance-based compensation in addition to management fees. Axon (or an affiliate) generally receives annual performance-based compensation in an amount up to twenty percent (20%) of the excess of net capital appreciation (unrealized and realized) measured against the prior period's net asset value of an investor's shares or limited partnership interest, as defined and calculated in each Fund's Offering Documents. Adviser generally deducts performance-based compensation as of the end of each calendar year or as of the time of any redemption or withdrawal.

Other Compensation

Axon has earned, and may in the future earn, certain advisory, restructuring, financing, and other similar fees provided in connection with a private investment made by the funds.

Variation of Terms

Axon, an affiliate or the board of directors of a respective Fund, as the case may be, may waive or reduce management fees or performance-based compensation with respect to a Fund or any of the investors in a Fund at its discretion.

Redemptions and Withdrawals

Investors in the Funds may redeem or withdraw their interests, in whole or in part, on a quarterly basis with 30 days prior written notice, in accordance with the redemption or withdrawal terms of the relevant Fund's Offering Documents.

Given the quarterly nature of redemptions and withdrawals, there generally will not be any unearned fees paid in advance which will need to be refunded. To the extent a redeeming or withdrawing investor is owed any unearned fees paid in advance, the investor will be refunded an amount prorated from the date of termination to the end of the relevant period in which the termination date falls.

Other Fees and Expenses

The Funds will incur other costs including, but not limited to, investment-related expenses (e.g., brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to outsourced trading relationships, consultants, attorneys, brokers or other professionals or advisors who provide research, advice, due diligence or proxy voting services with regard to investments, appraisal fees and expenses, and investment banking expenses), market data and research expenses (except to the extent that all or a portion of such costs are paid through the use of "soft dollars"), legal and regulatory expenses (including, without limitation, filing fees), internal and external accounting expenses (including, without limitation, valuation expenses), audit expenses, tax preparation and other tax-related expenses, organizational and offering expenses, premiums for liability insurance covering Axon and its members,

partners, officers, employees and affiliates, administration fees and related costs (including, without limitation, costs of reporting to investors or shareholders) extraordinary and nonrecurring expenses and other similar expenses related to the Funds as the Adviser determines in its sole discretion. For the avoidance of doubt, the categories of expenses provided herein shall include any associated or ancillary costs, including, without limitation, any computer hardware or software used or developed to obtain research, market data or accounting services.

A portion of research-related expenses may be paid for using “soft dollars.” The use of commission or “soft dollars” for research and research-related services will come within the safe harbor for the use of soft dollars provided under Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). Expenses generally will be shared by all of investors in or the shareholders of the Fund pro rata; provided, however, that a Fund may specially allocate expenses related to specific investments to relevant investors.

Please see Item 12 below for further discussion of the factors that Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Additional Compensation and Conflicts of Interest

Neither Axon nor its personnel receive a brokerage commission or any other compensation for the sale of securities or other investment products.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Adviser, or its affiliates, receives performance-based compensation from the Funds. For a discussion of the performance-based compensation charged by Adviser to the Funds, please refer to Item 5. Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the “Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The Adviser does not manage any clients accounts that are not subject to performance-based compensation. As a result, the Adviser does not face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients, but not from other clients.

Performance-based compensation arrangements may create an incentive for Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying clients over other clients in the allocation of investment opportunities. Adviser has implemented procedures that seek to ensure that such conflicts do not influence the method through which it allocates investment opportunities, including trade allocation procedures for the allocation of investment opportunities among clients.

ITEM 7. TYPES OF CLIENTS

As described in Item 4, Adviser provides discretionary investment advisory services to domestic and offshore private investment vehicles.

Prospective investors in each of the Funds managed by Adviser are required to meet certain suitability qualifications to enable the Funds to maintain their private placement exemptions under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended (the “**1940 Act**”). Adviser also generally imposes a minimum investment amount for each Fund, but Axon has the discretion to accept lesser amounts, subject to compliance with applicable law.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

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 its 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. 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.

Axon employs a variety of investment strategies pursuant to the guidelines set forth in each Fund’s respective Offering Documents. The Funds invest largely in long and short investments across regions and asset classes. Investments in companies may be made in a variety of ways, including both publicly traded equities, and private investments. The investment team applies fundamental research to build a portfolio focused on company-specific and industry investment views. The Funds may invest in a broad range of securities and strategies, including (without limitation) the following: equities (listed, unlisted, domestic, foreign, American Depositary Receipts, common and preferred); secured and unsecured debt (both corporate and sovereign, bank loans, whole loans, vendor claims and other legal and/or contractual claims); convertible bonds and preferred; derivative instruments (including listed and over-the-counter), swaps and other equity and fixed income-related instruments; contracts for differences; mortgage-backed securities and other similar instruments; currencies; commodities; privately-sourced non-control and control transactions; and purchases of real assets. At times, the Funds utilize hedging intended to reduce exposure to macroeconomic factors and global market performance. The strategies employed by the Fund in addition to long/short strategies may include (among other things) the following: event-oriented (whether regionally or globally); credit/distressed debt; capital structure arbitrage; convertible arbitrage; volatility arbitrage; investments in real estate and real estate related assets; and privately sourced transactions.

An investment in the Funds should be made only after consulting with independent, qualified sources of investment, legal, tax, accounting and other advice.

Risk of Loss

Investing in any of the Funds involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. Different investment strategies are subject to different types and degrees of risk and investors should familiarize themselves with the risks associated with the particular investment strategy of the Fund(s) in which they intend to invest. Prospective and current investors in any Fund should carefully consider the risks of investing in such Fund. The principal risks of investing in a Fund include, without limitation, those set forth below, as well as additional risks set out in each Fund’s respective Offering Documents, which you should review before investing. Interests in any Fund may be very illiquid

and investors should be able to bear the financial risks of an investment for an indefinite period of time. There is no secondary market for interests in the Funds and none is expected to develop.

No guarantee or representation is made that a Fund's investment program, including the 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 Fund and Adviser (or investments otherwise made by the investment professionals of Adviser) are not necessarily indicative of their future performance.

Risks Relating to Fund Investment Programs

Risks of Investments in Securities Generally. All securities investments risk the loss of capital. No guarantee or representation is made that a Fund's program will be successful. Each Fund's investment program will involve, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Fund's activities. Certain investment techniques of the Fund can, in certain circumstances, magnify the impact of adverse market moves to which the Fund may be subject. In addition, a Fund's investment in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Fund may invest its assets.

A Fund's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

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, a Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Adviser's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. A Fund also may be exposed to risks that issuers will not fulfill 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.

Merger Arbitrage. The success of a Fund's merger or "risk" arbitrage strategy depends upon Adviser's ability to identify and exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition 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) regulatory and antitrust restrictions; (ii) political factors ; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.

Convertible Arbitrage. The success of a Fund's convertible arbitrage strategy depends upon Adviser's ability to identify convertible securities that appear incorrectly valued relative to their theoretical value, purchase (or sell short) such a convertible security and sell short (or purchase) the underlying security for which the convertible security can be exchanged to exploit price differentials. There can be no assurance that Adviser will be able to identify convertible opportunities or that changes in price differentials will not cause losses. Borrowing and lending against such investments involves substantial risks. The prices of these investments can be volatile, market movements are difficult to predict, and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. Government policies, especially those of the U.S. Federal Reserve Board and foreign central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of convertible arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

Distressed Obligations. The 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 reorganization and liquidation proceedings) 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 risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also 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, recharacterize 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 a Fund's investments in any security. Obligation in which a 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 the value of the assets collateralizing a Fund's investment will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, the 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. Under such circumstances, the returns generated from a Fund's investments may not compensate the investors adequately for the risks assumed. 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 reorganization, there exists the risk that the reorganization 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 Fund of the security in respect to which such distribution was made.

Debt Securities. A Fund may invest in private and government debt securities and instruments. It is likely that many of the debt instruments in which a Fund invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. 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. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Non-Performing Nature of Debt. Certain debt instruments may be non-performing or possibly in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

High-Yield. Bonds or other fixed-income securities that are "higher yielding" (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. 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 or 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. In addition, a 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.

A Fund may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

General Real Estate Risks. Real estate investments generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate, including (i) risks associated with both the domestic and international general economic climate; (ii) local real estate conditions; (iii) risks due to dependence on cash flow; (iv) risks and operating problems arising out of the absence of certain construction materials; (v) changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); (vi) the financial condition of tenants, buyers and sellers of properties; (vii) changes in availability of debt financing; (viii) changes in the tax, real estate, environmental and zoning laws and regulations; (ix) various uninsured or uninsurable risks; (x) natural disasters; and (xi) the ability of the Fund or third-party borrowers to manage the real properties. With respect to investments in the form of real property owned by a Fund,

such Fund will incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. With respect to investments in equity or debt securities, a Fund will in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid. Such investments are not as liquid as other types of investments and this lack of liquidity may tend to limit a Fund's ability to react promptly to changes in economic or other conditions. In addition, expenditures associated with real estate investments, such as mortgage payments, real estate taxes, and maintenance costs are generally not reduced when circumstances cause a reduction in income from the investments. A Fund may need to comply with certain legal, tax and other requirements prior to liquidating such investments.

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

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

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

ABS. Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. A Fund may invest either directly or indirectly, through collateralized debt obligations ("CDOs"), in these and other types of ABS

that may be developed in the future. ABS present certain risks that are not presented by MBS. Primarily, these securities do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor. The collateral supporting ABS is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with MBS, ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

Non-U.S. Investments. Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interests, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively 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; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, a Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a Fund's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to a Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Global Investments. A Fund may invest in currencies and securities traded in various markets throughout the world, including emerging or developing markets, some of which are highly controlled by governmental authorities, if Adviser believes that market conditions present opportunities for attractive returns. Such investments require consideration of certain risks typically not associated with investing in currencies or securities of developed markets. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by governments, withholding taxes, taxes on gross sale and disposition proceeds, limitations on the removal of funds or other assets, policies of governments with respect to possible

nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and social, economic or political instability in foreign nations. These factors may affect the level and volatility of securities prices and the liquidity of a Fund's investments. Unexpected volatility or illiquidity could impair a Fund's profitability or result in losses.

The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are often heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Emerging Markets. In addition to the risks associated with investments outside of the U.S., investments in emerging markets (*i.e.*, developing countries) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the financial instrument may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market financial instruments, little or no market may exist for such instruments. In addition, imposition of exchange regulations, limitations on removal of funds, political instability, corruption and confiscatory taxation are more likely to occur in emerging markets.

Issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

The issuers of some of non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries.

Many of the laws that govern private and foreign investment, securities transactions and contractual relationships in non-U.S. countries, particularly in developing countries, are new and largely untested. As a result, a Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Initial Public Offerings. Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of

achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Fund's interests.

Event Driven. The success of a Fund's event-driven investment strategy depends upon Adviser's ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as Adviser had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Fund of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable U.S. federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of the Fund's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

Activist Investing. The success of a Fund's activist investment strategy depends upon, among other things: (i) the Adviser's ability to properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) the Fund's ability to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) the Fund's ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of portfolio companies and other security holders to respond positively to the Adviser's proposals; and (v) favorable movements in the market price of any such portfolio company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Corporate governance strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or the Fund and such regulatory agencies may independently investigate the participants in a transaction, including the Fund, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of the Fund, and some of those parties may be indifferent to the proposed changes. Moreover, securities that Adviser believes are fundamentally undervalued or

incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe Adviser anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow the Fund to dispose of all or any of their securities therein or to realize any increase in the price of such securities.

Directorships on Boards of Portfolio Companies. Adviser or its affiliates or designees may serve as directors of, or in a similar capacity with, portfolio companies, the securities of which are purchased or sold on behalf of the Funds. In the event that material non-public information is obtained with respect to such companies or a Fund becomes subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Fund may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on the Fund.

Proxy Contests and Unfriendly Transactions. A Fund may purchase securities of a company that is the subject of a proxy contest on the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Fund to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the company participating in the transaction.

Bankruptcy Claims. A Fund's investments include debt and equity of financially distressed companies. In the event that the issuer files for bankruptcy protection, the Fund will likely be unable to sell its claims without realizing a significant loss and may be unable to recover current interest on such claims during the course of the bankruptcy case. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. To the extent debt investment is unsecured (i.e., has no collateral securing repayment), such claims may have a lower priority than secured claims (which have first recourse to the collateral securing such claim). In addition, the debt of an issuer in bankruptcy may be adversely affected by an erosion of the issuer's business and overall value. Accordingly, there can be no guarantee that a debtor will be able to satisfy all of its liabilities or that the Fund will be able to recover the entire amount of its bankruptcy claim.

Risks Associated with Bankruptcy Cases. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Fund (in its role as a creditor). Furthermore, there are instances where creditors lose their priority under Title 11 of the United States Code (the "Bankruptcy Code") (i.e., are equitably subordinated) if, for example, they have engaged in misconduct that harms other creditors. In those cases where a Fund is found to have engaged in such misconduct, the Fund may lose its priority.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, the approval of the plan by creditors and confirmation of the plan by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Fund; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management

may depart and the company may not be able to invest adequately. In some cases, the issuer may not be able to reorganize and may be required to sell its assets either as a going concern or as part of a liquidation. As a result, even in those circumstances where the Fund may recover the entire amount of its bankruptcy claim, the Fund may be adversely impacted by any costs incurred by the Fund in representing its interests in a debtor's bankruptcy case.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Fund's influence with respect to a class of securities can be lost by virtue of the size of its claim relative to the claims of, the entire class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for certain taxes) may impair the recovery of an investment in a bankruptcy claim.

A Fund may invest some of its assets in securities of issuers domiciled, or assets located, globally. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Adviser, on behalf of a Fund, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Fund's positions as a creditor or equity holder. A member of any such committee or group may owe a fiduciary duty and be subject to certain obligations to all members the committee represents and/or to other similarly situated parties. Adviser may resign from that committee or group for any reason, including, for examples, if Adviser concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to the Fund. In such case the Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if the Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

A Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of litigation and to engage in litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by a Fund.

Uncertain Exit Strategies. Due to the illiquid nature of many of the positions which a Fund is expected to acquire, as well as the uncertainties of the reorganization and active management process, Adviser will be unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

General Private Equity Risks.

Risk of Early Stage Companies. Investments in the private equity of companies at an early stage of development involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

Control Issues. Although Adviser may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent a Fund takes minority positions in companies in which it invests, Adviser may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

Highly Leveraged Companies. Investments in private equity of highly levered companies involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the company, which, depending on the size of the Fund's investments, could adversely affect the return on the capital of the Fund.

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 Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The 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 Fund may be required to hold such securities despite adverse price movements. Even those markets which Adviser 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.

Highly Volatile Markets. The prices of commodities contracts and all derivative instruments (including futures and options prices), can be highly volatile. Price movements of forwards, futures and other derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence prices and 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. A Fund also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Futures Contracts. The value of futures contracts depends upon the price of the securities, 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 a 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 a Fund from promptly liquidating unfavorable positions and subject the 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 Trading. A Fund may enter into forward contracts and options thereon, including non-deliverable forwards. 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 Adviser would otherwise recommend, to the possible detriment of a Fund. In its forward trading, a 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 Fund trades. The 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 Adviser may order trades for a Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject a Fund to the risk of loss.

Call and Put Options. A Fund may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option's strike price or (ii) in the case of a put option, the excess, if any, of the option's strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option's time value (i.e., the component of the option's value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely,

the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the “style” of the option.

Uncovered option writing (i.e., selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

Currency Exchange Exposure. A may invest in securities denominated in currencies other than the U.S. dollar. Each Fund, however, values its securities in U.S. dollars. The Fund may or may not seek to hedge its non-U.S. 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 Fund wishes to use them, or that hedging techniques employed by the 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 Fund’s positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Leverage for Investment Purposes. The use of leverage will allow a 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 Fund’s portfolio. The effect of the use of leverage by the Fund in a market that moves adversely to its investments could result in substantial losses to the Fund, which would be greater than if the Fund were not leveraged.

Borrowing for Cash Management Purposes. Each Fund has the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which a Fund can borrow will affect the operating results of the Fund.

Collateral. The instruments and borrowings utilized by a Fund to leverage investments may be collateralized by all or a portion of the Fund’s portfolio. Accordingly, a 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 Fund’s margin accounts decline in value, the Fund could be subject to a “margin call”, pursuant to which the Fund must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Fund can apply essentially discretionary margin, “haircut”, financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Fund may have similar rights. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

Costs. 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 a Fund’s portfolio.

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 a Fund interacts, as well as the Fund, are all subject to systemic risk. A systemic failure could have material adverse consequences on a Fund and on the markets for the securities in which the Fund seeks to invest.

Volatility Risk. A 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 such Fund.

Short Selling. The success of a Fund's short selling investment strategy depends upon the Adviser's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that the Fund will be able to maintain the ability to borrow Securities sold short. In such cases, the Fund can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a Fund secures a "good borrow" of the Security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Fund to purchase the Security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Fund.

Hedging Transactions. A Fund may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Fund's securities; (vii) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (viii) act for any other reason that Adviser deems appropriate. A Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the 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.

Diversification and Concentration. Adviser may select investments that are concentrated in a limited number or types of securities. In addition, a 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 Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

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

Counterparty Risk. Each Fund has established relationships to obtain financing, derivative intermediation and prime brokerage services that permit each Fund to trade in any variety of markets or asset classes over time. However, there can be no assurance that a Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit a Fund's trading activities, create losses, preclude a Fund from engaging in certain transactions or prevent a 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 a Fund's business due to the Fund's reliance on such counterparties.

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

If there is a default by a counterparty, the Fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Fund being less than if the 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. In such case, the recovery of the Fund's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Fund may recover substantially less than the full value of the securities entrusted to such counterparty.

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

In addition, a Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to

a Fund's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on a Fund and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Fund's securities from or the payment of claims therefor by such counterparty and a loss to the Fund, which could be material.

Special Purpose Acquisition Companies. A special purpose acquisition company (a "SPAC") is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception). Adviser may cause the Funds to invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for Adviser to evaluate the possible merits or risks of such SPAC's investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

Fraud Associated with Loans. Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of a Fund to perfect or effectuate a lien on the collateral securing the loan. A Fund will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Co-Investments with Third Parties. A 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 Fund or is in a position to take (or block) action in a manner

contrary to the 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.

Significant Positions in Securities; Regulatory Requirements. In the event a Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Fund and Adviser. Any such requirements may impose additional costs on the Fund and may delay the acquisition or disposition of the securities or the 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 a 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 a Fund's position limits were aggregated with an affiliate's position limits, the effect on the Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by Adviser were to exceed applicable position limits, Adviser would be required to liquidate positions, which might include positions of the Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Fund might have to forego or modify certain of its contemplated trades.

In addition, if a Fund, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the Fund may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the Fund will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

As noted herein, a Fund, acting either alone or as part of a group, may acquire a "control" position in an issuer's securities. This may subject the Fund to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

Execution of Orders. A Fund's trading strategy depends on its ability to establish and maintain an overall market position in a combination of financial instruments selected by Adviser. A Fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to the Fund, Adviser, the Fund's counterparties, brokers, dealers, agents or other service providers. In such event, the Fund might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, the Fund might not be able to make such adjustment. As a result, the Fund would not be able to achieve the market position selected by Adviser, which may result in a loss. In addition, the Fund relies heavily on electronic execution systems (and may rely on new systems and technology in the future), and such systems may be subject to failure, causing the interruption of trading orders made by the Fund.

Reliance on Valuation Information From Employees and Third Parties. In order to value the assets and liabilities of the Funds, the Valuation Party may rely on information provided by employees or outside

parties, and such persons may provide inaccurate, incomplete, not current or otherwise unreliable information.

Competition; Availability of Investments. Certain markets in which the Funds may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

Exposure to Material Non-Public Information. From time to time, Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, a 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.

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 a Fund may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on a Fund.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact a Fund, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter (“OTC”) instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional “know your counterparty” obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of Adviser and the Funds, and increase the amount of time that Adviser spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Fund.

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

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

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

Systems and Operational Risks Generally. A Fund depends on Adviser to develop and implement appropriate systems for the Fund's activities. A 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 and 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 Fund's activities. In addition, a Fund relies on information systems to store sensitive information about the Fund, Adviser, their affiliates and the investors. Certain of the Fund's and Advisers' activities will be dependent upon systems operated by third parties, including prime brokers, the Administrator, market counterparties and other service providers, and Adviser may not be in a position to verify the risks or reliability of such third-party systems. Outsourced trading firms may hold sensitive trading data for the Fund, and correspondingly the Fund may face risks in the event that such trading firms' systems are compromised. Failures in the systems employed by Adviser, prime brokers, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the a Fund's operations may cause the 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 investors' investments therein.

Risks Relating to Market Conditions Generally

General Economic and Market Conditions. The success of a 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 Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A 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 a Fund's strategies.

Assumption of Catastrophe Risks. A Fund may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change factors); war, terrorism and other armed conflicts; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which a Fund invests (or has a material negative impact on the operations of Adviser or its service providers), the risks of loss can be substantial and could have a material adverse effect on the Fund and the investors' investments therein. Furthermore, any such event may also adversely impact one or more individual

investors' financial condition, which could result in substantial redemption requests by such investors as a result of their individual liquidity situations and irrespective of Fund performance.

Coronavirus Risks. In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, was first identified in the human population. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and “shelter-in-place” or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on the operations of Adviser and the performance of the Fund is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Fund.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in each respective Fund. Prospective investors should read the entire Offering Documents and consult with their own advisers before deciding to invest.

ITEM 9. DISCIPLINARY INFORMATION

In May 2008, Adviser notified the Swedish Financial Supervisory Authority (“SFSA”) of a reduction below 5% in its holding of shares of a Swedish issuer. That notification was made unintentionally later than the notification deadline specified in the Swedish Financial Instruments Trading Act. By letter dated August 29, 2008, the SFSA notified Adviser that the SFSA was considering whether Adviser failed to file this report within the prescribed time. Adviser responded on September 19, 2008, explaining that the late filing was the result of an inadvertent human error, that when the error was discovered Adviser acted swiftly to rectify it, and that the Adviser has implemented additional compliance policies and procedures and hired additional compliance personnel to safeguard against this happening again. By letter dated March 13, 2009, Adviser received notice that the SFSA decided to impose a special fee of 4,000,000 Swedish kronor (approximately US\$553,000) for the late notification. On May 20, 2009, the decision became legally binding.

The special fee was paid following the issuance of the invoice by the SFSA. The fee notice was disclosed by the SFSA publicly on its website in March 2009.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Broker-Dealer Registration Status

Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer

Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

Material Relationships or Arrangements with Industry Participants

Axon Partners GP, L.P. (“**Partners GP**”), an affiliate of Axon, serves as the general partner of Axon Partners, LP, one of the Funds. Partners GP serves as the managing member of Axon International GP, LLC which serves as the general partner of Axon International, L.P., the mini-master trading vehicle for (and wholly owned subsidiary of) Axon Partners (Offshore), Ltd., another of the Funds.

In addition to the entities listed above, Funds may from time to time invest through subsidiary investment holding entities.

Either Axon Partners GP, L.P. or Axon International GP, LLC, each a related person of Adviser, serves as the general partner for limited partnerships for which Adviser serves as investment manager.

In addition, an affiliate of the Adviser has sponsored a special purpose acquisition company, or SPAC, and may sponsor others in the future. In connection with such sponsorship, a partner or employee of the Adviser serves, and may in the future serve, as an officer and/or a director of such SPACs. The Fund has invested in the SPAC, and personnel of the Adviser who serve as office and/or directors of the SPAC have fiduciary duties to both the Fund and the SPAC, and the Adviser seeks to identify and mitigate any resulting conflicts of interest.

Conflicts of Interest

Adviser manages Funds pursuing various investment strategies, which are described more fully in Item 8. Although Adviser and its employees have procedures in place which seek to mitigate conflicts, there may be certain inherent and potential conflicts of interest between Adviser, its affiliates and their employees and principals, on the one hand, and the Funds, on the other hand. These material conflicts are described more fully below and in the respective Offering Documents of the Funds.

Conflicts of Interests for Principals and Employees. The principals and employees of Adviser will be subject to a variety of conflicts of interest relating to their responsibilities for the Funds and the management of their respective portfolios. Certain principals and employees may serve as a member of a Fund’s board of directors, as a member of an investment or advisory committee, or otherwise in an advisory capacity for one or more corporations, foundations or other organizations. Such positions may create a conflict between the services and advice provided to such organizations and the responsibilities owed to the Fund. Although such principals and employees seek to limit any such conflicts in a manner that is in accordance with their fiduciary duties to the Funds and such organizations, there can be no assurance that serving in such positions will have no impact on the person’s ability to perform his responsibilities on behalf of the Funds. Adviser or its affiliates may from time to time provide back office and administration support to the Funds.

Axon Partners, LP made several investments in private growth companies in conjunction with a growth venture capital firm, Prime Movers Lab, as well as in funds or SPVs controlled by Prime Movers Lab. The founder / CEO of Prime Movers Lab is a relative of a partner of the Adviser, Kori Estrada. However, Ms. Estrada has no economic interest or ownership in any Prime Movers fund or management entity. Adviser has also engaged in other investment ventures with Prime Movers Lab, including a joint venture in the raising of a special purpose acquisition vehicle.

Conflicts of Interest of Adviser; Selection of Brokers. Adviser will be subject to a variety of conflicts of interest in making investments on behalf of the Funds. For example, Adviser may be subject to conflicts relating to its selection of brokers on behalf of the Funds. Portfolio transactions for the Funds will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services. However, brokers may provide other services that are beneficial to Adviser and its partners, but not necessarily beneficial to the Funds, including, without limitation, consulting with respect to technology, operations, equipment and office space, and other services or items. Such services and items may influence Adviser's selection of brokers.

Trade Errors. On occasion, errors may occur with respect to trades executed on behalf of the Fund(s). Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, and when the wrong quantity is purchased or sold (*e.g.*, 1,000 shares instead of 10,000 shares are traded). Trade errors frequently result in losses but may, occasionally, result in gains. Axon endeavors to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third-party, such as a broker, Axon will strive to recover any losses associated with such error from such third-party. Axon will determine whether any trade error has resulted from fraud, bad faith, gross negligence or willful misconduct on its part, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Fund(s), as the case may be. Investors should be aware that, in making such determinations, Axon will have a conflict of interest.

Trade Allocation. If it is determined by Adviser that it would be appropriate for a Fund, and one or more other accounts or investment funds managed by it, to participate in an investment opportunity, Adviser will seek to execute orders for all of the participating accounts and investment funds, including the Fund, on a fair and equitable basis, taking into account such factors as Adviser deems appropriate and which may include: the investment objectives with respect to the Fund and the other accounts, the availability of leverage, the relative amounts of capital available for new investments, relative exposure to market trends, transaction costs, the portfolio positions of the participating accounts, the manner in which the investment in question is likely to affect the amount of available capital after the investment is made, investment guidelines or restrictions and investment strategies, concentrations and diversification, tax and regulatory issues, the nature and size of existing portfolio holdings and cash positions, risk/return objectives and anticipated redemptions and subscriptions (liquidity). In certain circumstances, Adviser may give special consideration to certain factors such as new accounts (including those in which Adviser or its partners may have an interest) with a substantial amount of available cash.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Axon has adopted a code of ethics ("**Code of Ethics**") which is designed to foster compliance with the applicable federal securities laws and regulatory requirements and to prevent circumstances that may lead to or the give appearance of conflicts of interest with clients, insider trading or unethical business conduct as well as promote a culture of high ethical standards.

The Code of Ethics contains policies which address the following situations:

Personal Trading Policies. Among other things, the Code of Ethics governs personal securities trading by our employees. Generally, employees are permitted to buy or sell securities for their own accounts, including the same securities purchased and sold for the Funds, subject to pre-clearance by the Chief Compliance Officer and the CEO.

To ensure personal trading by employees is conducted in a manner that (i) does not adversely affect Axon's trading on behalf of the Funds and (ii) is consistent with the fiduciary duties owed by Axon to the Funds, Axon has adopted the following policies and procedures:

- Personal securities transactions must be pre-cleared with the Chief Compliance Officer, other than securities (such as mutual funds) not treated as "reportable securities" under the Code of Ethics;
- Employees must disclose all personal brokerage accounts to the Chief Compliance Officer and submit initial and annual holding reports, disclosing all securities held;
- Employees must upload all account information into Axon's automated third-party compliance program or notify their brokerage firms to provide duplicate copies of all trade confirmations and statements directly to the Chief Compliance Officer;
- All transactions are subject to a minimum holding period;
- Personal transactions may be disapproved if the Chief Compliance Officer determines that the employee is unfairly benefiting from, or that the transaction is in conflict with, any pending Axon Fund transaction; and
- Employees may not invest in initial public offerings.

Insider Trading Policies. Axon forbids employees from trading, either personally or on behalf of others (including accounts advised by Axon), on material non-public information or communicating material non-public information to others in violation of the federal securities laws. This conduct is commonly referred to as trading on "inside information". Axon has designed and implemented policies and controls to monitor the flow of inside information as well as to prevent trading on the basis of inside information.

Other Policies. The Code of Ethics also has policies addressing:

- Gifts and entertainment;
- Outside activities undertaken by personnel in a personal capacity, including serving as a director of a company; and
- Business standards and personal conduct.

A copy of the Code of Ethics is available to any investor or prospective investor upon request.

Participation or Interest in Client Transactions

Axon, its affiliates and employees may invest in the Funds and in securities or other assets in which the Funds or other clients invest subject to applicable law and Axon's Code of Ethics, as described above. In some cases, employee interests in the Funds may be deemed a "principal account" (as defined in a 2006 SEC No-Action letter, Gardner Russo & Gardner, File No. 810-41357). In the event a Fund is deemed to be a "principal account", trades effected between Funds will be considered principal transactions and must be approved in advance by the Chief Compliance Officer, who will ensure that such trading is conducted properly and in accordance with Section 206(3) of the Advisers Act.

In certain circumstances, including rebalancing of the Funds' portfolios, Axon may cross trade securities between the Funds. Such trades will generally be executed by an independent broker-dealer on an agency

basis at the current market value provided such transaction is legally permissible and consistent with Axon's fiduciary obligations.

ITEM 12. BROKERAGE PRACTICES

Brokerage Selection

Axon will act in the best interests of the Funds it manages when executing decisions to deal on behalf of the Fund in the context of the management of their portfolio. Portfolio transactions for the Funds will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services that are of benefit to the Funds, Axon or related funds and accounts. Axon has adopted the following guidelines for evaluating brokerage services when determining whether it has sought best execution for Fund account transactions. These guidelines are designed to enable Axon to fairly evaluate the overall quality and costs of a broker-dealer's execution services, including factors other than prices, commissions and other expenses paid in connection with account transactions.

Axon will place trades for execution only with approved brokers or dealers. The factors to be considered in selecting and approving brokers-dealers that may be used to execute trades for Fund accounts include, but are not limited to, the following:

- Quality of execution - accurate and timely execution, clearance and error/dispute resolution
- Reputation, financial strength and stability
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings and secondary markets
- Ongoing reliability
- Overall costs of a trade (e.g., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Axon's knowledge of negotiated commission rates currently available and other current transaction costs
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity
- Quality of brokerage or research services

The relative importance of the above factors may take into account the following criteria:

- The objectives, investment policy and risks specific to the Fund
- The characteristics of the order

- The financial instruments that are the subject of the order
- The execution venues to which that order can be directed

To assist with trade execution, Axon has retained an unaffiliated third-party service provider to provide trade execution, including broker or dealer selection, and other ancillary services to Axon for the benefit of the Funds. As a result, Fund expenses will be higher, as a result of paying such third-party service than if Axon traded directly with such brokers or dealers.

Brokerage Analysis and Review

Axon designates certain brokers as “approved broker-dealers” based on the factors listed above and maintains a list of such broker-dealers. Axon periodically reviews the list of approved broker-dealers to determine whether all of the broker-dealers listed continue to demonstrate the ability and commitment to provide Axon with best execution, in light of the changing needs and trading history of the Funds. Axon also reviews commissions and other transaction costs and trade volumes by broker-dealer on a periodic basis to evaluate reasonableness in light of services received and consistency with these guidelines and seeks input from the investment professionals regarding the quality of the investment research and service they received.

Soft Dollar Practices

Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. Because soft dollar products and services are purchased with brokerage commissions (or mark-ups or mark-downs in the case of permitted riskless principal transactions by dealers), an investment adviser has a fiduciary obligation to ensure that the commissions (or mark-ups and mark-downs) are used for the benefit of its clients and that its clients are fully informed of its use of brokerage commissions (or mark-ups or mark-downs) to obtain soft dollar products. The receipt of soft dollar products from broker-dealers generally must be limited to research and brokerage services, if such practices are to fall within the safe harbor set forth in Section 28(e) of the Exchange Act.

Section 28(e) of the Exchange Act provides investment advisers with a “safe harbor” that allows them to pay more than the lowest possible commissions in return for the receipt of research and brokerage services, subject to certain conditions. The SEC has stated that the utilization of “full service” brokers may constitute “soft dollar” usage as their commissions generally are greater than mere execution brokers or electronic platforms. Axon uses full service brokers.

Axon may have certain relationships with, and receive benefits from, broker-dealers that may pose a conflict of interest when selecting and using broker-dealers. Examples of such relationships and benefits include, but are not limited to: (i) referral or recommendation of investors; (ii) personal investments by a registered representative of a broker-dealer in Funds we manage; (iii) receipt of proprietary research; and (iv) participation in broker-dealer sponsored research and capital introduction conferences.

Trade Aggregation Practices

As described in Item 10, if it is determined by Adviser that it would be appropriate for a Fund, and one or more other accounts or investment funds managed by it, to participate in an investment opportunity, Adviser will seek to execute orders for all of the participating accounts and investment funds, including the Fund, on a fair and equitable basis. Orders are typically aggregated for the Funds and if any order is not filled at

the same price, orders may be allocated on an average price basis. In an “average price” account, purchase and sale orders placed during a trading day on behalf of the Fund and the other accounts are combined, and securities bought and sold pursuant to such orders are allocated among such accounts on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the Fund and the other accounts on a basis which Adviser considers fair and equitable.

ITEM 13. REVIEW OF ACCOUNTS

Review of Client Accounts

The CEO has ultimate responsibility for all investment decisions, and with the assistance of the investment team, continuously monitors the portfolio of the Funds, transactions, performance, and investment strategy to ensure that they conform with the investment objectives set forth in the Offering Documents. Additionally, our Chief Compliance Officer or her designee reviews on a periodic basis for, among other things, trade allocations, trade breaks, as well as legal and regulatory restrictions. Adviser reconciles cash daily, listed positions daily, OTC positions weekly, and all products at month end.

In addition, the Funds’ third-party Administrator, in conjunction with the Adviser, provides monthly reviews and reconciliations of cash, positions and activity to prime brokers to properly validate and account for all transactions. Monthly profit and loss is reconciled by the Administrator. The monthly net asset value calculations are prepared by the Administrator and reviewed by Adviser.

Reports

Investors receive monthly capital account statements for their investment in each Axon Fund as well as periodic written updates of activity in their Fund and market commentary by Axon. Investors also receive, annual audited financial statements of the Fund in which they are invested.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

There are no sales charges payable to the Funds, Axon or any of its affiliates in connection with the offering of interests or shares in the Funds. However, Axon, its affiliates or the Funds have previously, and may again in the future, enter into arrangements with placement agents to solicit investors for the Funds, and such arrangements may provide for the compensation of such placement agents for their services at Axon’s expense. Any such solicitation arrangements must be approved in advance by the Chief Compliance Officer.

ITEM 15. CUSTODY

Axon has custody of client assets as such term is defined under Rule 206(4)-2 under the Advisers Act as a result of fee payments or the service of certain affiliates as general partners to private funds. Axon has engaged an independent public accountant registered with, and regularly examined by, the Public Company

Accounting Oversight Board (“PCAOB”) to conduct annual financial audits of the Funds prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). Each Fund intends to distribute the results of the audited financials to the underlying investors in each Fund pursuant to the 180-day distribution deadline granted to investment advisers of fund of funds.

ITEM 16. INVESTMENT DISCRETION

Axon provides investment advisory services to clients on a discretionary basis. Please see Item 4 for a discussion of the types of investment supervisory services provided by Adviser.

Adviser generally receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities and other financial instruments to be bought or sold. Such authority is provided in Adviser’s advisory contract with each client and/or under the terms of the operating agreement of each client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Adviser seeks to observe the investment policies, limitations and restrictions of the clients for which it advises.

ITEM 17. VOTING CLIENT SECURITIES

Axon has authority to vote proxies relating to securities held by the Funds. Axon’s policy is to vote proxy proposals, amendments, consents or resolutions relating to securities held by the Funds in a manner that serves the best interests of the Funds, as determined by Axon in its discretion, taking into account relevant factors, including, but not limited to: (i) the impact on the value of the securities; (ii) the anticipated costs and benefits associated with the proposal; (iii) the effect on liquidity; and (iv) customary industry and business practices.

To assist in voting proxies, Axon has retained an unaffiliated, third-party proxy voting research service (the “**Service**”) specializing in providing a variety of proxy-related services to institutional investment managers. The services provided to Axon include in-depth research analysis of shareholder meeting agendas, vote recommendations, reporting and recordkeeping. Axon has adopted the Service’s proxy voting policy (“**PVP**”) and will generally vote according to its recommendations. If Axon should decide to vote in a manner contrary to such PVP, the operations personnel responsible for casting such vote will log the exception to the PVP.

For routine matters, Axon, in conjunction with the Service’s recommendation, will typically vote in accordance with the recommendation of the company’s management, directors, general partners, managing members or trustees, as applicable, unless, in Axon’s opinion, such recommendation is not in the best interests of the investing Funds. Routine matters are typically proposed by management of a company and meet the following criteria: (i) they do not materially change the structure, management, control or operation of the company; (ii) they do not materially change the terms of, or fees or expenses associated with, an investment in the company; and (iii) they are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company.

For non-routine matters, Axon's investment professionals will review proxy proposals on a case-by-case basis to determine an appropriate course of action. Non-routine matters involve a variety of issues and may be proposed by a company's management or beneficial owners.

Axon will process every vote it receives for U.S. and non-U.S. proxies. However, on occasion, Adviser may abstain from voting (which generally requires submission of a proxy voting card) or affirmatively decide not to vote if it determines, after considering a variety of factors, that abstaining or not voting is in the best interests of the Funds. In making such a determination, Adviser will consider factors including, but not limited to: (i) the costs associated with exercising the proxy (including, but not limited to, translation, travel, registration, legal and/or power of attorney expenses); (ii) any legal restrictions on trading resulting from the exercise of a proxy; and (iii) the benefit to the Fund's portfolio from the specific proposal. Furthermore, Adviser will not abstain from voting or affirmatively decide not to vote merely to avoid a conflict of interest.

When applicable, Adviser will generally refrain from (i) moving securities out of margin accounts or (ii) depositing securities into designated depositories prior to the date of the meeting ("share blocking"), for the express purpose of ensuring the ability to vote, unless Adviser determines that it would be in the best interests of the Funds to do so. During a share blocking period, shares that will be voted at the meeting cannot be sold until the meeting has taken place and the shares are returned to the Funds' custodians. Not actively segregating securities could potentially result in a loss of the ability to vote shares, if they are re-hypothecated or otherwise unregistered to vote as of record date.

At times, conflicts may arise between the interests of the Funds, on the one hand, and the interests of Axon or its affiliates, on the other hand, with respect to the voting of proxies. If Axon determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Axon will vote proxies in the best interest of the Funds. Axon will generally resolve such conflict by relying on the Service's vote recommendation.

Axon's investment professionals will be responsible for determining whether each proxy is for a routine or non-routine matter, as described above. Upon making a decision how to vote a proxy, the Chief Compliance Officer will execute the proxy in accordance with the decision and submit it to the company. Adviser will maintain records relating to each proxy. The Chief Compliance Officer is responsible for monitoring the effectiveness of these proxy-voting policies.

Investors may obtain a copy of Axon's proxy voting policies and procedures and information about how Axon voted any proxies on behalf of client accounts upon written request to Axon.

ITEM 18. FINANCIAL INFORMATION

Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial commitments reasonably likely to impair its ability to meet contractual commitments to clients and has not has been subject to bankruptcy proceedings during the past ten years.