

Item 1 – Cover Page

**Part 2A of Form ADV
Brochure for:**

YIHENG CAPITAL 毅恒资本

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March 31, 2023

This brochure provides information about the qualifications and business practices of Yiheng Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at (415) 582-6360. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an Investment Adviser does not imply any certain level of skill or training.

Additional information about Yiheng Capital Management, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The material changes in this brochure from the last annual updating amendment of Yiheng Capital on March 29, 2022 are described below. Material changes relate to Yiheng Capital's policies, practices or conflicts of interests.

The firm has added written acknowledgement of fiduciary status language. (Item 4)

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Item 3 – Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Description of Yiheng Capital and Our Services.....	1
Client Tailored Services and Client Imposed Restrictions	2
Wrap Fee Programs	2
Assets Under Management	2
Item 5 – Fees and Compensation	2
Management Fee.....	2
Incentive Allocation.....	2
Expenses	3
Item 6 - Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	4
Investment Objective, Strategies and Methods of Analysis.....	4
Investment Process	4
Investments	5
Other Matters	5
Additional Considerations	6
Risk of Loss	6
Item 9 – Disciplinary Information	12
Item 10 – Other Financial Industry Activities and Affiliations.....	12
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	12
Item 12 – Brokerage Practices.....	13
Types of Transactions and Transacting Parties	13
“Soft Dollars”	13
Referrals of Investors and Advisory Clients	16
Directed Brokerage	16
Aggregation of Orders	16
Cross Transactions	16
Item 13 – Review of Accounts.....	16
Item 14 – Client Referrals and Other Compensation	16
Item 15 – Custody.....	17
Item 16 – Investment Discretion	18
Item 17 – Voting Client Securities	18
Item 18 – Financial Information	18

Item 4 – Advisory Business***Description of Yiheng Capital and Our Services***

Yiheng Capital Management, L.P., a Delaware limited partnership (“Yiheng”), provides specialized discretionary advisory services to limited investment partnerships and an offshore investment fund (collectively the “Funds” or “Clients”), with the goal of generating absolute risk-adjusted returns over the long-term while managing risk by investing in global securities with an emphasis on the United States and Greater China (Mainland China, Hong Kong and Taiwan). Yiheng advises Yiheng Capital Partners, L.P., (“Master Fund”, formerly, Yiheng Capital Partners II, L.P.), and Yiheng Capital Offshore Partners, Ltd., (“Offshore Fund” or “Feeder Fund”). The Master Fund is a Delaware limited partnership. The Offshore Fund is a Cayman Islands exempted company, which invests its assets in the Master Fund. Yiheng also advises YH Greenhouse SPV, LLC, a Delaware limited liability company, and Yiheng Capital Holdings, L.P., a Delaware Limited Partnership.

Yiheng’s predecessor, Yiheng Capital, LLC, was formed in 2008 by Jonathan Guo, and Yiheng was formed in 2020. Mr. Guo is Yiheng’s primary owner.

Jonathan Guo. Prior to founding Yiheng, Mr. Guo opened the San Francisco office of Brahman Capital Corp. where he served as an Analyst. From 2005 to 2007, Mr. Guo was Assistant Portfolio Manager and Senior Analyst with First Q Capital LLC, a value based long/short equity fund, where he analyzed and invested in global securities with an emphasis in the U.S. and Greater China markets. Previously, Mr. Guo served as an Analyst in the Convertible Bonds and Long/Short Equity Group of MSD Capital, L.P. (2003-2005) where he analyzed and invested in convertible bonds and long/short equity. From 1998 to 2001, Mr. Guo worked for Oracle Corporation, where he started a new product group and managed a team of 15 software developers.

Written Acknowledgement of Fiduciary Status

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule’s provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Client Tailored Services and Client Imposed Restrictions

Yiheng does not tailor its portfolio management services to the individual needs of investors in the Funds.

Wrap Fee Programs

Yiheng does not participate in wrap fee programs.

Assets Under Management

As of December 31, 2022, Yiheng had discretionary regulatory assets under management of \$2,251,979,000. Yiheng does not manage assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Management Fee

For its services to the Funds, Yiheng generally receives management fees at a rate of 1% per annum for Class A and, 1.5% annum for Class B, and 2% per annum for Class C investors of the balance in an investor's capital account. Additionally, Class G Limited Partner interests have been established to enable the General Partner to offer investors the opportunity to make Capital Contributions that are designed to take advantage of a particular event, market condition, Partnership performance or other triggers. These Class G and Class H interests may be subject to extended conversion periods. Investors should make sure to read the applicable offering documents for their respective Class(es).

Management Fees are calculated and paid quarterly in advance. As to capital contributed on a date other than the first day of a month, the Yiheng will be paid a prorated Management Fee. Beginning July 1, 2020, the quarterly management fee percentage for a capital contribution to a Fund by an investor is reduced by 6.25 basis points (approximately 25 basis points annually) on the third anniversary of the date of the capital contribution and by an additional 6.25 basis points (approximately 25 basis points annually) on the sixth anniversary of the date of the capital contribution.

Yiheng may vary the Management Fee as to particular investors in its Funds by separate agreement.

Special Profit Allocation

Generally, Yiheng's affiliate, Yiheng Capital, LLC, receives a "Special Profit Allocation" with respect to each investor in the Funds. The Special Profit Allocation is equal to 20% of the amount by which the Profits (including realized and unrealized gains and losses) otherwise allocable to each limited partner's Capital Account during that Fiscal Year exceed the Unrecouped Losses of the limited partner's Capital Account. The Special Profit Allocation is made at the end of each Fiscal Year (and on any redemption by or distribution of funds to a Shareholder during a Fiscal Year). Investors in the Offshore Fund are subject to the Special Profit Allocation indirectly at the Master Fund level.

No Special Profit Allocation is charged to a limited partner's Capital Account until any "Unrecouped Losses" of the limited partner's Capital Account has been recouped. "Unrecouped Losses" of a limited partner's Capital Account are all Losses allocated to it reduced (but not below zero) by all Profits allocated to that limited partner's Capital Account in that Fiscal Year and subsequent Fiscal Years. This is what is sometimes referred to as a "high water mark." Thus, Losses allocated to a limited partner's Capital Account must be recouped before a Special Profit Allocation is made with respect to that the limited partner's Capital Account. If a limited partner

withdraws or a shareholder redeems, the Unrecouped Losses attributable to that investor are reduced proportionately.

The Special Profit Allocation is made only with respect to investors who are qualified clients and in accordance with Rule 205-3 under the Investment Advisers Act of 1940.

Expenses

The Funds bear all costs of organization and operation, including all trading costs and expenses (for example, brokerage commissions, expenses related to short sales, and clearing and settlement charges), and all ongoing legal, accounting, tax, bookkeeping, professional, expert and consulting fees and expenses arising in connection with the Funds' business (including the fees and expenses of the Administrator, the Funds' auditors and attorneys for Yiheng).

The Funds pay the Administrator an asset based fee, subject to a minimum monthly amount, under the Administration Agreement. These fees are based on the Administrator's standard fee schedule. The Feeder Fund also pays each Director an annual fee and reimburses the Directors for their reasonable out-of-pocket expenses.

Please refer to *Item 12 – Brokerage Practices* for more information on brokerage transactions and costs.

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

Yiheng Capital, LLC receives a performance-based allocation (a Special Profit Allocation) as discussed above in *Item 5- Fees and Compensation*. The Special Profit Allocation may create an incentive for Yiheng to cause the Funds to make investments that are riskier than the Funds would otherwise make. In addition, since the Special Profit Allocation is calculated on a basis which includes unrealized appreciation of the Funds' assets, it may be greater than if such allocation were based solely on realized gains.

Yiheng does not currently manage any accounts where it does not receive a performance based allocation. If Yiheng were to manage both accounts that receive performance-based allocations and accounts that do not receive a performance-based allocation, Yiheng and its supervised persons may have an incentive to favor accounts for which Yiheng receives a performance-based allocation.

Item 7 – Types of Clients

Currently, Yiheng's clients consist entirely of private pooled investment vehicles. Yiheng's clients include Yiheng Capital Partners, L.P., a Delaware limited partnership, Yiheng Capital Offshore Partners, Ltd., a Cayman Islands exempted company, which invests its assets in Yiheng Capital Partners, L.P., Yiheng Capital Holdings, L.P., another Delaware limited partnership, and YH Greenhouse SPV, LLC, a Delaware limited liability company.

The minimum investment into a Fund is \$10,000,000 and the minimum additional investment is \$100,000. Yiheng may waive or reduce these requirements in particular cases or change them as to new investors in the future.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss***Investment Objective, Strategies and Methods of Analysis***

The Funds' investment objective is to generate superior absolute risk-adjusted returns over the long-term while carrying moderate risk through identifying under-appreciated sustainable engines of wealth creation (for long) and over-hyped businesses lacking franchise value (for short) in the global economy with an emphasis on the U.S. and Greater China (Mainland China, Hong Kong and Taiwan). Examples of franchise value include a high barrier to entry created by defensible technology or strong customer lock-in (high switching cost); a highly differentiated competition strategy based not purely on price but more on different segmentation of customer bases, levels of customer service and distribution channels; and a relatively fragmented customer and supplier base. Examples of factors influencing sustainability of franchise value include industry consolidation, vertical integration or disaggregation of the industry food chain and regulatory changes (deregulation, privatization, subsidy policy change, etc.). A critical part of primary research (especially for Chinese companies) is to evaluate the quality of company executives including their trustworthiness, drive to succeed, expertise and know-how and incentive alignment with other shareholders. In this regard, extensive interviews, reference checks and continuous observations will often be carried out.

The Funds (directly or, indirectly, through the Master Fund) invest in and trade Securities, consisting principally, but not solely, of equity and equity-related Securities that are traded publicly in U.S. and non-U.S. markets. The Funds may invest in preferred stocks, convertible Securities, private Securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income Securities, non-U.S. currencies, futures, options on futures, other commodity interests, money market instruments, cash and equivalents. The Funds also engage in short selling, margin trading, hedging and other investment strategies.

Investment Process

The core of the Yiheng's investment philosophy is fundamental value investing through identifying franchise value (current state) and evaluating its sustainability (the future) through extensive bottom-up analysis and primary research on the industry and the company.

After the selection of individual securities, portfolio positions will be sized based on the risk/reward profile, conviction, macro environment and liquidity of the underlying Security. The Funds intend to hold relatively concentrated long positions where the risk/reward profiles are considered to be highly attractive by Yiheng over a long period of time. Short positions will generally be smaller in size, have more stringent liquidity requirements and shorter holding periods. Portfolio level and individual security level hedges may be applied by Yiheng.

Yiheng sees the most opportunities in areas of change such as:

- (a) Companies that are beneficiaries or victims of strong, unprecedented secular growth in the developing world, such as China, where new industries and leading franchises are emerging while certain existing industries and their competitive landscapes are changing. Examples include the rise of online travel consolidators; the rise of semiconductor foundries in Taiwan; the decline of narrowly focused U.S. semiconductor designers; and the decline of certain international telecom equipment vendors;
- (b) Disruptive technology companies or new business models utilizing technology. Examples include Internet Search, Content Delivery Network, Mobile email and GPS applications for the mass. Yiheng is aware, however, that not all of these companies are sustainable wealth creators despite phenomenal growth in their early stages;

- (c) Broken Initial Public Offerings. Certain companies in their early stages as publicly traded entities are misunderstood and under-researched. Yiheng sees an opportunity for the securities of such companies to be mispriced due to their relatively short operational track record and limited available financials;
- (d) Companies undergoing restructuring or leadership changes; and
- (e) Mergers & Acquisitions.

The Funds will focus on areas that Yiheng believes it possesses superior industry knowledge while avoiding areas that cannot be analyzed properly.

Research Company

The Investment Adviser has engaged Shenzhen Yiheng Ltd. (the “Research Company”) and its employees (the “Research Employees”) to provide research on Chinese Securities to the Investment Adviser. The Research Company and the Research Employees provide research on companies requested by Yiheng. Additionally, Yiheng has control over the hiring, termination and compensation of Research Company employees, research work and business conduct of the Research Company, the vendors and service providers the Research Company engages, the office location of the Research Company and the Research Company’s budget and expenses. The Research Company and the Research Employees have agreed to exclusively provide research to the Investment Adviser. The Research Company and the Research Employees are the Investment Adviser’s primary source of research on Chinese Securities.

Research Employees may receive an annual incentive fee (“Incentive Fee”) from Yiheng calculated based on a percentage of the Special Profit Allocation received by Yiheng Capital, LLC, if any. This Incentive Fee may create an incentive for the Research Employees to recommend investments that are riskier or more speculative than they would recommend if they did not receive this fee. See “Special Profit Allocation” in Item 5 above for more information regarding the risks and conflicts associated with the Special Profit Allocation generally.

Investments

The Funds invest in and trades Securities, consisting principally, but not solely, of equity and equity-related Securities that are traded publicly in U.S. and non-U.S. markets. The Funds may invest in preferred stocks, convertible Securities, private Securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income Securities, non-U.S. currencies, futures, options on futures, other commodity interests, money market instruments, cash and equivalents. The Funds also engage in short selling, margin trading, hedging and other investment strategies.

Other Matters

An investment in the Funds should be considered a long-term investment. The Funds are not intended to meet investors’ short-term financial needs or to provide a complete or balanced investment program.

The investment objectives and methods summarized above represent Yiheng’s current intentions, are general in nature and are not intended to be exhaustive. Among other things, there are no limits on the types of Securities in which the Funds may take positions, the types of positions it may take, the concentration of its investments in companies, industries or market sectors or subsectors, or the amount of leverage that it may use, including the extent of its margin trading, short positions and options trading. Yiheng has broad discretion to use any Securities trading or investment techniques,

whether or not contemplated by the expected investment strategies and criteria described above. In addition, there are inherent limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in Securities markets and the economy generally, Yiheng may pursue any other objectives or use any other techniques that it considers appropriate and in the best interest of the Funds. Further, many of the investment techniques and activities described above are high-risk activities that could result in substantial losses. Consequently, only experienced and sophisticated persons who are able to risk losing all of their investment should invest in the Funds.

No assurances can be given that the Funds' target returns or investment objectives will be met.

Additional Considerations

The discussion above reflects Yiheng's investment philosophy, strategy and expectations as to the focus, techniques and activities of the Funds. Although Yiheng currently expects the strategy described above to be each Fund's principal focus, the Funds do not impose any limits on the types of securities or other instruments in which Yiheng may cause them to invest, the types of positions they may take, the concentration of their investments by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. Depending on conditions and trends in securities markets, Yiheng may cause the Funds to employ other strategies or techniques Yiheng considers appropriate and in the Funds' best interests at the time.

Investors and potential investors should refer to each Fund's Confidential Offering Circular or Private Offering Memorandum for complete details regarding the investment objectives, strategies, investment selection, and risk management of each Fund.

Risk of Loss

An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost.

Prospective investors should carefully consider all potential risks, including but not limited to those summarized below. Prospective investors should carefully review the risk factors discussed in each Fund's Confidential Offering Circular or Private Offering Memorandum as well as consult their own legal, tax and financial advisers as to all these risks and as to an investment in a Fund generally.

Reliance on Yiheng. The Funds' success depends on the ability of Yiheng and, particularly, Jonathan Guo, to develop and implement investment strategies to achieve the Funds' investment objectives.

Not a Complete Investment Program. The Funds may be deemed speculative investments and are not intended as a complete investment program.

General Economic and Market Conditions. The success of the Funds' investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances.

Investment and Trading Risks. The Funds invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity, fixed income, commodity and currency markets, the risks of borrowings and short sales, the leverage associated with trading on margin and in the currency and derivatives markets, the potential illiquidity of derivative instruments and the risk of loss from counterparty defaults.

Equity Securities. The equity and equity-linked securities in which the Funds invest are subject to general movements in the stock market and the value fluctuations of each particular issuer's stock.

Arbitrage Strategies. Identification and exploitation of the trading strategies to be pursued by the Funds involves uncertainty. No assurance can be given that Yiheng will be able to correctly locate trading opportunities or to exploit price discrepancies in the capital markets.

Use of Leverage. The Funds expect to leverage their investment positions by borrowing funds from securities brokers or dealers, banks, or others. They also expect to use derivatives to leverage its capital. Leverage increases both the possibilities for profit and the risk of loss.

Short Selling. The Funds may sell securities short as a regular part of their investing activities. A short sale theoretically involves the risk of unlimited loss in that the price at which the Funds must buy "replacement" securities could increase without limit. There can be no assurance that the Funds will not experience losses on short positions or that it will have long positions that appreciate in value enough to offset any such losses.

Hedging, Generally. Although hedging strategies in general are usually intended to limit or reduce investment risk, they may not achieve the anticipated effect. Yiheng may utilize a variety of instruments, including options and other derivatives, for hedging and risk management purposes, but it is not obligated to, and may not, hedge against certain risks. Furthermore, the Funds' portfolios will always be exposed to risks that cannot be hedged.

Risks of Non-U.S. Investments.

(a) **Generally.** The Funds invest in Securities of non-U.S. companies, which may be denominated in U.S. or non-U.S. currencies, and uses forward non-U.S. currency exchange contracts, which involve unusual risks not typically associated with investing in U.S. companies. These risks include, but are not limited to, less public information available regarding non-U.S. issuers, limited liquidity of non-U.S. Securities and political risks associated with the countries in which non-U.S. Securities are traded and the countries where non-U.S. issuers are located. Individual non-U.S. economies may differ unfavorably from the U.S. economy in gross national product growth, inflation rate, savings rate and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The Funds may invest in Securities of non-U.S. governments (or agencies or subdivisions thereof), and some or all of the foregoing considerations also may apply to those investments.

(b) **Developing Countries.** The risks of non-U.S. investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by developing countries will have an adverse effect on the value of the Securities of companies that trade or operate in such countries.

(c) **Political Risks.** Many of the non-U.S. companies in which the Funds invest, directly or indirectly, may be particularly exposed to the risk of political change and governmental action. In some non-U.S. countries, there is the possibility of expropriation or confiscatory taxation, limitations on removing funds or other Fund assets, political or social instability, or diplomatic developments that could materially and adversely affect the value and marketability of the Funds' investments in those countries.

(d) **Non-U.S. Investment Limitations.** Some of the countries in which the Funds invest, directly or indirectly, may have laws and regulations that currently preclude or severely restrict direct non-U.S. investment in Securities of their companies. Indirect non-U.S. investment may, however, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct non-U.S. investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether or turned into a discount.

(e) **Non-U.S. Securities Regulation.** The Securities of non-U.S. issuers held by the Funds generally are not registered under, nor are the issuers thereof subject to the reporting requirements of, U.S. securities laws and regulations. Accordingly, there may be less publicly available information about these Securities and about the non-U.S. company or government issuing them or the board of trade clearing them than is available about a U.S. company, government entity or board of trade. Non-U.S. companies and boards of trade generally are not subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Further, government supervision of stock exchanges, boards of trade, securities brokers and issuers of Securities is generally less stringent than supervision in the U.S. The investments also may be subject to withholding taxes imposed by the applicable country's taxing authority.

(f) **Limited Liquidity of Non-U.S. Securities.** Securities of some non-U.S. companies are less liquid and their prices are more volatile than Securities of comparable U.S. companies. Investing in non-U.S. Securities or short sales of those Securities creates a greater risk of Securities clearance and settlement problems.

(g) **Non-U.S. Currency Risks.** The Funds hold cash in U.S. Dollars to meet expenses and may hold cash in other currencies for hedging or investment purposes or to meet settlement requirements for non-U.S. Securities. The Funds may be affected unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. Dollar. Changes in non-U.S. currency exchange rates influence values within the Funds' portfolios from the perspective of U.S. investors. Changes in non-U.S. currency exchange rates also may affect the value of dividends and interest earned, gains and losses realized on the sale of Securities and the Funds' net investment income and gains, if any. The exchange rate between the U.S. Dollar and other currencies is determined by the forces of supply and demand in the non-U.S. exchange markets. These forces are affected by the international balance of payments and other economic and financial conditions, government intervention and other political and diplomatic conditions, speculation and other factors.

Currency Hedging. To the extent the Funds invest in non-U.S. securities or securities traded in currencies other than U.S. dollars, the Funds may seek to hedge its exposure to currency fluctuations, and may enter into foreign currency forward contracts (agreements to exchange one currency for another at a future date). These contracts involve a risk of loss. A default by the forward contract counterparty may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

Valuation Risks. Many of the securities in which the Funds may invest will be traded in markets that are not as active or deep as many other equity markets, resulting in unreliability of pricing information. Where third-party pricing information is not available, or where Yiheng considers the

information not to be indicative of an investment's value, investments will be valued in Yiheng's discretion. Yiheng may face conflicts of interest in making valuation decisions. As a result, there can be no assurance that the valuation of the Funds' investment positions will accurately reflect the amount the Funds could obtain (or would be required to pay as to some types of derivatives positions) if they were to try to sell the security or close the position.

Risk of Derivatives, Generally. The Funds may trade and invest in a variety of derivative instruments, both to hedge the Funds' portfolios and for profit. Trading and investing in derivatives can be highly speculative and can entail risks that are greater than the risks of investing directly in securities or other assets. Prices of equity derivatives can be more volatile than indices, rates, or asset prices on which they are based.

Counterparty and Settlement Risk. The Funds may enter into over-the-counter derivative contracts or transactions (*i.e.*, transactions in options or other derivatives that are not cleared through the facilities of an exchange or clearing organization such as the Options Clearing Corporation), including "swaps" and specially-tailored options. If the Funds invest in these instruments, they may be exposed to the risk of default by its counterparty or to settlement difficulties.

Options. Among the derivatives in which the Funds may invest or trade are options on various underliers including options on specific securities, options on securities indices and options on security futures contracts. The trading of options is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. To the extent the Funds sell options and must deliver the underlying securities at the option price, the Funds have a theoretically unlimited risk of loss if the price of such underlying securities increases. Combinations of options positions, or combinations of options positions with positions in stocks or other securities, can mitigate or can increase the risks inherent in each component option position.

Forward Trading. The Funds may trade in forward contracts. Unlike exchange-traded future contracts and options on futures, forward contracts are not regulated by the CFTC and accordingly the Funds will not receive any benefit of CFTC regulation of these trading activities. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current contract price and the value of those commitments at the forward contract price.

Foreign Currency Forward Contracts. Foreign currency forward contracts (agreements to exchange one currency for another at a future date) involve a risk of loss if the Funds fail to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterpart may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

Swap Agreements. The Funds may enter into swap agreements ("swaps") as part of their investment program. Swaps may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' portfolios.

Credit Default Swaps. In many cases the Funds will not hold a credit default swap open for its entire duration but will, instead, seek to close or unwind it before the end of its term. This could possibly result in a loss to the Funds. Factors that could cause such a loss could include that the market's perception of the creditworthiness of the reference issuer had improved, reducing the amount that buyers would be willing to pay for protection, or that the demand for protection on the issuer's obligations were otherwise to decline. Combinations of swap positions, or combinations of such positions with positions in other securities, can increase the risks inherent in each component of those combinations.

Futures Activities. As with some other derivatives, futures trading can provide a form of leverage, allowing the Funds to participate in market price fluctuations of securities indices or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities indices or commodity interests. Trading in futures can be highly speculative and may entail risks that are greater than investing in securities. Some of those risks include the following:

- Prices of commodity interests may be more volatile than prices of securities.
- The leverage aspects of futures trading can increase the risks involved in a particular activity as well as the potential return.
- Futures positions may be illiquid.
- The Funds' futures and options activities may include futures and options traded in non-U.S. markets, which may involve greater risks than trading in futures and options on U.S. exchanges.

Exchange Traded Funds and Index Aggregates. Exchange traded funds ("ETFs") and other index aggregate products may be subject to the following risks:

- *Tracking Error.* Due to fees, expenses, and availability of the underlying portfolio securities, the performance of the particular ETF or aggregate may not equal or track the performance of the underlying index, market, industry or sector.
- *Index Decline.* A decline in the value of an index, market, industry or sector on which the ETF or aggregate is based will result in a decline in the value of the ETF or aggregate. In addition, leverage employed by an index aggregate fund will multiply the losses of an index.
- *Index Derivatives.* Some index aggregate products may seek to achieve their objectives by investing in index derivatives such as futures or swaps on an index. These index aggregate funds are subject to the additional risks generally presented by derivatives use, an enhanced risk of an imperfect correlation between the market value of securities in an index and the prices of futures and other derivatives purchased in lieu of the securities of an index, and other risks.

Foreign Derivatives. The Funds' futures and options activities may include futures and options traded in non-U.S. markets. The risks of these activities may be greater than those of trading in futures and options on U.S. exchanges.

Debt Securities. Debt securities have varying levels of sensitivity to changes in interest rates and varying degrees of credit quality. See "Interest Rate Risk" and "Credit Risk" below.

Convertible Securities. Unlike bonds, some preferred stocks and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds. Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

Interest Rate Risk. The value of convertible and other debt securities (and related investments) in the Funds' portfolio may fluctuate according to changes in interest rates.

Default Risk; Credit Risk. The Funds' performance could be adversely affected if issuers of debt instruments in which the Funds have an interest default on those instruments or if events occur that reduce the creditworthiness of those issuers. If a bond or other debt instrument were to become subject to such an event, the value of the instrument could be significantly reduced, conceivably to zero.

Concentration of Investments. The Funds do not limit the amount of capital that may be committed to any single investment, industry or sector. Although the Funds generally intend to limit their investments as described under the "Investment Strategies" section (above) and generally attempt to spread capital among a number of investments, at times the Funds may hold a relatively small number of positions, each representing a relatively large portion of a Fund's capital. The Funds may at times have a relatively large portion of their capital exposed to a particular industry or market sector. Losses in one or more large positions, or a downturn in an industry or market sector in which a Fund is concentrated, could materially adversely affect a Fund's performance in a particular period and could have a materially adverse effect on a Fund's overall financial condition.

Limited Liquidity of Some Investments; Valuation. The Funds may invest in securities and derivative contracts that are relatively illiquid. The Funds may not be able to liquidate these illiquid positions if the need were to arise; rapid sales of such investments could depress the market value of those instruments, reducing the Funds' profits, or increasing its losses, in the positions. The values of those securities, and other securities that are illiquid due to thin markets, size of the Funds' holdings, or other factors, may not be accurately reflected in current market quotations. Yiheng has broad discretion in valuing these and other securities the Funds hold. Valuation decisions will affect, among other things, the Funds' profits and losses.

Changes in Investment Strategy. The Funds give Yiheng broad discretion to expand, contract or otherwise change the Funds' activities without notice to or the consent of the investors. Any such change could result in the exposure of the Funds' capital to additional risks, which may be substantial.

Portfolio Turnover. The Funds may have higher portfolio turnover than other investment funds. If that occurs, the brokerage commissions incurred by the Funds may be higher than those incurred by a fund with a lower portfolio turnover rate.

Other Fund Risks. Investors in private pooled investment vehicles, such as the Funds, are subject to various additional risks that are related to the structure of the investment vehicles, including:

- An investment in a Fund is relatively illiquid.
- Substantial withdrawals may require the Funds to liquidate securities positions more rapidly than would otherwise be desirable.

- Yiheng will be subject to a variety of conflicts of interest in managing the Funds' assets and affairs.
- Investors may be subject to certain tax risks and potential investment company regulation.

Refer to each Fund's Confidential Offering Circular or Private Offering Memorandum for more information regarding these and other Fund risks.

Item 9 – Disciplinary Information

Neither Yiheng nor any of Yiheng's management persons have had any legal or disciplinary events that would be material to a client's evaluation of Yiheng or the integrity of Yiheng's management.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Yiheng nor any of Yiheng's management persons are registered, or have an application pending to register as:

- a broker-dealer or registered representative of a broker-dealer; or
- a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Yiheng does not recommend or select other investment advisers for its clients for compensation.

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

Code of Ethics. Yiheng has adopted a Code of Ethics ("Code") that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with Yiheng, and establishes procedures intended to prevent Yiheng, and its personnel and certain of their relatives, from inappropriately benefiting from Yiheng's relationships with its clients. The Code provides: (i) the interests of Yiheng's Clients come before Yiheng's interests or any Employee's interests; and (ii) each Employee's professional activities and personal investment activities must be consistent with this Code and avoid any actual or potential conflict between the interests of Clients and those of Yiheng or the Employee.

Yiheng monitors all employees' securities transactions. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions. The Code also contains restrictions on and procedures to prevent inappropriate trading while Yiheng or Yiheng personnel are in possession of material nonpublic information.

Yiheng will provide a copy of its Code of Ethics to any client or prospective client upon request. A request may be made by submitting a written request to Yiheng at the address on the cover page to this brochure.

Participation or Interest in Client Transactions. Neither Yiheng nor its officers, partners, directors, or employees may recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest. This involves a conflict of interest. As such, Yiheng prohibits its employees and related persons from engaging in these types of transactions.

Personal Securities Transactions. Yiheng, its officers, partners, directors, and employees may not initiate positions in securities other than direct obligations of the Government of the United States or, upon approval from the Compliance Department, direct obligations of other sovereign countries in which the Yiheng Employee resides; bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments; money market funds and open-end mutual funds and exchange traded funds ("ETFs") (collectively, "Excepted Securities"). Yiheng employees must obtain pre-approval from the Chief Compliance Officer prior to exiting existing positions in securities other than Excepted Securities. Yiheng's officers, partners, directors, and employees are required to sign and adhere to Yiheng's Code of Ethics. Employees are required to disclose their personal brokerage accounts, receive preclearance before making a personal securities transaction, and report their personal securities holdings and transactions to Yiheng.

Item 12 – Brokerage Practices

Types of Transactions and Transacting Parties

The Funds will incur substantial brokerage commissions and other transaction expenses. Yiheng has complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties through or with which to execute or enter into portfolio transactions (collectively, "Transacting Parties"). Yiheng also has complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties. These arrangements may include not only paying commissions for transactions effected on any agency basis, but also compensation implicit in prices of transactions directly with Transacting Parties acting as principal (such as market-makers for over-the-counter securities) and dealers in fixed income securities and derivatives. As a result, Yiheng will face conflicts of interest in exercising its discretion.

Selection Criteria, Generally. In choosing Transacting Parties, Yiheng is not required to consider any particular criteria. Nevertheless Yiheng seeks "best execution" of the Funds' securities transactions. What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a Transacting Party will provide best execution, Yiheng considers a range of factors, including research capabilities, success of prior research recommendations, ability to execute trades, nature and frequency of sales coverage, depth of services provided (including back office and processing capabilities), financial stability and responsibility, reputation, commission rates, responsiveness to the Yiheng and the value of research and brokerage products and services provided by such Transacting Party. Yiheng is not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties. The Funds expect at times to pay more than the lowest transaction cost available in order to obtain for itself and/or Yiheng services and products other than the execution of securities transactions.

"Soft Dollars"

Yiheng utilizes soft dollar arrangements. When entering into soft dollar arrangements, Yiheng may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to the Funds or Yiheng. Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." This is common in the professional management of securities portfolios. Yiheng may acquire services or products with the Funds' soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Yiheng) of

soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which the Funds would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent Yiheng uses them for lawful and appropriate assistance in making investment decisions for the Funds and Yiheng’s other clients. “Brokerage” services and products are those used to effect portfolio transactions for Yiheng’s clients or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatory required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Section 28(e) only protects commissions or commission equivalents on transactions in securities; markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments are not protected.

Conflict of Interest. Because many services and products Yiheng may receive from Transacting Parties may benefit Yiheng, Yiheng’s interests in allocating the clients’ securities transactional business may conflict with the clients’. For example, Yiheng may have an incentive, in order to induce brokers and dealers to provide it with services or benefits to, among other things, cause the clients to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the clients’ investment strategy; (iii) use broker-dealers that do not obtain for the clients the best possible price on portfolio transactions; and (iv) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. Investors into the Funds authorize Yiheng to use the Funds’ soft dollars for a wide range of purposes, notwithstanding the conflicts of interest those uses may involve. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. Yiheng may or may not use clients’ soft dollars to pay for services and products other clients’ pay for and, if they do, that use may not be in proportion to account size, transaction volume, or uses of those services and products. Yiheng may use client soft dollars to buy products or services that benefit other Yiheng clients.

“Research and Brokerage.” The types of “research” Yiheng may receive from Transacting Parties include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance Yiheng’s investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing brokers and the Prime Broker, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. Yiheng may use client soft dollars for “mixed use” products and services—products and services that are used in part for research or brokerage purposes and in part for other

purposes. Even where Yiheng's use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), Yiheng will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use Transacting Parties who provide those services and products more than it otherwise would.

Other Services and Products. Yiheng has no formal arrangement with any party to use soft dollars to acquire services and products that provide benefits to Yiheng and that does not qualify as research or brokerage, and/or to pay expenses otherwise payable by Yiheng. However, certain services provided to the Funds may contain so-called "mixed-use items" – items that benefit both clients and Yiheng. Yiheng attempts to value the portions of these mixed-use items it benefits from, and pays for those portions directly. However, to the extent the value of any such benefit is deemed to exceed payments made by Yiheng, the difference could be considered soft dollars used outside the parameters of the safe harbor. Some examples of these products and services include order management systems consisting of safe harbor-eligible brokerage such as trading software used to route orders, and ineligible post-trade services such as recordkeeping, client reporting or portfolio management software. Yiheng will have a conflict of interest to the extent these services are paid for by Transacting Parties; it will have all the incentives described above (including to use those Transacting Parties regardless of whether using them would otherwise be in the Funds' best interests, to pay higher compensation and to effect more transactions than otherwise optimal).

Procedures. Transacts from which Yiheng obtains soft dollar services or products generally establish "credits" based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse Yiheng for specified expenses. In some cases the process is less formal; a Transacting Party simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Funds' actual transactional business with a Transacting Party may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Funds' investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions. Yiheng may ask a Transacting Party who is executing a transaction for several accounts (*see* the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction in favor of a Transacting Party who has provided or is willing to provide products or services for soft dollars. That is, the executing Transacting Party will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar Transacting Party. This assists Yiheng in acquiring products and services with soft dollars while providing the benefits of aggregated transactions. It may result in a client paying additional commissions or other transaction compensation to the Transacting Party to whom the client's portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of Yiheng who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)'s safe harbor is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the Transacting Party. Yiheng may nonetheless determine to use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above.

Referrals of Investors and Advisory Clients

In selecting a Transacting Party, Yiheng may consider the Transacting Party's referrals of investors to the Funds, referrals of advisory clients to Yiheng, and the potential for future referrals. To the extent Yiheng would otherwise be obligated to pay for "finding" services, it has a conflict of interest in considering those services when selecting a Transacting Party. It also faces a conflict because it benefits from increases in the size of the Funds.

Directed Brokerage

Yiheng does not request or require that a client direct Yiheng to execute transactions through a specified broker-dealer (i.e. "direct brokerage"). Additionally, Yiheng does not permit a client to direct brokerage.

Aggregation of Orders

Yiheng may combine client orders. When it does, Yiheng will allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Yiheng believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

Yiheng may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. Yiheng has adopted policies and procedures intended to ensure that its trading allocations are fair to all its clients.

Cross Transactions

Yiheng may (but is not obligated to) cause clients to effect "cross" transactions (*i.e.*, buy and sell securities from and to each other), subject to applicable law or regulation. Yiheng may do so, if Yiheng believes that the cross transaction will be beneficial to both parties. ERISA and other laws or regulations may prevent a client from engaging in "cross" transactions that could be beneficial to that client.

Item 13 – Review of Accounts

All managed portfolios will be reviewed at least weekly by Jonathan Guo for overall adherence with the investment philosophy employed by Yiheng. Managed portfolio holdings will also be reviewed at any time changing market conditions warrant.

Investors in the Funds receive monthly unaudited capital statements and an annual report that will include audited financial statements as of the end of the fiscal year.

Item 14 – Client Referrals and Other Compensation

In addition to the arrangements discussed above in Item 12, in the *Referrals of Investors and Advisory Clients* section, Yiheng may compensate certain third party marketers with a portion of the management and performance fee, pursuant to a written agreement, for investor referrals to the funds.

Except as discussed above in Item 12, in the *"Soft Dollars"* section, Yiheng does not receive any economic benefit from a person who is not a client for providing investment advice or other

advisory services to Yiheng's clients. All such referral activities will be conducted in accordance with Rule 206(4)-1 under the Advisers Act, where applicable.

Item 15 – Custody

The Funds obtain custodial, clearing and related services through what is known as a “prime brokerage” arrangement. Under this type of arrangement, a Prime Broker (i) maintains custody of the Funds’ assets (either directly or through affiliated companies or subcustodians); (ii) provides margin credit and locates securities to borrow to facilitate short sales; (iii) arranges for the receipt and delivery of securities bought, sold, borrowed and lent; (iv) makes and receives payments for securities; (v) tenders securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; (vi) provides Yiheng detailed portfolio and related reports; and (vii) provides related services. The Funds’ arrangements with a Prime Broker permits the Funds to maintain a single custodial relationship, while using other brokers (in addition to the Prime Broker) to execute transactions. The arrangement permits the Funds to use not only the Prime Broker, but also other brokers to execute transactions, thereby permitting Yiheng to seek valuable research and to compare execution quality and commission rates. By using a Prime Broker rather than a bank or other institutional custodian for these functions the Funds also may avoid paying custodial fees that banks charge other institutional investors. The Funds compensate their Prime Broker through interest on credit balances, margin borrowings, stock loans and brokerage commissions. It is possible that a material amount of the Funds’ capital will be treated by the Prime Broker as margin and collateral.

UBS Securities, LLC, Goldman, Sachs & Co. Morgan Stanley, and Bank of America (each, a “*Prime Broker*”) serve as the Master Funds’ current Prime Brokers. Citibank, N.A. and China International Capital Corp. are the Master Fund’ ISDA counterparties. The Master Fund may change their Prime Brokers, use additional Prime Brokers, alter the terms of their arrangements with each Prime Broker, or make alternative arrangements to receive the services currently provided by the Prime Brokers, all in Yiheng’s discretion. Notwithstanding their prime brokerage arrangements, there may be times when a portion of the Funds’ assets will be deposited as collateral with financial institutions that serve as counterparties to derivative instruments to which the Funds are a party. The Prime Broker may appoint sub-custodians for portions of the Funds’ assets held in prime brokerage accounts.

The Prime Broker may provide services to Yiheng distinct from the custodial, lending and related services the Prime Broker provides to the Funds and other clients. These services may include, among other things, consulting services with respect to various aspects of Yiheng’s business and introducing Yiheng to prospective advisory clients and prospective investors in the Funds. A Prime Broker may provide those services at prices that are lower than market prices for similar services or for no charge. The Prime Broker may also enter into financial transactions with Yiheng or its affiliates, including lending transactions and through providing initial or other investment capital for investment funds or products that Yiheng or its affiliates manage or sponsor. These transactions may be on terms more favorable than the terms available to Yiheng or its affiliates from other counterparties.

To the extent Yiheng or any of its affiliates receives services from a Prime Broker at lower than market prices, enters into transactions on terms better than terms otherwise available in the market, or collects fees from a Prime Broker’s investments in the Master Fund, conflicts may exist between Yiheng’s interests and the Funds’ interests. That is, the services and benefits Yiheng receives in connection with the Funds’ or other accounts’ relationship with a Prime Broker may give Yiheng an incentive to cause the Funds to accept less favorable pricing for prime brokerage services

(including interest and similar charges on margin borrowings and short positions and including brokerage transaction volume and compensation rates) than might be available otherwise or to continue to use a Prime Broker when it would not otherwise cause the Funds to do so. Yiheng believes the compensation the Funds pay each Prime Broker is reasonable and competitive with rates charged by other prime brokers and service providers for services of comparable quality.

Item 16 – Investment Discretion

Generally, clients give Yiheng complete discretion over the selection and amount of securities to be bought or sold for clients (within the parameters established by the agreement of limited partnership or investment management agreement in the case of the Funds, and the advisory agreements for individually-managed accounts) without obtaining any consent or approval of any client.

Item 17 – Voting Client Securities

Yiheng has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over proxies it receives from time to time on behalf of accounts. Yiheng will vote client proxies in the best interest of its clients. Yiheng will consider a number of factors to determine whether exercising the clients' voting rights as to its securities is in the relevant clients' best interest.

When voting a proxy, Yiheng will generally follow its voting guidelines. Yiheng attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between Yiheng and a client, Yiheng will seek to resolve the conflict and vote the proxies in a manner that is in the relevant clients' collective best interests. Yiheng will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made either by contacting Yiheng at the telephone number or address on the cover page of this brochure.

Item 18 – Financial Information

Yiheng has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Yiheng has not been the subject of a bankruptcy petition.