



Rokos Capital Management (US) LP

FORM ADV PART 2A

FIRM BROCHURE

30 March 2023

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This brochure provides information about the qualifications and business practices of Rokos Capital Management (US) LP and its relying adviser (together, "RCM"). If you have any questions about the contents of this brochure, please contact us at compliance@rokoscapiatal.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about RCM is available on the SEC's website at www.adviserinfo.sec.gov.

Any reference to RCM as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

Item 2: Material Changes

Rokos Capital Management (US) LP and its relying adviser (“**RCM**” or “**we**” or the “**firm**”) are required to prepare this disclosure document (“**Brochure**”) that describes the firm and its business practices. We are required to update this Brochure at least annually and provide clients with a summary of any material changes since its previous annual amendment.

Since the last amendment of this Brochure on 7 November 2022, there have been no material changes.

We recommend that you read this Brochure in its entirety.

Additional information about RCM US is also available via the SEC’s website www.adviserinfo.sec.gov.

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Item 4: Advisory Business

Operational and Organizational Information

Rokos Capital Management (US) LP (“**RCM US**” or “**we**”) is an investment advisory firm specializing in investment management for private investment funds. RCM US was formed in September 2019. Rokos Capital Management (HK) Limited (“**RCM HK**” and together with RCM US, “**RCM**”, “**we**” or the “**firm**”), a private company limited by shares in Hong Kong, is licensed with the Securities and Futures Commission of Hong Kong to provide discretionary asset management services. RCM HK was formed in December 2021.

The ultimate principal owner of RCM is Mr. Christopher Rokos. Mr. Rokos is also the ultimate owner of Rokos Capital Management (Jersey) LP (“**RCM Jersey**”) which serves as a manager to certain of our Clients, and Rokos Capital Management LLP (“**RCM LLP**”) which acts as investment manager to certain of our Clients. RCM Jersey, acting as manager of certain of our Clients, has delegated authority to RCM LLP. RCM LLP has delegated responsibility for certain portfolio management activities to each of RCM US and RCM HK under sub-advisory arrangements. In addition, RCM US provides certain investment advisory services to other Clients. RCM LLP is registered with the SEC as an investment adviser. In this document the “**RCM Entities**” means each of RCM US, RCM Jersey, RCM LLP and RCM HK.

RCM LLP has delegated responsibility for certain portfolio management activities to each of RCM US and RCM HK in relation to pooled investment vehicles, such as Rokos Global Macro Master Fund LP and its feeder funds (“**Clients**”) managed by RCM Jersey and investment managed by RCM LLP. Our firm provides certain sub-advisory services in relation to these Clients. RCM US also serves as the investment manager of certain pooled investment vehicles, such as RCM Private Markets Master Fund LP and its feeder funds (“**Directly Advised Clients**”). For purposes of this brochure, “**Clients**” and “**our Clients**” refers to the Clients in connection with our sub-advisory arrangement with RCM LLP and to the Directly Advised Clients managed by RCM US.

Types of Advisory Services Offered

We offer investment advisory services to our Clients. We tailor our investment advisory services to the investment objectives of each Client. These objectives are described in the offering documentation for our private investment fund Clients. We manage the assets of each Client in accordance with the terms of the documents governing our relationship with the applicable Client. The RCM Entities provide investment advice directly to the Clients and not individually to the Clients’ investors.

Wrap Fee Programs

Our firm does not participate in wrap fee programs.

Regulatory Assets Under Management

As of December 31, 2022, RCM US and RCM HK manage \$14,132,419,417 of regulatory assets under management for our Clients on a discretionary basis. Regulatory assets under management for the purposes of this Form ADV are calculated as the regulatory assets under management of the Directly Advised Clients and, the portion of the assets of Clients over which we have discretion under the sub-advisory arrangements between each of RCM US and RCM HK and RCM LLP.

While much of this brochure applies to all of our Clients, certain information applies to specific Clients only. Please closely review the applicable governing documents with respect to, among other things, the terms, conditions and risks of investing in a particular Client. This brochure should not be construed as an offer or a solicitation of an offer to purchase an interest in our Clients.

Item 5: Fees and Compensation

We have intentionally omitted the full section on compensation for advisory services, as we are a SEC registered adviser and this brochure is being delivered only to “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

We receive compensation directly and indirectly from our Clients.

Sub-Advisory Clients

For its management services, RCM Jersey receives compensation, including management and performance fees, from certain of our Clients. RCM Jersey pays certain compensation, including management and performance fees and allocations, to RCM LLP in respect of the investment management services it provides to those Clients. RCM LLP pays a fee to each of RCM US and RCM HK in compensation for the investment advisory services provided by RCM US and RCM HK, respectively, to those Clients pursuant to the sub-advisory arrangements between RCM LLP and each of RCM US and RCM HK.

Other Clients

RCM US receives a management fee from certain of our Clients calculated with respect to their assets under management and as agreed between RCM US and these Clients.

Other Fees and Expenses

Other fees and expenses incurred by Clients that are not directly related to our services include, but are not limited to, the following:

- costs and expenses directly related to portfolio investments or prospective investments (whether or not the relevant investment is made), such as brokerage commissions, interest on debit balances or borrowings, research, market data, economic, political or market intelligence and other information utilized with respect to a Client’s investment program (including, without limitation, consultants’ fees and expenses, data subscriptions or licenses, journals and papers);
- costs incurred in connection with maintaining a Client and any of its investment subsidiaries, including any administrative, management or other fees (including directors’ fees) incurred in connection with the operation of the Client and its investment subsidiaries;
- any withholding or transfer taxes imposed on a Client;
- fees of the independent administrator of each Client and any out-of-pocket expenses of the administrator, including applicable data, communication and technology-related charges, expenses relating to accounting, audit and preparing, printing and distributing financial and other reports and proxy forms, general administration and legal expenses;
- the costs of acquiring and maintaining Client’s memberships of relevant exchanges;
- expenses relating to accounting, audit and communication expenses with respect to investor services, meetings of directors and shareholders of Clients;
- administration, legal and tax advisory expenses (including where services are provided via subscription services – subscription, license and related support fees) and the fees and expenses of regulatory, tax and other filings, reporting and compliance relating to Clients (for example, without limitation, FATCA/CRS compliance costs, license fees and associated costs incurred in monitoring (and making applicable disclosures of) exchange and other regulatory limits applicable to the Client’s investment positions, or calculating and reconciling the Client’s regulatory initial margin obligations);
- the costs of any litigation or investigation involving a Client, indemnification and other extraordinary expenses, the insurance (if any) for the benefit of the Client or its directors and obtaining and maintaining any future listing of shares of the Client;

- any fees and expenses charged by proxy voting, or class action service providers on behalf of the Clients;
- any costs associated with and resulting from reporting and providing information to existing and prospective investors of Clients; and
- costs incurred by the Clients or directly associated with registering or marketing the Client in a particular jurisdiction (including expenses related international regulatory or tax filings).

The RCM Entities allocate expenses to the Clients that incur them, and to the extent multiple Clients incur expenses in the same transaction, the RCM Entities allocate the expenses among the applicable Clients and the applicable investments of each Client in a fair and equitable manner.

All fees or expenses in connection with the use of brokerage services are separate and distinct from the management and performance fees received by RCM and its affiliates. Please review Item 12: Brokerage Practices below, which discusses conflicts of interest related to brokerage practices and provides additional information on brokerage transactions and costs. For additional details regarding fees and expenses charged to our Clients, please refer to the governing documents of the relevant Client. We do not require Clients to pay any fees in advance. Neither RCM nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As described in Item 5: Fees and Compensation above, the RCM Entities receive part of their compensation from certain Clients in the form of performance-based compensation, and certain of our investment personnel may receive a portion of performance-based compensation from time to time. The fact that the RCM Entities receive performance-based fees may create an incentive to make investments for our Clients that are riskier than would be the case in the absence of performance-based fees. The RCM Entities receive performance-based fees on realized and unrealized gains from certain Clients. In addition, in the future the RCM Entities may have differing compensation arrangements with respect to our Clients that may create an incentive to allocate investment opportunities to Clients from whom we receive more compensation. However, the RCM Entities will generally seek to mitigate the resulting conflict by allocating investment opportunities pro rata to Clients with a substantially similar strategy. Additionally, to the extent the investment opportunities are not allocated pro rata, we expect that conflicts will be dealt with on a case-by-case basis, having regard to relevant facts and circumstances. In certain circumstances, the RCM Entities may request that a Client's administrator use a certain third party valuation source to value an investment held by a Client. Any involvement by the RCM Entities in the valuation process may create a conflict of interest due to that RCM Entity's receipt of performance-based fees. The RCM Entities have designed and implemented procedures to identify and mitigate potential conflicts of interest including those with respect to the allocation of investment opportunities or the valuation of assets. Specifically, the RCM Entities address any potential future conflicts of interest relating to varying fee arrangements by adhering to a trade allocation policy, which sets forth objective factors for determining how to allocate investment opportunities among our Clients.

Item 7: Types of Clients

Each of RCM US and RCM HK provides investment management services to private investment funds managed by RCM Jersey and investment managed by RCM LLP in connection with the sub-advisory arrangements with RCM LLP and RCM US also provides investment management services directly to private investment funds with whom it has entered into an investment advisory agreement. Our firm determines in its sole discretion any requirements for entering into an investment advisory contract with a Client, including whether a private fund is large enough to implement its desired investment program.

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

Sub-advisory Clients

As described more fully in our Clients' offering documents, the RCM Entities employ an investment process which primarily uses a combination of macro (economic change and monetary policy) and relative value (market inefficiencies) strategies. The underlying philosophy is to construct strategies, often contingent in nature, with favorable risk/return profiles whose outcome will frequently be crystallized by an expected event or scenario occurring within a pre-determined period of time.

The RCM Entities are primarily active in macro asset classes across a range of developed and emerging markets. There are no restrictions on the types of assets that they may invest in on behalf of these types of Clients, so that we have flexibility to invest in a wide range of instruments. These include, but are not limited to, debt securities and obligations (which may be below investment grade or unrated), credit default swaps, bank loans, listed and unlisted equities, exchange-traded funds, mortgage securities, other collective investment schemes (which may be open-ended or closed-ended, listed or unlisted, may employ leverage and of which the manager or the investment manager may be an affiliate of RCM US or RCM HK), currencies, commodities, futures, options, warrants, swaps and other derivative instruments. Derivative instruments may be exchange-traded or traded over-the-counter. We also engage in short sales. Given the nature of the approach of the RCM Entities, the portfolio of these Clients may or may not be invested across a wide range of instruments at any time.

Directly Advised Clients

As described more fully in our Directly Advised Clients' offering documents, RCM US seeks to generate risk-adjusted returns by investing in global venture-backed companies based in developed markets, at a later stage in their private lifecycles for these types of Clients.

RCM US looks at companies that are not expected to face technology or product/product market fit risk and is focused on identifying companies that exhibit high rates of growth and that are predominantly technology or technology enabled businesses. RCM US looks to invest in companies with a strong likelihood of achieving an initial public offering ("**IPO**") within 24 months of investment.

General

Despite the investment analysis and risk management approach of the RCM Entities, investing in such instruments involves a risk of loss that any of our Clients must be prepared to bear. The RCM Entities do not offer their Clients a guaranteed level of risk or return or any guarantee that the original capital value of any investment will be maintained.

There can be no assurance that our investment activities will be successful or that our Clients will not suffer losses. This section sets out some further detail regarding the significant investment strategies or products that we may utilize in advising our Clients, as well as some of the risks that may be associated with such strategies or products (which are more fully described in our Client's governing documents). The following explanation of certain risks is not intended to be exhaustive, but highlights some of the more significant risks involved in investment strategies of the RCM Entities. For purposes of this Item 8, we have included strategies and risk factors applicable to our Clients as a result of the investment management and advisory services of the RCM Entities.

Availability of Investment Strategies: the success of our Clients' investment activities depends on our ability to identify investment opportunities as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by our Clients involves a high degree of uncertainty. No assurance can be given that we will

be able to locate suitable investment opportunities in which to deploy all of our Clients' assets or to exploit discrepancies in the securities and derivatives markets.

Exchange Protections: On many exchanges, the performance of a transaction by a broker (or third party with whom it is dealing on a Client's behalf) is "guaranteed" by the exchange. However, this guarantee is unlikely in most circumstances to cover a Client and may not protect a Client if a broker or another party defaults on its obligations to a Client.

Clearing House Protections: For cleared derivatives, Client transactions are represented at the Clearing House, through client segregated accounts, often provided on a net omnibus basis for all the clients of the clearing broker. Such net omnibus balances would be guaranteed at the Clearing House, but any outstanding balance will be dependent on the solvency of the broker. There is normally no clearing house for off-exchange instruments which are not traded under the rules of a recognized or designated investment exchange other than for off-exchange instruments which are subject to mandatory clearing requirements.

Concentration of Investments: although it is our policy to aim to diversify each Client's investment portfolios, there may be a substantial correlation between a Client's positions and the Client may at certain times hold fewer investments. Upon the occurrence of certain market events, a Client's portfolio could become more correlated. Our Clients could be subject to significant losses if they hold a large position in a particular investment, or correlated positions, that decline in value or are otherwise adversely affected, including by default of the issuer(s).

Counterparty Risk: our Clients may suffer losses if a counterparty to a financial instrument defaults and fails to meet its payment obligations to them. In addition, in certain circumstances, assets of a Client may be utilized in support of trading activities engaged in by the Client with a counterparty may be deposited with or otherwise held by another third party. In such circumstances, the assets of the Client will also be subject to the risk of such third party, or third party used in connection with transfer agency services, failing to perform its obligations in respect of transactions whether due to insolvency, bankruptcy or other causes. Our Clients use counterparties located in various jurisdictions around the world. Such counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Client's assets will be subject to substantial limitations and uncertainties.

Discretion of the RCM Entities, New Strategies and Techniques: we have considerable discretion in the types of securities, instruments or assets that our Clients may trade and the right to modify the investment or trading strategies or hedging techniques of our Clients without the consent of their investors. Any of these new trading techniques of our Clients may not be thoroughly tested in the market before being employed and may have operational shortcomings which could result in unsuccessful trades and, ultimately, losses to our Clients. In addition, any new trading strategies or hedging technique developed by the RCM Entities may be more speculative than earlier techniques and may increase the risk of an investment in our Clients.

Emerging Markets: investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war, nationalization of assets, and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, a Client's investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security does 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 securities, little or no market may exist for the securities. In addition, 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.

Epidemics, Pandemics and COVID-19: The 2020 outbreak of the novel coronavirus in many countries, including the United States, continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak continues to evolve, and as cases of the virus have continued to be identified worldwide, many countries have reacted by instituting quarantines, restrictions on travel, bans on public events, bans on public gatherings, closures of a variety of venues or shelter-in-place orders. Various governments are continuing to implement a variety of actions to mobilize efforts to mitigate the ongoing and expected impact. Such actions continue to disrupt global supply chains, and adversely impact a number of industries, such as transportation, hospitality and entertainment. The outbreak has had a continued adverse impact on economic and market conditions and has triggered a period of global economic slowdown. There are no comparable recent events which provide guidance as to the ultimate adverse impact of the novel coronavirus and consequently the effect on the business, financial condition and results of operations of our Clients.

The novel coronavirus presents material uncertainty and risk with respect to our Clients' performance and financial results which could have a material adverse effect on our Clients' investments. Failure by our Clients to meet any financial obligations could result in our Clients being subject to margin calls or being required to repay indebtedness or other financial obligations immediately in whole or in part, together with any attendant costs, and our Clients could be forced to sell some of their assets to fund such costs. In the event of any such consequences, our Clients could lose both invested capital in and anticipated profits from the affected investment. No previous success by the RCM Entities in dislocated markets is any guarantee of our Clients' success in respect of investing and managing any investment during and post- the COVID-19 pandemic.

General Economic and Market Conditions: the success of our Clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of our Clients' investments. Volatility or illiquidity could impair our Clients' profitability or result in losses.

Illiquid Investments: we may make investments for our Clients that due to legal or other restrictions suddenly become illiquid. The market prices, if any, of illiquid investments tend to be more volatile and it may not be possible to sell such investments when desired or to realize their fair value in the event of a sale. Moreover, securities in which our Clients may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

Investments may be Difficult to Liquidate: the market for our Clients' portfolio investments may be limited and there may be certain restrictions on a Client's ability to liquidate its investments on a timely basis at a reasonable value. A Client may have to sell, distribute or otherwise dispose of one or more of its investments at a disadvantageous time if it is able to do so at all. As a result, a Client may sell, distribute

or otherwise dispose of one or more of its investments for a price which is less than the price that could have been obtained if the investments were held for a longer period of time. Conversely, a Client may not be able to dispose of certain of its assets for a substantial of time.

Investment Management Risk: the investment performance of our Clients is wholly dependent on the services of certain members of, and/or individuals employed by the RCM Entities. In the event of the death, disability, departure, insolvency or withdrawal of any of these individuals, the performance of our Clients may be adversely affected. There can be no assurance that we would be able to mitigate the effects of the loss of any such individuals.

Legal and Regulatory Change: market disruptions over recent years, significant financial events and the increase in investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry and the products and markets that they trade. In addition, the laws, regulations, administrative and judicial changes, as well as guidance and interpretation affecting business continue to evolve unpredictably. Laws and regulations applicable to our Clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to our Clients' interests. Furthermore, there can be uncertainty as to how regulatory measures and legislative reforms will be applied, particularly where they have retroactive effect.

Leverage and Margin Transactions: to increase buying power, the RCM Entities employ leverage, including through the use of borrowings, on behalf of its Clients. The RCM Entities also engage in certain margin transactions on behalf of our Clients. Trading on margin is a form of leverage. Securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a Client may lose more than its initial investment. We employ short-term margin borrowing, which can be especially risky. For example, should the collateralized securities decline in value, a Client could be subject to a "margin call," under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of a Client's assets suddenly drops, we might not be able to liquidate the Client's assets quickly enough to satisfy its margin requirements.

Liquidity Risk: in some circumstances, a Client's investments may be relatively illiquid making it difficult or impossible to acquire or dispose of them at the prices quoted on the various exchanges or at the prices which the RCM Entities consider reflects their then value. Accordingly, a Client's ability to respond to market movements may be impaired and such Client may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. A Client may be adversely affected by a decrease in market liquidity for the instruments in which it invests which may impair such Client's ability to adjust its positions. The size of the Client's positions may magnify the effect of a decrease in market liquidity for such instruments.

Market Disruptions: a Client may incur major losses in the event of disrupted markets or other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a Client from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to a Client. In addition, market disruptions caused by unexpected political, military and terrorist events or from social instability may from time to time cause losses for our Clients and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for a Client to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for a Client to close out positions.

Market Risk: the success of our investment strategy depends, in large part, on correctly evaluating future price movements and/or cash flows of potential investments. We cannot guarantee that we will be able to accurately predict these price movements or cash flows and that our investment program will be successful. Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost.

Sanctions: In recent years, there has been an increase in the economic sanctions administered and enforced by the European Union, the United States, the United Nations Security Council, the United Kingdom, and other relevant sanctions authorities. Sanctions authorities have continued to designate additional governments, entities and persons, and to impose new types of sanctions. Sanctions regimes can be complex in nature and broad in their application and may range from trade embargos, to economic sanctions and restrictions on trading in financial instruments. Multiple states or international organizations may issue sanctions against another state, however, the terms of the sanctions may be similar or may differ and interpretation of the application of such regimes may require us to exert a substantial degree of subjective judgment. Sanctions impose restrictions and prohibitions on who may invest in our Clients as well as the investments that they may make and maintain. For instance, if an investor in a Client is designated under sanctions (either directly or as a result of the designation of its shareholders or principal owners), that Client may be required to block or freeze its interest and in such instance, and that Client may be unable to accept further subscriptions from such investor. Further, if sanctions are issued which affect a Client's investments, that Client may be unable to deal in that investment or liquidate its positions until the applicable sanctions are lifted and the value of such investments may be materially adversely affected. Alternatively, a Client may be required to sell the positions at a partial or total loss. Any failure by a Client or the companies in which it invests to comply with the changing sanctions may result in the imposition of fines or penalties or more severe consequences.

In addition, the implementation of widespread sanctions could have an impact on the global financial markets causing financial market volatility which could have an adverse effect on our Clients' investments. Our counterparties may be similarly affected by their exposure to instruments or capital markets that are subject to applicable sanctions, which may in turn impact their ability to perform their obligations in respect of transactions with our Clients or otherwise cause a counterparty to fail to meet its financial obligations. It is not possible to predict whether sanctions imposed in the future will affect any investor in our Clients or the investments by our Clients, but any such sanctions could have a material effect on our Clients.

Short-Term Considerations: Our trading decisions for our Clients may be made on the basis of short-term considerations, and the portfolio turnover rate could result in significant trading related expenses.

The following paragraphs set out more specific details on market risks.

Credit Risk: we invest our Clients' assets in securities which are exposed to the risk that the borrower will be unable to meet its repayment obligations. The credit rating and risks associated with such securities can change over time and therefore affect the performance of such investments.

Hedging Transactions: the RCM Entities often engage in hedging transactions on our Clients' behalf. Employing hedging techniques is intended to reduce a portfolio's vulnerability to various risks. Hedging entails determining certain risks in one's portfolio and making trades to offset those risks. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the value of portfolio positions or prevent losses if the value of such positions decline, but rather it establishes other positions designed to gain from those same developments, moderating the decline in the portfolio positions' value. On the other hand, hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. The success of a Client's hedging strategy is subject to our ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. There is

a risk that we may not always choose the right variable to hedge against. Also, it is important to note that we may not always choose to hedge against, or might not anticipate, certain risks, and our Clients' portfolios will always be exposed to certain risks that cannot be hedged. Many other investment strategies that we employ can be used as hedging techniques, such as those employing options, futures contracts, forward contracts, swaps, currency transactions and short selling.

Financing Arrangements and Availability of Credit: Banks and dealers that provide financing to our Clients can apply essentially discretionary margin, "haircuts", financing, security and collateral valuation policies. These policies can be changed at any time, for any reason, such as a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. These policies changes or the imposition of other credit limitations or restrictions, whether due to market circumstances, government, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements, or other trading agreements, and cross-defaults to agreements with other banks and dealers. Any such adverse effects may be exacerbated if these events occur suddenly and/or are implemented by multiple market participants simultaneously.

There can be no assurance that our Clients will be able to maintain adequate financing arrangements under adverse market circumstances.

Interest Rate and Exchange Rate Risk: we invest our Clients' assets in financial instruments whose value may be adversely affected by changes in interest rates or foreign exchange rates.

Short Selling and Repurchase Agreements ("Repo"): short selling of securities and repos occurs when a Client borrows securities and sells them, promising to buy them at a later date to return to the lender. If the price drops, we can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, we have to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss. In the case of repos, given the larger volume and use for funding, transactions and the reliability of conducting such are at risk of the regulatory environment for banks and their ability to extend balance sheet, as well as the financing liquidity conditions in the market generally.

Trading Error and Trading Execution Risk: trading errors and order errors, which may be due to a mistake of fact, processing error or other similar reason, are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. If trading errors and/or order errors do occur, they will be for a Client's account, unless they are the result of conduct inconsistent with the standard of care set forth in the relevant investment management agreement. Our investment management agreements typically provide that, except in the case of gross negligence, fraud or willful default, losses (including indirect losses, loss of opportunity and consequential loss) arising from unintended errors in the communication or administration of trading instructions will be for a Client's account on the basis that profits arising from such errors will also be for a Client's account. We will not be responsible for the errors of other persons, including any brokers. In the event of a trading error or an order error, it will be a matter of our discretion as a free-standing investment judgment whether or not to retain the relevant position.

Volatility: price movements in the assets traded by our Clients are volatile and are affected by a wide variety of factors, including changing supply and demand relationships, credit spread fluctuations, interest rate and exchange rate fluctuations, international events and government policies and actions with respect to economic, exchange control, trade, monetary, military and other issues. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often 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. These price movements could result in significant losses to our Clients. Conversely, the absence or a low degree of volatility may reduce the opportunities for potentially profitable transactions.

The following paragraphs set out additional information with respect to certain risks that may be associated with the products or instruments that we trade on behalf of our Clients.

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Bank Loans: our Clients undertake investments in bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of a lender to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the RCM Entities attempt to compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Client.

Convertible Securities: our Clients may invest in convertible securities. Convertible securities include bonds, debentures, corporate notes and preferred stock that are convertible to common stock. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities, which provide a stable stream of income with generally higher yields than those of equity securities of the same or similar issues. However, if the underlying security performs poorly, this could result in losses to our Clients.

Commodities: commodity prices generally relate to the overall level of economic activity and industrial production. Historically, during periods of economic or financial instability, commodities and the securities of commodities producers have been subject to extreme fluctuations in market price. The earnings and general financial condition of producers are highly dependent on the market price of the underlying resources which, historically, have been extremely volatile. Natural disasters (such as earthquakes, droughts and floods) and social or political events (such as strikes and civil unrest) can lead to severe supply disruptions. These events may significantly influence prices of commodities and prices of natural resource equities. The production of some commodities can be concentrated in geographic regions or specific countries and, as such, the impact of a localized natural disaster or political or social factors in a particular region or country can have a significant effect. Commodity prices can be influenced, often unpredictably, by co-operative or coordinated actions, by producers or sovereign nations (e.g. members of the Organization of the Petroleum Exporting Countries). The discovery of a significant mineral deposit could have a major adverse impact on the price of the commodity due to the prospect of increased supply. New technology could lead to substitution of a commodity or commodities or could lower production costs and increase supply of a commodity, in each case influencing its price.

Credit Default Swaps: The RCM Entities take long and short positions in credit default swaps on behalf of its Clients. A credit default swap is a type of credit derivative which allows one party (the "protection buyer") to transfer credit risk of a reference entity (the "reference entity") to one or more other parties (the "protection seller"). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events (each, a "credit event") experienced by the reference entity. Credit default swaps carry specific risks including credit event risks such as the reference entity's bankruptcy or failure to pay, high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfill its obligations to a Client if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by

claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

Currencies: on behalf of our Clients, we enter into transactions to purchase or sell one or more currencies to hedge a currency exposure created by other investment activities. Because currency control is of great importance to the issuing governments and influences economic planning and policy purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These can result in losses for our Clients.

Debt Securities: The RCM Entities, on behalf of their Clients, invest in debt securities which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The RCM Entities invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The RCM Entities may from time to time invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Clients will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves a higher degree of uncertainty making comparison across countries, issuers and borrowers difficult. Credit markets are volatile and may become illiquid and as a consequence may be of limited use when determining the value of instruments. The RCM Entities may also invest in debt securities which are below "investment grade" and are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer's inability to make timely interest and principal payments. The market values of these securities tend to be more sensitive to individual corporate developments and general economic conditions than those of higher rated securities.

Derivatives: we utilize both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of our investment strategy and for hedging purposes. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits sometimes required to establish a position at the outset in such instruments may permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in potentially unquantifiable further loss exceeding any margin deposited. In the event that a call for further margin exceeds the amount of cash available in a Client, the Client will be required to close out the relevant contract. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in collateral recovery. We also sell, from time to time, covered and uncovered options on securities and other assets. To the extent that such options are uncovered, Clients could incur an unlimited loss.

Distressed Securities: we invest in "below investment grade" securities and 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. It is anticipated that certain debt instruments purchased by us for our Clients will be non-performing and 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 the loans. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it is frequently 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 or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the investment in any instrument, and a portion of the obligations and securities in which we invest 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 RCM Entities will correctly evaluate the value of the assets underlying the investments or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which we invest, the entire investment may be lost, our Clients may be required to accept cash or securities with a value less than their original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from their investments may not compensate investors adequately for the risks assumed.

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 of the security in respect to which such distribution was made.

In certain transactions, we may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Equity Securities: we buy equity securities for our Clients, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, our Clients may suffer losses if we purchase equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a downward direction and we have not hedged against this type of move (see above for an explanation of risks associated with hedging) or corporate actions are taken that directly or indirectly adversely affect the valuation of the equity securities.

Fixed Income Securities: The RCM Entities invest in bonds or other fixed income securities, including, but not limited to, commercial paper and "higher yielding" (including non-investment grade) debt securities for our Clients. Consequently, our Clients will be subject to credit, liquidity and interest rate risks and evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Furthermore, the market for credit spreads is often inefficient and illiquid, making it difficult to calculate accurately discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. Lastly, it is 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.

A fundamental risk to any portfolio of fixed income securities is a shift in interest rates. To the extent that the cash flow from a fixed income security is known in advance, the present value of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the value of the

payment may be linked to the then prevailing interest rates. Moreover, the value of many fixed income securities depends on the shape of the yield curve, not just on a single interest rate. Thus, for example, a callable cash flow, the coupons of which depend on a short rate, may shorten if the long rate decreases. In this way, such securities are exposed to the difference between long rates and short rates. This behavior is typical of complex fixed income securities, such as structured notes. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

Forwards: we invest in forward contracts for Clients. A forward, or a forward contract, is a contract between two parties to buy or sell an asset at a specified future date at a price agreed upon at the time the contract is made. It is very similar to a futures contract, except forward contracts are negotiated privately and are not traded on an exchange, and thus, are not subject to limitations on daily price moves. On the other hand, this means that there is not a big secondary market for certain forwards, which means they may be difficult to sell should they become unfavorable for our Clients. They also expose our Clients to the risk that the counterparty to the forward may not perform on its obligations, creating the potential for loss.

Futures: we engage in futures trading on behalf of our Clients. Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or to settle the position with cash. They carry a high degree of risk. The low margins normally required in futures trading permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited. Futures trading in many contracts on futures exchanges (although generally not in currencies) is subject to daily price fluctuation restrictions, commonly referred to as “daily limits”, which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day’s closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for us to liquidate a futures position against which the market is moving. A series of “limit moves”, in which the market price moves the “daily limit” with little or no trading taking place, could subject the Clients to major losses. The “gearing” or “leverage” often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement in the value of an underlying asset can lead to a proportionately much larger movement in the value of a Client’s investment, and this can work against the Client as well as for it.

High Yield Securities: The RCM Entities invest in bonds or other fixed income securities, including, but not limited to, commercial paper and “higher yielding” (including non-investment grade) (and, therefore, higher risk) debt securities for our Clients. Such securities are generally not exchange traded and, as a result, these financial instruments trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. We also 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. The market for credit spreads is often inefficient and illiquid, making it difficult to calculate accurately discounting spreads for valuing financial instruments. High yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments.

High yield securities are generally more volatile, are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer’s assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness.

The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness.

The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible 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 of such securities.

Options: the seller (writer) of an option has the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. The buyer of an option has the right (but not the obligation) to exercise the option, thereby making or taking delivery of the underlying asset of the contract at a future date, or in some cases settling the position with cash. Options carry a high degree of risk. The “gearing” or “leverage” often obtainable in options trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of a Client’s investment, and this can work against the Client as well as for it.

Private Company Investments: investments in privately held operating companies are subject to a variety of risks. Our Clients invest in private companies which may be in an early stage of development with little or no operating history. Such companies may operate at a loss for prolonged periods of time or experience substantial variations in their operating results from period to period, and will consequently generally need substantial additional capital to support development and/or expansion or to maintain a competitive position. Other specific risks associated with investments in these companies include competition; inability to receive adequate financing; technological challenges; management issues; the impact of changes in market conditions, regulatory requirements, interest and currency exchange rates, general economic conditions, domestic or foreign political environments and capital market conditions, among others.

Private Company Due Diligence: identifying and participating in attractive private equity investment opportunities is difficult. There often will be little or no publicly available information regarding the status and prospects of private companies. Before making an investment in a private company, the RCM Entities will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to the relevant investment. Due diligence may involve an evaluation of business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding a private equity investment, the RCM Entities rely on the resources available to it, including information provided by the private company. The due diligence investigation may not reveal all relevant facts that may be necessary in evaluating such investment opportunity and will not necessarily result in the investment in the private company being successful. Relative to mature companies, emerging private companies often may not have developed comprehensive legal, regulatory, financial, audit, control and other compliance capabilities. This makes it more difficult for the RCM Entities to conduct due diligence upon prospective private companies and to monitor those companies and also enhances the risks that otherwise successful private companies will experience adverse consequences due to unintended violations of legal, regulatory or similar obligations or due to intentional wrongdoing by private company personnel or third parties. It is also possible that inaccurate or complete information may be provided to the RCM Entities by the private company which may adversely affect the value of our Client’s investment.

Private Investment in Public Equity: our Clients may invest in securities issued by publicly held companies, which are not admitted to trading. Such investments may subject our Clients to risks that differ in type or degree from those involved with the Clients’ other investments. Such risks include, without limitation, limitations on the ability of our Clients to dispose of such securities and other

securities and/or investments related to the relevant issuer at certain times, increased likelihood of shareholder litigation against such companies' board members and increased costs associated with each of the aforementioned risks.

In addition, when investing in securities issued by publicly held companies, which are not admitted to trading, our Clients may be unable to obtain financial covenants or other contractual rights, including management rights that it might otherwise be able to obtain in making privately negotiated investments in unlisted companies. Moreover, our Clients may not have the same access to information in connection with investments in public securities, either when investigating a potential investment or after making an investment, as compared to privately negotiated investments.

Knowledge of potential future investments in securities issued by publicly held companies, which are not admitted to trading may prevent our Clients from acquiring or disposing of particular securities and other securities and/or investments related to the relevant issuer of any such potential future investment. Execution of a private investment in a publicly held company which our Clients holds securities related to may result in a diminution of the value of our Clients' existing position in that company. Our Clients' ability to hedge downside risk associated with investments in securities issued by publicly held companies, which are not admitted to trading may be adversely impact by lack of liquidity in the relevant issuer's traded securities.

Purchasing Securities in IPOs: from time to time our Clients purchase securities that are part of IPOs (e.g. "New Issues"). The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for our Clients to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. FINRA rules restrict certain persons from participating in New Issues. As a result, certain investors may be restricted from participating in profits and losses attributable to such investments.

Risks Associated with Residential Mortgage-Backed Securities ("RMBS"): our Clients invest in mortgage backed securities such as RMBS, whose investment characteristics differ from corporate debt securities. RMBS represent interests in pools of residential mortgage loans often secured by one- to four-family houses. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time (they usually do not contain prepayment penalties). RMBS may also be subject to call risk and extension risk. For example, because homeowners have the option to prepay their mortgages, the duration of a security backed by home mortgages can either shorten (known as call risk) or lengthen (known as extension risk). In general, if interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to increase. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to decrease. In either case, a change in the prepayment rate can result in losses to investors. Prepayments could reduce the yield received on the related issue of RMBS. Prepayments may also be caused by defaults or refinancings or changes in the underwriting requirements set by the mortgage origination industry. Holders of RMBS bear various other risks, including credit, market, structural and legal risks.

Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's "equity" in the mortgaged property (the "loan-to-value" ratio and the

accuracy of the original property valuation) and the financial circumstances of the borrower (including any additional indebtedness). Certain mortgage loans may be of subprime credit quality. Delinquencies and liquidation proceedings are more likely with subprime mortgage loans than with mortgage loans that satisfy customary credit standards.

The residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions that may adversely affect the performance of our Clients. Delinquencies, default and foreclosure rates with respect to residential mortgage loans remain high (in comparison to pre-global financial crisis levels). If this decline continues or values flatten for an extended period, additional increases in delinquencies may result and more losses on residential mortgage loans may occur – this may be particularly acute with respect to second homes and investor properties and for properties where the loan amount is approaching or exceeds the value of the property. Furthermore, foreclosure sales tend to depress home prices, which in turn makes it harder for borrowers to refinance, thereby increasing the rate of defaults. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited. If a residential mortgage loan is in default, exercising remedies such as foreclosure of such a loan may be a lengthy and difficult process, and may involve significant legal and other expenses, on top of potentially declining property values.

U.S. federal, state and local authorities have enacted and continue to put forward new legislative proposals, rules and regulations relating to origination, servicing and treatment of mortgage loans in default or bankruptcy in an effort to respond to this situation.

In addition, residential mortgage loans in an issue of RMBS may be subject to various U.S. federal and state laws, public policies and principles of equity that protect consumers which, among other things, may regulate interest rates and other fees, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Furthermore, the laws of non-U.S. jurisdictions may have different, and, in some cases, more onerous obligations. Violation of such laws, public policies and principles may limit the servicer's ability to collect all or part of the principal or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and administrative enforcement. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.

Risks Particular to Trading Cryptocurrency Futures and Options: trading in cryptocurrency futures and options has only recently commenced on exchanges in the United States and so there is a limited price history for these contracts which we may use as inputs into our trading signals. There is no fundamental market supply and demand affecting cryptocurrency futures or options. Rather, the underlying spot market is predominantly composed of speculators. Therefore cryptocurrency derivatives may experience significant price volatility. The rules of certain designated contract markets impose trading halts that may restrict the ability of Clients to exit a position during a period of high volatility. The margin rates set by brokers and exchanges for cryptocurrency futures and options are significantly higher than for other futures and options contracts due to their novelty and volatility and may be set as a percentage of the value of a particular contract, which means that margin requirements for long positions can increase if the price of the contract rises.

Many futures commission merchants ("**FCMs**") currently do not permit their customers to trade in cryptocurrency futures and/or options or only allow certain customers to trade cryptocurrency futures and/or options. If our FCMs were to impose restrictions on or prohibit our Clients from trading cryptocurrency futures and/or options, our Clients could incur significant losses.

We may trade newly developed contracts, including, without limitation, Bitcoin futures and options contracts and such other cryptocurrency futures or options contracts which may become listed for trading on futures exchanges from time to time for our Clients. In the United States, designated contract markets self-certify new futures and options contracts following consultation with the CFTC. Likewise,

foreign regulatory authorities are typically required to authorize the trading of new futures and options contracts on exchanges within their countries. Periodically, designated contract markets self-certify new futures and options contracts and foreign regulatory authorities designate additional contracts as approved contracts. If we determine that it is appropriate to trade in a new contract, we may do so for our Clients. Because these contracts are new, the investment strategies of our Clients may not be applicable to, or advisable for, these contracts. The markets in new contracts, moreover, have been historically both illiquid and highly volatile for some period of time after the contract begins trading. These contracts therefore present significant risk potential.

Second Lien Loans: we may from time to time invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to inter-creditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien inter-creditor terms, no clear market standard has developed for certain other material inter-creditor terms for second lien loan products. This variation in key inter-creditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products.

In certain periods, the market for many loan products, including second lien loans, can contract significantly making virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. In such circumstances, many participants may cease underwriting or purchasing certain loan products.

Securitized Products: our Clients invest in securitized products or derivatives thereof such as residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities and collateralized loan obligations. Investing in securitized products carries unique risks, including credit risks, market risks, interest rate risks, tranche or subordination risks, structural risks, a wide range of regulatory risks, higher liquidity risk, legal risks and timing risks that mean market risks are not always capable of being hedged.

The following paragraphs set out additional information with respect to certain risks that may be associated with the RCM Entities:

Cybersecurity Risks: the RCM Entities' and our Clients' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we and our Clients have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or our Clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our and/or our Clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our Clients and their investors (and the beneficial owners of their investors). Such a failure could harm the RCM Entities' and/or our Clients' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

Non-Public Information: from time to time, the RCM Entities or affiliates may come into possession of non-public information concerning specific companies or issuers, although internal procedures are intended to prevent the receipt of such information. Under applicable securities or other laws, this may

limit our flexibility to buy or sell portfolio securities issued by such companies or issuers. Our Clients' investment flexibility may be constrained as a consequence of our inability to use such information for investment purposes.

Conflicts of Interest: the RCM Entities and affiliates currently do, and may continue to, engage in activities that are independent from and may, from time to time, conflict with those of a Client. In the future, there might arise instances where the interests of the RCM Entities or their affiliates conflict with the interests of a Client. The RCM Entities, their affiliates and/or their respective principals may engage in transactions with and/or may provide services to, companies in which a Client invests or could invest. The RCM Entities and/or their partners, employees, members, related parties, affiliates and connected persons (and their respective directors, members and employees) may, in certain circumstances, request that a Client's administrator use a certain third party valuation source to value an investment held by a Client. There may be a conflict of interest between any involvement of the RCM Entities and such Client's administrator in the valuation process and their entitlement to receive fees from a Client calculated with regard to the valuation of assets and the net asset value of the Client. The RCM Entities and its affiliates may in the future provide services to, invest in, advise, sponsor and/or act as investment manager to other investment funds, vehicles and accounts and other persons or entities (including prospective investors of a Client) which may have the same or similar structures, investment objectives, trading strategies, investment approaches and/or policies to those of the Clients, and may co-invest with a Client in certain transactions, provided that the Client's interests would not be unfairly prejudiced by such co-investment.

The nature of the investment strategies implemented by one or more Clients may from time to time result in those Clients holding investments in positions which other Clients could also hold or our Clients could compete with each other for investment opportunities. This could result in one Client generating profits or losses with respect to an investment which differ significantly to the profits or losses generated by the same investment for another Client.

The scope of activities carried out for certain Clients may change over time. Such changes may result in a greater or lesser overlap in the investment activities between Clients.

As noted above, the foregoing explanation of risks is not intended to be exhaustive. Additional risks are explained in the governing documents for our Clients.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to an existing or prospective Client's evaluation of RCM's advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Neither RCM nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, a commodity trading advisor, or is an associated person of any of the foregoing entities.

Each of RCM US and RCM LLP, an affiliate of RCM US, is registered as a commodity pool operator with the Commodity Futures Trading Commission and is a member of the National Futures Association. RCM LLP is authorized and regulated with the U.K. Financial Conduct Authority as an alternative investment fund manager and is registered as an investment adviser with the SEC.

RCM HK, an affiliate of RCM US and RCM UK, is licensed with the Securities and Futures Commission of Hong Kong to provide discretionary asset management services

RCM Jersey, which is licensed and regulated by the Jersey Financial Services Commission to conduct fund services business under the Financial Services (Jersey) Law 1998, serves as the manager of certain of our Clients and delegates to RCM LLP all of its authority to provide investment advisory services to those Clients. RCM LLP and each of RCM US and RCM HK have entered into sub-advisory arrangements pursuant to which RCM LLP has delegated responsibility for certain portfolio management activities to RCM US and RCM HK, respectively.

RCM Jersey generally receives compensation, including management and performance fees and allocations from these Clients. RCM Jersey pays certain compensation, including management and performance fees to RCM LLP in consideration of the investment advisory services it provides to these Clients. RCM LLP pays a fee to each of RCM US and RCM HK in compensation for the investment advisory services provided by each of RCM US and RCM HK to these Clients pursuant to the sub-advisory arrangements between RCM LLP and RCM US and RCM HK respectively. Our investment personnel may receive a portion of performance-based compensation from time to time.

Please see Item: 5 “Fees and Compensation” for further information. The relationship between the RCM Entities does not create a material conflict of interest with our Clients.

RCM Jersey and its affiliates sponsor certain of the Clients that we manage. Rokos Global Macro (GP) Limited and Rokos Private Markets (GP) Limited (together, the “**General Partners**”), affiliates of RCM US, serve as the general partner to our Clients that are limited partnerships. The General Partners and our Clients have independent boards of directors. Prospective investors of the Clients receive disclosure of the terms of all fees and performance-based compensation charged to Clients, as well as the other terms of investment, in the offering documents for each Client.

We do not recommend or select other investment advisers for our Clients.

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

RCM has adopted a Code of Ethics to:

- set forth standards for ethical conduct of our professionals;
- address conflicts of interest; and
- promote compliance with applicable legal and regulatory requirements.

The key policies under our Code of Ethics are as follows:

- our employees must comply with certain restrictions on personal trading, including preclearance of certain transactions, and must report personal securities transactions;
- our employees must not trade for personal accounts ahead of our Clients;
- our employees must abide by our insider trading policies; and
- our employees must avoid taking advantage of their position of employment by accepting investment opportunities, gifts or other gratuities from individuals seeking to conduct business with RCM, other than in accordance with our gifts and entertainment policy.

The personal trading restrictions, preclearance requirements and reporting requirements contained in the Code of Ethics are intended to reduce certain conflicts of interest that may arise between our Clients and the personal trading activities of our employees.

Personal securities transactions (with certain exceptions, such as units or shares in open-ended mutual funds) are subject to preclearance by the RCM Entities. Generally, our employees are prohibited from personal trading in securities held or traded by our Clients, except in certain circumstances where personal positions are small. Reports of personal trading activity are monitored by Compliance.

We currently do not conduct cross trades. In addition, RCM and individuals associated with our firm are generally not permitted to engage in principal transactions. A principal transaction is a transaction where RCM or a person associated with RCM, as principal, buys securities from, or sells securities to, a Client. The Chief Compliance Officer must be notified of any proposed principal transaction involving a Client and must provide approval before the principal transaction is affected. Prior to the settlement of any principal transaction, RCM must obtain any affected Client's informed written consent to the transaction.

Any prospective Client, any Client or any investor in our Clients may receive a copy of our Code of Ethics by submitting a written request to RCM at the mailing address or email address listed on the front page of this document, marked for the attention of the Chief Compliance Officer of RCM US.

Item 12: Brokerage Practices

In placing portfolio transactions for our Clients, we seek to obtain the best execution for Clients' accounts, taking into account the following execution factors: price, cost, speed, size and nature of the transaction, likelihood of execution and settlement, broker's financial strength, stability and reputation, operational efficiency, and any other consideration relevant to the execution of the order. The firm maintains a process for monitoring delivery of best execution by its brokers and dealers and reviews broker selection periodically and at least on a quarterly basis.

While RCM does not currently maintain any formal soft dollar arrangements, we transact with multiple executing and prime brokers, some of whom provide us with proprietary research in exchange for executing client transactions. This presents a conflict of interest in selecting such brokers, as it may cause RCM to select a broker based on the research received rather than on the relevant Client's interest in receiving the most favorable execution. RCM has established internal review processes in an attempt to mitigate this conflict. Additionally, research received will generally be used to service all RCM Clients. Research services include, among other things: market, economic or financial data; a particular aspect of economics or on the economy in general; statistical information; data on pricing and availability of securities; financial publications; electronic market quotations; analyses concerning specific securities, companies, industries or sectors; and market, economic and financial studies and forecasts.

If RCM US were to engage in formal soft dollar arrangements, any services and/or products obtained by RCM US as a result of transactions that are executed on an agency basis (or, in certain circumstances, a "riskless principal" basis) generally would be expected to qualify for the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. However, any services and/or products obtained by RCM US as a result of transactions that are executed on a "principal basis" (e.g., transactions in futures, fixed income and asset-backed securities) generally would be expected to fall outside such safe harbor.

The prime brokers to our Clients provide front and back office services, including the provision of financing, execution, clearing, settlement, reporting, securities lending and foreign exchange facilities, among other services. Subject to applicable law, the prime brokers may also provide RCM with capital introduction services.

From time to time, our personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by prime brokers. These conferences and programs may be a means by which we can be introduced to potential investors for our Clients. Currently, neither RCM nor our Clients compensate prime brokers for organizing such "capital introduction" events or for any investments ultimately made by prospective investors attending such events (although they may do so in the future). While such events and other services provided by a prime broker have the capacity to influence us in deciding whether to recommend the use of such prime broker in connection with brokerage, financing and other activities of our Clients, we will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation and the brokerage

services of such prime broker will always be subject to the best execution review as all other broker services, which is not permitted to take into account capital introduction services.

We do not routinely recommend, request or require our Clients to direct us to execute transactions through a specified broker-dealer, or permit our Clients to make such directions.

Item 13: Review of Accounts

The investments of our Clients are managed in accordance with the investment objectives and approach applicable to our Clients. The investment strategies applied by RCM on behalf of our Clients are implemented by its investment personnel who regularly review the portfolio for each Client to ensure that it is managed in accordance with the applicable investment objectives and approach.

In addition, the portfolio of each of our Clients is reviewed on a regular basis, according to the requirements of the Client by the risk team of the RCM Entities. With respect to our sub-advisory Clients, our risk team monitors stress guidelines, “value at risk” guidelines, drawdown guidelines, specific exposure and Greek guidelines. A number of automated risk flags have also been implemented to indicate whether our traders are taking large risk positions relative to risk guidelines for such Clients.

Ultimate risk oversight for the portfolio of such Clients is the responsibility of the Chief Risk Officer of the RCM Entities and a team of dedicated risk specialists. The RCM Entities also operate a Risk Committee which reviews current risk and positions on at least a monthly basis. During these meetings the attendees review fund level market, credit, counterparty and liquidity risk.

The portfolio of our directly advised Clients is reviewed from a risk perspective on a quarterly basis.

Content and Frequency of Account Reports

The RCM Entities prepare periodic risk reports and investor letters and communications, as appropriate, for our Clients and their investors. Generally, investor communications are provided on a monthly basis. An annual audited financial report is also provided to investors in relation to our Clients. Our Clients are subject to financial audit by independent public auditors. Audited financial statements are delivered to investors in our Clients within 120 days of the end of the fiscal year.

Item 14: Client Referrals and Other Compensation

RCM does not, nor do any of its members, officers or employees, receive any economic benefit from non-Clients for providing services to our Clients. RCM does not, nor do any of its members, officers or employees, directly or indirectly compensate any person that is not a supervised person for referrals of Clients or investors in any fund advised by RCM.

Item 15: Custody

While we do not have physical custody of our Clients’ funds, we are deemed under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, to have custody of the Clients’ funds as a result of our affiliates, including RCM LLP, being deemed to have custody due to (i) their access to Clients and authority to instruct the administrator to deduct fees and other expenses from a Client’s account and (ii) services provided by our affiliates, including as general partners of certain of our Clients.

The RCM Entities utilize the services of banks or other qualified custodians (as defined under Rule 206(4)-2) to hold all assets of these fund Clients. The RCM Entities also endeavor where reasonably possible to ensure that the qualified custodians maintain these funds in accounts that contain only Clients’ funds and securities, under the Client’s name or our name as agent or trustee for the Clients.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to fund Clients at least quarterly, we are not subject to this requirement because all Directly Advised Clients are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we expect that audited financial statements will be distributed to all investors in our Directly Advised Clients within 120 days of the end of the fiscal year of the relevant Directly Advised Client.

Item 16: Investment Discretion

RCM has discretionary authority to determine, without obtaining specific Client consent from our Clients or their investors, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, RCM is committed to adhering to the investment objectives and program set forth in each of the governing documents for our Clients. Pursuant to the sub-advisory agreements with RCM LLP, each of RCM US and RCM HK has authority to carry out certain investment advisory services with respect to certain Clients' assets in accordance with their investment objectives and program. Pursuant to an investment advisory agreement, RCM US has authority to carry out investment advisory services with respect to certain other Clients' assets in accordance with their investment objectives and program.

Item 17: Voting Client Securities

RCM has the authority to vote proxies relating to securities in Client accounts. All proxies that RCM US receives will be treated in accordance with our policies and procedures for voting Client proxies. RCM employs an independent firm that analyses proxies and provides research and objective vote recommendations for individual proxy matters. The independent firm assists with the due diligence process related to making appropriate proxy voting decisions, while RCM utilizes the proxy voting service provider to facilitate the voting process and assist with recordkeeping with respect to how we voted on proxies. RCM maintains a record of all proxy votes cast on behalf of the Clients. RCM attempts to identify any conflicts of interests prior to voting proxies. If a material conflict of interest is identified in voting a proxy, RCM has policies and procedures in place to determine the appropriate vote. RCM will generally seek to vote all proxies for portfolio securities held by its Clients, however in certain circumstances RCM may abstain if it deems it is in the best interests of its Clients. For example, RCM may be unable to vote securities that have been lent by a custodian or prime broker.

In addition to maintaining the authority to vote the proxies of any investments in the portfolios that it manages for our Clients, RCM may also decide to vote on corporate actions such as restructurings, bankruptcy reorganizations and mergers, and similar events related to our Clients' debt (and other) investments where we believe that the subject matter of such corporate action may be material to a Client's account.

Clients and investors of Clients may not direct RCM to vote in a particular way for a particular solicitation. A copy of RCM's proxy voting policy and procedures, and information about how we voted securities in a particular proxy vote, if applicable, is available to Clients upon request.

RCM US's Chief Compliance Officer will document any potential material conflict of interest, together with our final determination regarding the same, and may consult with outside counsel or other third parties regarding the potential conflicts.

With respect to class actions, RCM has engaged a third party that monitors and files for any class action recoveries in respect of litigation entitlements of Clients. The third party provider has been engaged on an "opt-out" basis as it is generally RCM's policy to participate in recoveries related to securities and anti-trust class actions. The provider is responsible for filing all necessary claim forms on behalf of our Clients and to assist with the recovery of settlement process. RCM has not acted as a lead plaintiff with respect to such actions and does not currently anticipate doing so.

Item 18: Financial Information

RCM does not require or solicit prepayment of fees in advance of services rendered.

RCM is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.

RCM has never been the subject of a bankruptcy petition.