

## Troluce Capital Advisors, LLC

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**August 4, 2023**

This brochure (this “Brochure”) provides information about the qualifications and business practices of Troluce Capital Advisors, LLC. If you have any questions about the contents of this Brochure, please contact Troluce Capital Advisors, LLC at 617-306-1130 and/or [ir@troluce.com](mailto:ir@troluce.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Registration as an investment adviser does not imply that Troluce Capital Advisors, LLC or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2. Material Changes**

Troluce Capital Advisors, LLC filed this initial Form ADV (including its initial Brochure) on March 8, 2023. This updated Brochure is filed as part of an overall amendment of Troluce Capital Advisors, LLC's Form ADV confirming that the firm is eligible for SEC registration as it now qualifies as a "large advisory firm" with more than \$100 million of regulatory assets under management. Therefore, it continues to be eligible to remain registered as an investment adviser with the SEC.

This Brochure has been updated to include additional information about Troluce Capital Advisors, LLC's advisory business, including with respect to its assets under management, certain aspects of its policies and procedures and information about the client accounts that it manages (including with respect to their investment strategies and certain risk factors related thereto). Clients and prospective clients are encouraged to review this Brochure in its entirety.

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**Item 4. Advisory Business**

Troluce Capital Advisors, LLC (the “Firm”) is a Puerto Rico (USA) limited liability company that was formed in January 2021. The Firm is principally owned and controlled by Jared Dubin, the Firm’s Chief Investment Officer (the “Principal”).

The Firm provides discretionary investment advice to one or more private funds (collectively, the “Funds”). The Firm also provides investment advice to separately managed accounts for institutional, non-retail investors (“SMAs”). References throughout this document to “clients” refer to the Funds and SMA’s and any other private funds and SMA’s that the Firm may advise in the future.

Client accounts are managed in accordance with their own investment and trading objectives, as described in their respective offering documents, investment advisory agreements and governing agreements (collectively, the “Governing Documents”). The Firm generally will not permit investors in the Funds to impose limitations on the investment activities described in the Funds’ Governing Documents. Under certain circumstances, the Firm may contract with a client to adhere to limited risk and/or operating guidelines imposed by that client. The Firm would negotiate such arrangements on a case-by-case basis. (See *Item 16 - Investment Discretion*.)

Troluce Funds GP, LLC, one of the Firm’s related persons (the “Troluce GP”) serves as the general partner to certain Funds.

The Firm does not participate in wrap fee programs.

As of June 30, 2023, the Firm managed \$238,167,391 of regulatory assets on a discretionary basis. The Firm does not manage any assets on a non-discretionary basis.

**Item 5. Fees and Compensation***Fees Generally*

The Firm’s fees and compensation are described in each client’s Governing Documents. All of the Firm’s clients are expected to be “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

*The Funds*

The Firm is paid management fees from the Funds quarterly in advance. The management fee generally ranges from 1.50%- 1.75%. Management fees are prorated in the case of a partial calendar quarter. The Firm deducts such management fees from each Fund. The Firm may waive or modify the management fee payable with respect to any investor and has done so for the Principal and the Firm’s employees.

Troluce GP receives performance-based allocations from the Funds, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

The Firm’s compensation schedule with respect to any future client account will be contained in the Governing Documents relating to such account.

### *The SMAs*

The SMAs pay the Firm management fees monthly in arrears. Generally, management fees would be prorated if the advisory agreement with an SMA were terminated within the first year. The SMAs' management fees are invoiced to, and paid by, the SMAs. The Firm is also entitled to receive performance-based fees from the SMAs, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management*.

### *Expenses Generally*

The Funds bear their own organizational and operating expenses, including, without limitation: (a) organizational and offering expenses; (b) expenses associated with all investments and transactions considered, evaluated and/or consummated by the Funds, or any such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, as well as overall consideration and evaluation of such entities' portfolio, including, without limitation, those expenses incurred before the initial closing of the Funds, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including, without limitation, data and research on-boarding, ingestion, aggregation, and analysis, third-party research, data, analytics, modeling, risk, structuring, pricing, execution and other third-party information, technology, hardware, software or other technology systems, including, without limitation, installation and maintenance, software and service fees (including, without limitation, the expenses with respect to data, data feeds, subscriptions, expert networks, political intelligence providers and reports); (c) the costs of research-related computer hardware and software expenses, including, without limitation, Bloomberg terminals and subscriptions and other market information systems, as well as the costs of research management systems and corporate access tracking systems; (d) the costs of the Firm's portfolio management system and any other software used for accounting and/or monitoring of the portfolio, including, without limitation, subscriptions relating to, among other things, trading and order management systems and services; (e) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments and all transaction and other costs associated therewith, including, without limitation, expenses associated with proxy research and voting services; (f) travel and related expenses associated with investments and potential investments; (g) professional fees associated with investments and potential investments, including, without limitation, consulting, due diligence, accounting, valuation, financial, legal and other advisory fees and expenses; (h) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments, including, without limitation, fees, expenses and commission paid in connection with outsourced trading; (i) expenses associated with legal and regulatory filings of the Funds or such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles in the United States, the Cayman Islands, or in any other jurisdiction, including, without limitation, pursuant to Sections 13 and 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well as the expenses associated with preparation and filing of the Firm's Form 13F, Form 13H, and Form PF, if applicable, and any other similar filing in any other U.S. or non-U.S. jurisdiction; (j) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees, and expenses associated with the Funds' or such trading vehicles', including subsidiaries', intermediate funds' and/or special purpose vehicles' operations, investments and transactions, including, without limitation, fees and expenses of the Fund administrator; (k) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization with respect to the Funds or such trading

vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles; (l) broken-deal, failed transaction, break-up and similar fees, costs and expenses (if any); (m) costs and expenses of leverage or any other borrowings of the Funds, or such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, including, without limitation, interest charges and fees; (n) expenses incurred in the collection of monies owed to the Funds, or such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, as applicable; (o) auditing and accounting expenses, including, without limitation, expenses associated with the preparation of financial statements, tax returns, and Schedules K-1, and the fees and expenses of the auditor; (p) any taxes, fees or other governmental charges; (q) directors' fees and expenses; (r) costs and expenses associated with investor communications and reports and the delivery thereof to investors; (s) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions; (t) costs and expenses associated with meetings of the investors, including, without limitation, the reasonable costs of the Firm's travel to such meetings; (u) insurance expenses, including, without limitation, general partner liability insurance and other policies, if any, including directors' and officers' liability insurance and errors and omissions insurance; (v) costs and expenses (including, without limitation, taxes, fees or other governmental charges) associated with the formation, organization and operation of any trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Funds or such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles; (w) wind-up, liquidation, termination and dissolution expenses; (x) costs, fees, and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including, without limitation, blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment related filing expenses; (y) costs related to any transfers of interests, unless otherwise charged to or borne by the applicable transferor and/or transferee; (z) expenses incurred in connection with the preparation of, and any amendment to the Governing Documents, as well as the preparation of, compliance with and amendment to any side letter entered into by the Funds; (aa) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by the Funds, the Master Fund or any such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles; (bb) any extraordinary expenses (including, without limitation, all litigation-related and indemnification and contribution expenses, including, without limitation, the amount of any judgment or settlement paid in connection therewith); (cc) fees of the independent members of any advisory committee or governance board; (dd) fees of the independent members of any advisory committee; (ee) the management fee; and (ff) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Funds, or such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, including, without limitation, any other cost that may otherwise be paid with soft dollars pursuant to Section 28(e) of the Exchange Act.

Generally, all expenses borne by the Funds, other than the management fee and any expenses that the board of directors determines should be allocated to a particular investor or investors (e.g., investor-related taxes), will be charged to all the investors on a pro rata basis. The board of directors may, however, allocate expenses on another basis, including by allocating certain expenses to certain (which may be less than all) investors, if the board of directors determines that such an allocation is more equitable or otherwise required by applicable law, rule or regulation.

In addition, any Fund expenses attributable solely to investments in "new issues" will be allocated solely to those investors who participate in the relevant investments with respect to their relative interest in

such investments. Further, the board of directors will have the right to charge any investor, and not treat as a Fund expense, any expense attributable to a single investor or a group of investors.

The Funds do not have a pre-determined limit on its ordinary or extraordinary operating expenses. The Funds' actual annual operating expenses are disclosed in the Funds' year-end audited financial statements, which are provided to each Investor.

To the extent that expenses to be borne by the Funds are paid by the Principal, Troluce GP, or the Firm, the Funds will reimburse such party for such expenses.

To the extent that Fund expenses are attributable to multiple clients of the Firm, such amounts are allocated in accordance with the Firm's expense allocation policy, pursuant to which the Firm generally allocates such expenses pro rata based upon the respective net asset values of such applicable clients or respective size of investment by such applicable clients in an underlying investment, as applicable. Notwithstanding the foregoing, the Firm may make non-pro rata allocations as it determines in its good faith discretion.

To the extent that a client benefits from an item that is chargeable to other clients, but is not permitted to incur such expense under its Governing Documents, the Firm will bear such client's *pro rata* portion of the expense.

The expenses paid by the SMAs are determined within each respective investment advisory agreement.

The Firm may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients will indirectly incur similar fees and expenses if the Firm invests their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

The expenses that will be charged to any future client account will be determined on a case-by-case basis.

For a more detailed discussion of brokerage and transaction costs, see *Item 12 - Brokerage Practices*.

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

### *The Funds*

Troluce GP is entitled to receive a performance allocation from the Funds on an annual basis and upon withdrawals by investors. Such performance allocation is based on the net capital appreciation of the Funds' assets and is subject to a loss-carryforward mechanism. The Firm or its affiliates have the right to waive or modify the performance allocation with respect to any investor and has done so for the Principal and the Firm's employees.

The Firm's compensation schedule with respect to any future client account will be contained in the Governing Documents relating to such account.

### *SMAs*

The Firm is entitled to receive performance-based fees from the SMA on an annual basis, subject to a loss carryforward provision.

*Side-by-Side Management*

Performance-based compensation arrangements create an incentive for the Firm to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Performance-based compensation arrangements could also create an incentive for the Firm to favor accounts with higher performance-based compensation rates over other accounts when allocating investments. The Firm adopted procedures designed and implemented to seek to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among client accounts. All investment opportunities will, to the extent practicable, be allocated among client accounts on a basis that over time is fair and equitable to each client account relative to other accounts, taking into account all relevant facts and circumstances.

In addition, because clients' management fees and performance-based compensation are based on the net asset values of their accounts, the Firm could potentially have a conflict of interest in valuing assets held by such accounts. To mitigate this conflict, the Firm implemented and follows documented valuation policies and periodically consults with auditors and the administrator to each Fund.

**Item 7. Types of Clients**

Investors in the Funds are generally high net worth individuals and institutional investors that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) and qualified purchasers. The minimum initial investment in the Funds will be determined by the Firm and set forth in the Funds' Governing Documents. The Firm has waived such minimum and may, in its discretion, do so in the future under certain circumstances.

If the Firm determines to require a minimum investment for any future client account, it makes that determination on a case-by-case basis.

**Item 8. Methods of Analysis, Investment Strategies and Risk of Loss***Methods of Analysis and Investment Strategies Generally*

The investment objective of the Funds is to seek to generate superior risk-adjusted absolute returns through the combination of a deep, quantitative, research process coupled with risk-controlled portfolio construction.

The Firm employs global, low beta, long/short equity, long/short credit, and special situations strategies, pursuant to which it invests, long and short, in publicly-traded equities, equity-related instruments, and credit instruments, across all market capitalizations, though the Funds intend to invest predominantly in U.S. and European-listed mid-and large capitalization companies. Capital is invested across the different strategies and products based on the perceived alpha potential of the opportunity set. The broad mandate allows the Investment Manager to take an opportunistic approach to investing, including by adjusting the size of the portfolio to reflect prevailing market conditions.

Quantitative models, which are abstract descriptions of computer codes that process price and securities data from public markets exchanges and other sources, identify investments in products with attractive risk-reward profiles. Outputs of quantitative models may be combined with the Principal's investment judgment to select the final constituents of the portfolio. The purchase and sale of investment products are predominantly executed through electronic channels, though human involvement in soliciting bids



and offers for specific instruments may be used when trading larger notional positions, or for trading instruments derivatively priced or otherwise unavailable for purchase through electronic means.

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

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

Future client accounts will pursue similar strategies as those set forth above.

**Investing in securities involves risk of loss that clients and investors should be prepared to bear.**

#### *Risk Factors*

An investment with the Firm will be speculative and will involve a high degree of risk. There can be no assurance that the investment objectives of any client account will be achieved or that a client account will generate positive returns. Prospective clients and investors are strongly urged to review the applicable Governing Documents carefully and consult with their own financial, legal and tax advisers before investing with the Firm. A discussion of the material risks is provided below.

#### ***Risks Related to Investing in a Private Fund***

*Risk of Loss.* No guarantee or representation is made that the Funds' investment program, including the Funds' investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred.

*Legal and Regulatory Environment for Private Investment Funds and their Managers.* The legal and regulatory environment worldwide for private investment funds (such as the Funds) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Funds to pursue its investment program and the value of investments held by the Funds. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Funds to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Funds and the Investors' investments therein. In addition, the Firm may, in its sole and absolute discretion, cause the Funds to be subject to certain laws and regulations if it believes that an investment or business activity is in the Funds' interest, even if such laws and regulations may have a detrimental effect on one or more Investors.

*No Operating History.* Each of the Funds and the Firm is a newly formed entity and does not have any operating history upon which prospective Investors can evaluate their anticipated performance. There can be no assurance that the Funds or the Firm will be successful.

*Dependence on the Firm.* The success of the Funds is dependent upon the ability of the Firm to manage the Funds and effectively implement the Funds' investment program. The Funds' governing documents

do not permit the Investors to participate in the management and affairs of the Funds. If the Firm were to lose the services of the Principal or the Funds or any of the Other Accounts managed by the Firm were to incur substantial losses, the Firm might not be able to provide the same level of service to the Funds as it expects to provide or continue operations. The loss of the services of the Firm could have a material adverse effect on the Funds and the Investors' investments therein.

*Uncertainty of Financial Models and Projections.* The Firm may use financial models and projections to help analyze a potential investment or future capital raises by, and financing for, public and private companies or other transactions. Modeled and projected operating results will often be based on management judgments, with adjustments to such models and projections made by the Firm in its discretion. In all cases, models and projections are only estimates of future results that are based upon assumptions made at the time that the models and projections are developed. There can be no assurance that the modeled or projected results will be obtained, and actual results may vary significantly from the models and projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial models and projections.

*Alternative Data.* The Firm may use alternative data in its investment process. Alternative data includes datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases. These data are sometimes referred to as "big data" or "alternative data." The Firm applies these alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes. The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are expected to be borne—in whole or in part—by the Funds. No assurance can be given that the Firm will be successful in utilizing alternative data in its investment process.

### ***Risks Relating to the Operations and Investment Activities of the Funds***

*Systems and Operational Risks Generally.* The Funds depends on the Firm to develop and implement appropriate systems for the Funds' activities. The Funds relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Funds' activities. In addition, the Funds rely on information systems to store sensitive information about the Funds, the Firm, their affiliates and the Investors. Certain of the Funds' and the Firm's activities will be dependent upon systems operated by third parties, including prime brokers, the administrator, market counterparties and other service providers, and the Firm may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Firm, prime brokers, the administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Funds' operations may cause the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds and the Investors' investments therein.

*Cybersecurity Risk.* As part of its business, the Firm processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally

identifiable information of the Investors. Similarly, service providers of the Firm or the Funds, especially the administrator, may process, store and transmit such information. The Firm has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Firm may be susceptible to compromise, leading to a breach of the Firm's network. The Firm's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Online services provided by the Firm to the Investors may also be susceptible to compromise. Breach of the Firm's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed. The service providers of the Firm or the Funds, are subject to the same electronic information security threats as the Firm. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed. The loss or improper access, use or disclosure of the Firm's or the Funds' proprietary information may cause the Firm or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the Investors' investments therein.

*Reliance on Technical Trading Systems.* The Firm will allocate the Funds' capital to investment strategies that are based on technical trading systems. Although the Firm retains all discretion with respect to the manner in which a trading system's output is interpreted and applied, there can be no assurance that the Firm's trading systems and its interpretation and application of the trading systems' output will take into account all relevant factors. Technical trading systems can also be ineffective when fundamental factors drive the prices of securities.

*Use of Systems.* The Firm relies extensively on the use of computer systems, hardware, software and telecommunications equipment. The Firm makes use of its own models as well as systems that are publicly available or provided by third parties. Accordingly, the Funds are exposed to the risk that computer hardware, software, electronic equipment and other services used by the Firm may cease to be available, for example, due to the insolvency of the provider or the discontinuation of services or software updates. In such circumstances, the Firm would seek to obtain equivalent hardware, software and services from an alternative supplier.

*System Failure.* As the Firm makes extensive use of computer hardware, systems and software, the Funds are exposed to risks caused by failures of information technology infrastructure and data. In addition, outright failure or a partial impairment (whether due to external situations or internal file corruption) of the underlying hardware, operating system, software or network may leave the Funds unable to trade either generally or in certain of its strategies, and this may expose it to risk should the outage coincide with turbulent market conditions. To mitigate this risk, backup and failover plans have been put in place by the Firm. Nevertheless, in the worst case, the Firm may have to liquidate the Funds' entire portfolio as the only safe way to proceed should a crippling system outage occur.

*Data Feed Failure.* The Firms' models utilize data feeds from a number of sources. If these data feeds were to be corrupted, compromised, or discontinued in any manner, or not delivered or accessible in a timely

manner, the models may not be properly formulated. This failure to receive the data feeds or receive the data feeds in a timely manner may leave the Funds unable to trade or may result in trades that are not aligned with an algorithm's goal, and this may expose the Funds to risk of loss or loss of opportunities, in particular if the loss of the data feed coincides with turbulent market conditions. If the data feeds are compromised or discontinued in any material manner or if the data feeds are not delivered or accessible in a timely manner, it may result in a loss to the Funds, which could be material.

*Risk of Programming Implementation Error or Logical Error.* Given the reliance of the Firm upon the operation of its models and other software trading and analysis systems, it follows that the Funds are therefore at risk of errors of implementation (colloquially known as "bugs") and errors of design that may exist or arise in the software or models, and which may cause inappropriate or aberrant behavior under certain or all market conditions. While reasonable steps have been taken to ensure that the software is adequate in design and free from manifest bugs, formal proof of bug-free code has not been undertaken, nor can the underlying logical and/or mathematical models be certified as free from error; investors should expect that – at any given time – the Firm's code will contain errors and bugs. As with any software, upgrades, "bug fixes" and various other improvements may be introduced over time and the risk therefore exists that such changes may detrimentally affect the performance of the Funds, rather than improve it. Furthermore, without limitation, while the software has been tested, no guarantee can be given that a unique combination of input conditions experienced when running the system "live" and which has not been encountered during development, will not cause the system to fail, perform aberrantly, or take positions that are (under some reasonable criteria) judged to be inappropriate. These failures can also occur in a complex, interdependent environment where different elements of code are all functioning correctly if their interaction gives rise to unanticipated or unintended errors. Given the fact that the Firm will be utilizing proprietary and third-party code (some of which may be open-source and without any warranties), it is possible or likely that errors will arise from such interactions. For the sake of clarity and without limitation, though losses arising from programming implementation errors or logical errors could adversely affect the Funds' performance, such losses would likely not constitute reimbursable trade errors under the Firm's policies or the investment advisory agreement.

*Counterparty Risk.* The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties. The Funds may effect transactions in the "over-the-counter" ("OTC") derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Funds enter into a contract directly with dealer counterparties which may expose the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide).

*Outsourced Trading.* One or more broker dealers may be engaged by the Firm on behalf of the Funds to execute and/or direct a portion of the Funds' trades on an outsourced basis. As a result, Fund expenses could be higher as a result of paying such third party than if the Firm traded directly with such brokers.

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

*Co-Investments with Third Parties.* Although not currently expected, the Funds may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Funds or is in a position to take (or block) action in a manner contrary to the Funds' investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

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

*Currency Exchange Exposure.* The Funds may invest in securities denominated in currencies other than the U.S. dollar. The Funds, however, values their securities in U.S. dollars. The Funds may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

*Long/Short.* The success of the Funds' long/short investment strategy depends upon the Firm's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of the Funds' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Funds' positions were to fail to converge toward, or were to diverge further from values expected by the Firm, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Funds to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Firm's long/short strategies may become outdated and inaccurate as market conditions change.

*Event-Driven.* The success of any "event-driven" strategies that the Funds employ will depend upon the Firm's ability to make predictions about the likelihood that an event will occur and the impact such event will have on the value of a company's securities. If the event fails to occur or does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Firm had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring

which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can also be prevented or delayed by a variety of factors.

*Short Selling.* The success of the Funds' short selling investment strategy depends upon the Firm's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further if the demand to buy such securities outpaces the available supply, thereby exacerbating the loss. For instance, a so-called "short squeeze" can occur when the price of securities in which the Funds have an open short position rise sharply in a short time frame. The rapid rise may be a result of (i) multiple short sellers seeking to cover their short positions in the same time frame by purchasing the security, resulting in a rapid price increase; (ii) market participants collectively purchasing a significant amount of shares, thereby causing a substantial increase in the price of such securities; and/or (iii) one or more lenders of a security that was used to facilitate a short position suddenly demanding the return of the security that has been loaned. A "short squeeze" may result in the Funds having to prematurely close out a short positions at unattractively high prices, resulting in a substantial loss. Further, the risk of a "short squeeze" likely will increase if other short sellers, market participants and/or lenders become aware of the Funds' short positions, including, without limitation, as a result of legally-required reporting with respect to the Funds' ownership of options to purchase the underlying security being shorted.

*Long-Term.* The success of the Funds' long-term investment strategy, if any, depends upon the Firm's ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the Funds may forgo value in the short-term or temporary investments in order to be able to avail the Funds of additional and/or longer-term opportunities in the future. Consequently, the Funds may not capture maximum available value in the short-term, which may be disadvantageous, for example, for Investors who redeem all or a portion of their shares before such long-term value may be realized by the Funds.

*Merger Arbitrage.* The success of the Funds' merger or "risk" arbitrage strategy depends upon the Firm's ability to identify and exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.



*Regulatory Risks Applicable to High-Frequency Trading Strategies.* A recent increase in governmental and regulatory scrutiny has focused on investment funds that operate high-frequency trading strategies and automated or computer-based trading. Such scrutiny has and can in the future lead to costly investigations, litigation, legislative testimony, loss of reputation, fines and settlements, and could also result in additional severe consequences.

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

*Borrowing for Cash Management Purposes.* The Funds have the authority to borrow for cash management purposes, such as to satisfy redemption requests. The rates at and terms on which the Funds can borrow will affect the operating results of the Funds.

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

*Lending of Portfolio securities.* The Funds may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Funds will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

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

*Hedging Transactions.* The Funds may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds' portfolio; (v) hedge against a directional trade; (vi) hedge

the interest rate, credit or currency exchange rate on any of the Funds' securities ; (vii) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (viii) act for any other reason that the Firm deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Firm may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

*Quantitative Model Risk and Risk Management Danger.* There can be no assurance that the models used by the Firm will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Funds. There can be no assurance that the Funds will achieve its investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering the Funds' investment objectives. In addition, given that the systems can execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which the Firm operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement. For the sake of clarity and without limitation, though losses arising from quantitative model risks could adversely affect the Funds' performance, such losses would likely not constitute reimbursable trade errors under the Firm's policies or the Investment Management Agreement. At times the Firm may manually override or shut down the operations of a quantitative model. This would generally be done in an effort to mitigate the damage from a deteriorating or malfunctioning model or a model that is reacting negatively to unforeseen market conditions. Such an override or intervention could result in greater losses than would be the case if there had been no intervention and/or could result in the model being overridden or inactive at a time when the model would have achieved gains for the portfolio.

*Obsolescence Risk.* The Funds are unlikely to be successful unless the assumptions underlying the models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and the Firm does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. The Firm intends to continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that Investors receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification on the Funds' performance. For the sake of clarity and without limitation, though losses arising from obsolescence risks could adversely affect the Funds' performance, such losses would likely not constitute reimbursable trade errors under the Firm's policies or the Investment Management Agreement.

*Risk of Programming and Modeling Errors.* The research and modeling process engaged in by the Firm is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although the Firm



seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform “real world” testing of the end product raise the chances that the finished model may contain an error. For the sake of clarity and without limitation, though losses arising from programming and modeling errors could adversely affect the Funds’ performance, such losses would likely not constitute reimbursable trade errors under the Firm’s policies or the Investment Management Agreement.

*Technical Trading Strategies.* The buy and sell signals generated by certain strategies of the Funds are not based on any analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon factors such as studies of actual daily, weekly and monthly price fluctuations, volume variations, changes in open interest and correlations and variance measures. The profitability of any technical trading strategy depends upon occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. In addition, a technical trading strategy may be profitable for a period of time, after which the strategy fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their strategy on a periodic basis. Any factor that may lessen the prospect of major trends in the future (for example, as increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the strategy’s signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

*Model and Data Risk.* The Firm will rely heavily on quantitative and systematic models (both proprietary models developed by the Firm, and those supplied by third parties) and information and data supplied by third parties (“Models and Data”). Models and Data can be used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Funds), to provide risk management insights, and to assist in hedging the Funds’ exposure. When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Funds to potential risks. For example, by relying on Models and Data, the Firm may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. All models rely on correct market data inputs. Because the Firm’s models are usually constructed based on, or employ, historical or current market data supplied by third parties, the success of relying on Models and Data may depend heavily on the accuracy and reliability of the supplied data, which can contain errors. For the sake of clarity and without limitation, though Model and Data risks could adversely affect the Funds’ performance, losses that arise as a result of the use of Models and Data likely would not constitute reimbursable trade errors under the Firm’s policies or the Investment Management Agreement.

*Self-Trades.* The Firm utilizes both traditional, fundamental analysis as well as model and program-driven algorithmic investment processes. These two investment processes are operated separately and independently; as a result, at times, trade orders that are offsetting positions may be placed for a single client at the same time, and it is possible that some of these may be filled against each other. While the Firm has policies and procedures intended to reduce the chances of “self-trades” occurring, it is likely that they will occur from time to time. Historically, regulators and self-regulatory organizations have typically held that self-trades are presumptively manipulative and, while the Firm would attempt to demonstrate

that any self-trades involving the Funds are inadvertent and not manipulative, there is a risk that an exchange or another regulator would commence an action against the Firm.

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

*Convertible Securities.* A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds are called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds' ability to achieve its investment objective.

*Debt securities.* Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

*Interest Rate Risk.* Changes in interest rates can affect the value of the Funds' investments in fixed-income instruments. Increases in interest rates may cause the value of the Funds' debt investments to decline. The Funds may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

*Prepayment Risk.* The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow. In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment. The adverse effects of prepayments may impact the Funds' portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Firm may have constructed for these investments, resulting in a loss to the Funds' overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

*High-Yield.* Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the Funds 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 Funds may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

*Corporate Debt.* Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Funds may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Funds in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Funds may experience substantial losses.

*Investments Within the Same Capital Structure.* The Firm and the accounts may from time to time invest in different parts of the capital structure of an issuer than the Funds, which could give rise to potential conflicts of interest. For example, the Funds may invest in the debt of an issuer that an other account holds the equity of. An investment in the different tranches of an issuer’s capital structure may create incentives for the Firm to cause the Funds to invest in more senior positions of the relevant issuer, as such investments will benefit other clients of the Firm. Further, if any such issuer becomes insolvent or suffers financial distress, decisions about what action should be taken in a troubled situation may need to be made, including without limitation, (i) whether or not to enforce claims or other remedies, (ii) whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, (iii) how to vote on a creditors committee or restructuring committee, and (iv) how to exercise Investors’ voting rights with respect to such issuer. There may be a conflict between the interests of the Funds and the other accounts insofar as such issuer may be unable to satisfy the claims of all classes of its creditors and security holders. There may also be a conflict between the interests of the Funds and the other accounts with respect to negotiating investment terms on behalf of each such

entity and/or in connection with any major exit transaction or other major corporate event. The Firm will seek to resolve such conflicts of interest in a manner which is fair and equitable to the Funds and the Other Accounts involved. However, under these circumstances it may not be feasible to reconcile such conflicting interests in a way that adequately protects any particular party's interests.

*Derivative Instruments.* Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on the Funds.

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

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

*Illiquid securities.* Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Funds may be required to hold such securities despite adverse price movements. Even those markets which the Firm expects to be liquid can experience periods, possibly extended periods, of

illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid. Further, because the Funds do not provide for the side-pocketing of illiquid investments, Investors who redeem later in time or who never redeem may bear the risk of a more significant participation percentage in illiquid investments than those Investors who have previously redeemed.

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

*Insurance-Related Risks.* Investments in public and private insurance and reinsurance companies and other securities linked to insurance and reinsurance risks and similar factors, are subject to all of the numerous inherent risks of the insurance and reinsurance industry, such as weather-related and other natural or man-made catastrophes, which are unpredictable and may result in significant losses. A significant natural disaster, such as a hurricane or earthquake, or terrorist incident, or a series of such events, could have a material, adverse effect on the Funds.

*PIPE Transactions.* Private investments in public companies whose stocks are quoted on stock exchanges or which trade in the OTC securities market, a type of investment commonly referred to as a "PIPE" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Funds acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an investment may be illiquid. The Funds' ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Funds are able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Funds may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Funds' investments.

*Preferred Stock.* Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors.

Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

*Repurchase and Reverse Repurchase Agreements.* In a reverse repurchase transaction, the Funds "buy" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Funds, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Funds involves certain risks. For example, if the seller of securities to the Funds under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Funds will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Funds' ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Funds may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Funds may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

*Restricted securities.* Restricted securities cannot be sold to the public without registration under the securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the Funds. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

*Special Purpose Acquisition Companies.* A special purpose acquisition company (a "SPAC") is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust



decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception). The Funds may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for the Funds to evaluate the possible merits or risks of such SPAC's investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

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

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

*Investment in Emerging Markets.* Investing in the securities of companies (and, from time to time, governments) in emerging markets, specifically, involves additional risks and special considerations not typically associated with investing in more established economies or markets. Such risks may include, in addition to the risks listed above in connection with non-U.S. investments generally, some if not all of which are heightened in the case of investments in emerging markets: higher dependence on exports and the corresponding importance of international trade; greater risk of substantial inflation; greater controls on foreign investment and preferential treatment for particular domestic industries or companies or other protectionist acts; increased likelihood of governmental involvement in and control over the economy;

governmental decisions to cease support of economic reform programs or to impose centrally planned economies; longer settlement periods for transactions and less reliable clearance and custody arrangements; and less-developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors. In addition, both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many emerging markets countries, and the tax systems of some emerging market economies have been marked by rapid change, which has sometimes occurred without warning and has been applied with retroactive effect, and in some cases, there is widespread non-compliance with tax laws, insufficient personnel to deal with the problem and inconsistent enforcement of the laws by inexperienced tax inspectors. All of such risk factors could potentially affect the Funds' ability to conduct effective due diligence in connection with its investments and to monitor investments or otherwise impact returns on any such investment.

**General Economic and Market Conditions.** The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

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

#### **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Firm's advisory business or its management.

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

##### *Services by the Firm's Related Person*

As noted above, Troluce GP serves as the general partner to certain Funds.

##### *Management of Multiple Client Accounts*

The management of multiple client accounts results in a potential conflict of interest when the Firm and its related persons allocate time and investment opportunities among such accounts. For example, the



Principal and/or other related persons are expected to have more of their personal assets invested in certain client accounts than in others. In addition, the compensation the Firm earns from each client account differs from the compensation earned from other client accounts. In order to mitigate associated conflicts, the Firm follows documented procedures regarding the allocation of investment opportunities among its clients. (See *Item 6 – Performance-Based Fees and Side-By-Side Management*)

A cross-trade occurs when an investment adviser effects a trade between two or more of its advisory clients. If the Firm were to cause a cross-trade between two clients, it may result in a conflict of interest because the transaction may result in benefits to one client that may be greater than the benefits to the other client. The Firm does not generally expect to engage in cross trades. In the event that the Firm determines to make a cross-trade, it will only do so if it determines that it is in the best interests of, and is fair and equitable to, the participating clients. All cross-trades between clients require the prior approval of the Firm's Chief Compliance Officer (the "CCO"). Cross-trades, if any, would generally be made at the closing price for the applicable security on such day or, if no closing price is available, at a price for the relevant security that is determined in accordance with the Firm's valuation policies. No brokerage commission, transfer fee or other commission will be paid to the Firm or its affiliates in connection with any such transaction.

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

##### *Code of Ethics Overview*

The Firm has adopted a Code of Ethics, which is designed to help ensure that it conducts its business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, the Firm's Code of Ethics sets forth standards of conduct for its employees to ensure that they conduct their business on the Firm's behalf in a manner that enables the Firm to fulfill its fiduciary duty to its clients.

Among other things, the Firm's Code of Ethics: (i) governs personal trading by the Firm's employees, (ii) contains the Firm's policies with respect to gifts and entertainment, (iii) contains the Firm's policies regarding certain outside activities of its employees, (iv) sets forth the Firm's policies and procedures relating to insider trading, and (v) sets forth the manner in which employees may report violations of law or the Firm's policies and procedures. The Firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

##### *Personal Trading Policy*

Employees are generally prohibited from engaging in personal trading without obtaining prior written consent from the Firm's CCO, but are able to transact in municipal bonds, exchange-traded funds and mutual funds without obtaining prior approval from the Firm's CCO. Additionally, employees are required to provide the CCO with periodic reporting relating to their trading activity and personal accounts. The Firm's policies relating to personal trading also generally apply to an employee's spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

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

The Firm makes available to qualified prospective investors the opportunity to invest in the Funds. The Firm's Principal has significant personal investments in the Funds. In addition, Troluce GP, its affiliate, receives performance-based allocations from the Funds.

The Firm does not engage in a principal transaction unless it has determined that the transaction is in the relevant clients' best interests and have obtained client consent in accordance with the Firm's written procedures and applicable law.

## **Item 12. Brokerage Practices**

### *Selection of Brokers*

The Firm has an obligation to seek to obtain "best execution" for clients with respect to their trading activity. While not defined by statute or regulation, best execution generally means the execution of client trades at the best net price considering all relevant circumstances. The Firm seeks best execution with respect to all types of client transactions, taking into account various factors. Such factors include, among others: price, the ability of a broker to affect the transactions, a broker's reliability and financial responsibility and the range and quality of services provided and products offered (e.g., research services, news and quotation services, publications and corporate access), quality and timeliness of market information provided.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. The Firm does not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations but can (and often does) exceed the suggestions, because total brokerage is allocated based on all the considerations described above.

The Firm periodically evaluates, among other things, the execution that it is receiving from brokers. In conducting its analysis, the Firm may consider the factors listed above, among others, and reviews gifts and entertainment received, and any known conflicts of interests (e.g., directing commissions to a broker that employs a family member of one of the Firm's employees).

### *Outsourced Trading*

The Firm delegates the authority to select brokers for certain client transactions to a third party. As a result, client expenses may be higher than if the Firm traded directly with brokers only.

### *Research and Other Soft Dollar Benefits*

The Firm does not currently have any formal soft dollar arrangements, but it may enter into such arrangements in the future. Nonetheless, the Firm executes transactions on behalf of its clients with brokers that provide the Firm with access to bundled services, including access to proprietary research reports (such as standard investment research and credit reports). To the best of the Firm's knowledge, these services are generally made available to all institutional investors doing business with such broker. These bundled services are made available to the Firm on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that the Firm directs to such brokers. If we engage in soft dollar transactions in the future, the Firm intends to comply with the safe harbor provided by Section 28(e) of the Exchange Act, as amended.

The Firm also executes transactions on behalf of its clients with brokers that may provide the Firm with access to bundled services, including access to proprietary research reports (such as standard investment research and credit reports) and invitations to attend conferences. To the best of the Firm's knowledge, these services are generally made available to all institutional investors doing business with such brokers.

These bundled services are made available to the Firm on an unsolicited basis and without regard to the rates of commissions charged or paid by clients or the volume of business that the Firm directs to such brokers.

#### *Brokerage for Client Referrals*

Subject to applicable law, the Firm may direct client brokerage business to brokers that refer prospective investors to the Firm. Because such referrals, if any, are likely to benefit the Firm but may not provide a benefit to the Firm's clients, the Firm would have a conflict of interest with its clients when allocating brokerage business to such brokers. To mitigate this potential conflict, the Firm will not allocate brokerage business to a referring broker unless it determines that such allocation is consistent with its best execution duties.

#### *Trade Errors*

The Firm may on occasion experience errors with respect to trades made on behalf of client accounts. The Firm reimburses each client account for losses resulting from trade errors in accordance with the terms of the exculpation provision in such client's Governing Documents.

#### *Aggregation of Orders*

Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities for the Firm generally arise when more than one client account is capable of purchasing or selling a particular security.

To the extent that a security is purchased or sold for more than one client account, the Firm generally aggregates orders for such security unless aggregation is not consistent with its duty to seek best execution or the terms of the investment guidelines and restrictions applicable to client accounts. Each client that participates in an aggregated order participates at the average price for all of the Firm's transactions in that security on a given business day, with transaction costs shared *pro rata* based on each client's participation in the transaction. When an aggregated order is only partially filled, the Firm allocates the investment opportunity *pro rata* in accordance with its intended allocation.

### **Item 13. Review of Accounts**

#### *Review of Accounts*

Client portfolios are expected to be reviewed, and their performance analyzed, by the Principal on a regular basis. In addition, the Principal is expected to regularly review client portfolios to confirm that the securities held by them remain consistent with their investment strategies, objectives and guidelines.

#### *Reporting*

In addition to the reporting below, clients and investors may be provided with certain information about the Firm and the accounts that it manages in response to questions and requests. This information may not be distributed to other clients, investors or prospective investors. Each clients and investor is responsible for asking such questions as it believes are necessary in order to make its own investment

decisions and must decide for itself whether the limited information provided by the Firm is sufficient for its needs.

#### *The Funds*

The Firm furnishes investors in the Funds with periodic written unaudited performance reports as set forth in their Governing Documents. In addition, on an annual basis, the Firm provides investors with a copy of the relevant Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1).

Pursuant to "side letter" or other agreements, the Firm may provide certain investors with access to more frequent and/or more detailed information regarding the Funds' securities positions, performance, finances, and management and/or other information about the Funds or the Firm (including notifications of redemptions from a Fund by the Firm and/or its personnel), possibly enabling such investors to better assess the prospects and performance of the Funds.

#### *The SMAs*

The Firm provides the owners of the SMAs with periodic reports at such times as have been agreed upon with such owners as set forth in the relevant account's Governing Documents.

The owner of each SMA receives account statements from the SMA's custodian on such periodic basis as is agreed to between such owner and custodian. In addition, any such owner may have full, real-time transparency as to all transactions and holdings in the relevant account, and will be better able to assess the future prospects of a portfolio that may be substantially similar to that of the Funds.

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

Other than the products and services that the Firm receives from broker-dealers (described above in *Item 12*), the Firm does not expect that it will receive any economic benefits from third parties in connection with the provision of investment advice to the Funds.

The Firm does not compensate any third-party marketers for introductions to potential investors or clients.

### **Item 15. Custody**

For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), the Firm is deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) the Firm delivers such annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

The owners of the SMAs should carefully review the account statements that they receive from the custodians to such accounts and are urged to compare these account statements to the reports provided by the Firm directly to them or to their financial advisors.

**Item 16. Investment Discretion**

The Firm has discretionary authority to manage securities and other investments on behalf of client accounts. The investors in the Funds generally cannot place any limits on the Firm's authority beyond the limitations set forth in their respective Governing Documents. Under certain circumstances, the Firm may contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. The Firm negotiates such arrangements on a case-by-case basis.

**Item 17. Voting Client Securities**

The Firm generally has voting discretion over client securities. Clients generally are not able to direct their votes in a particular situation. The Firm has adopted proxy voting policies and procedures, which are summarized below.

In the absence of specific voting guidelines from the client or conflicts of interest, the Firm votes all proxies in the best interests of each client, which may result in different voting results for proxies for the same issuer. In addition, the Firm may determine to abstain from voting a proxy if it believes that such action is in the best interests of a particular client. The Firm may take into account the following factors, among others, in determining if a specific proposal is in the best interests of a particular client: (i) management of the issuer's views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (e.g., instituting or removing a poison pill, classified board of directors and/or other anti-takeover measure), and (iii) whether the Firm believes that the proposal will fairly compensate management for its and/or the issuer's performance. If the Firm deems that the issue being voted upon is not material for the Firm and its clients or it determines that the cost of voting a proxy would exceed the expected benefit to the Firm's clients, the Firm will not be obligated to vote on such matter.

Upon the request by a client, the Firm will disclose to such client how it voted proxies for securities owned by such client. The Firm will also provide a copy of its proxy voting policies and procedures to clients upon request.

**Item 18. Financial Information**

The Firm is not required to include its balance sheet for its most recent fiscal year with this Brochure.

**Item 19. Requirements for State-Registered Advisers**

The Firm is not a state-registered adviser.