

**PART 2A OF FORM ADV  
FIRM BROCHURE**



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This Brochure provides information about the qualifications and business practices of Symmetry Investments US LLC. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer by email at [ComplianceUS@symmetryinvestments.com](mailto:ComplianceUS@symmetryinvestments.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply a particular level of skill or training in the investment advisory business or any other business.

Additional information about Symmetry Investments US LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

Symmetry Investments US LLC (hereinafter “**Symmetry US**”, the “**Adviser**”, “**we**”, “**us**”, or “**our**”) has filed this Form ADV Part 2A Brochure (this “**Brochure**”) as part of an initial application for registration as an investment adviser with the U.S. Securities and Exchange Commission (the “**SEC**”); therefore, there are no material changes to report.

To the extent that future amendments of this Brochure contain material changes from our last annual update, this Item 2 will identify and discuss such changes.

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

Symmetry Investments US LLC was formed as a Delaware limited liability company in 2018 and has a principal place of business in New York City. We are principally owned by Feng Guo, who is also the majority owner of Symmetry Investments LP (the “**Delegating Manager**”), a Cayman exempted limited partnership that serves as a manager of the Symmetry Funds (as defined below).

Upon registering with the SEC, the Adviser will serve as a sub-adviser to several privately offered pooled investment funds:

- *The Symmetry Funds.* Under a sub-advisory arrangement, the Delegating Manager has delegated to Symmetry US investment discretion over (and certain other responsibilities that relate to) a portion of the assets of Symmetry Master Fund Limited (including its feeder funds, collectively, “**SMF**”) and of Symmetry Adaptive Fund Limited (including its feeder funds, collectively, “**SAF**”).
- *The SMAs.* Symmetry US may from time to time provide investment advisory services, on a discretionary or non-discretionary basis, and in a master adviser or sub-adviser capacity, to clients (“**Separately Managed Accounts**” or “**SMAs**”).

SMF and SAF are collectively referred to as the “**Symmetry Funds**” and SMF, SAF and the SMAs are collectively referred to as our “**Clients**.” On registering with the SEC as an investment adviser, Symmetry US will provide discretionary sub-advisory services to an unaffiliated private fund SMA. Throughout this Brochure, the Adviser has provided important disclosures and information for the Clients that it will provide services to after SEC registration is effective.

Our investment decisions and advice with respect to each Symmetry Fund are subject to that Symmetry Fund’s respective investment objectives and guidelines, as set forth in its offering documents. Investors in a Symmetry Fund should refer to that fund’s constituent documents for information about its strategies, objectives and investment program. We generally do not take the specific circumstances of individual investors in a Symmetry Fund into account in making investment decisions for that fund. However, in accordance with common industry practice, a Symmetry Fund may from time to time enter into a “side letter” or similar agreement with an investor pursuant to which the fund grants the investor specific rights, benefits or privileges that are not generally made available to all investors. Similarly, the Adviser’s investment decisions and advice with respect to each SMA are subject to that Client’s investment objectives and guidelines, as set forth in the SMA agreements, as well as any written instructions provided to us by that Client.

We have full discretion, subject to the supervision of the Delegating Manager, to invest assets of the Symmetry Funds and each SMA, as allocated to the Adviser by the Delegating Manager from time to time, in a manner consistent with the investment objectives, approach and restrictions described in the Symmetry Funds’ offering memoranda or the related SMA agreement, as applicable.

The Adviser does not currently participate in any Wrap Fee Programs.

Currently, the Adviser does not have regulatory assets under management, but we expect to have, within 120 days of the effective date of our initial registration, client assets under management sufficient to allow us to remain eligible for registration with the SEC as an investment adviser.

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

### ***Fees and Compensation***

Symmetry Funds. Symmetry US receives compensation indirectly from the Symmetry Funds. For its management services, the Delegating Manager receives compensation, including management fees, business and technology services fees and performance fees, from the Symmetry Funds. The Delegating Manager then compensates Symmetry US for its investment advisory services pursuant to our sub-advisory arrangement.

Separately Managed Accounts. Separately managed account fees are negotiated on a client-by-client basis and are determined based upon a number of factors including, but not limited to, the amount and type of advice provided, the size of the asset base, the complexity of the portfolio and the resources that we anticipate dedicating to the account. Depending on the agreement with the relevant Client, we can charge management fees that are calculated on the value of the assets in the SMA, including assets that are financed with leverage or margin, as well as an incentive or performance fee or allocation (which entitles us to additional compensation based on the increase in value of those Clients' accounts or other metrics that we agree to with those Clients). Where we serve as a sub-adviser to an SMA, our compensation is received subject to the sub-advisory arrangement with the master adviser (e.g., the Delegating Manager).

Timing. Management fees can be assessed against or deducted from Client accounts on a periodic basis (e.g., monthly in arrears), but billing matters are individually negotiated and modified under each sub-advisory arrangement.

Modification. Advisory and other fees generally may be modified in accordance with the terms of the relevant investment management agreements.

### ***Other Types of Fees or Expenses***

Each Client bears its own expenses, including but not limited to:

- pass-through expenses including certain investment talent and acquisition costs and trade facilitation costs;
- investment expenses (e.g., brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial and depositary fees, bank service fees and interest expenses);
- investment-related travel expenses;
- professional fees relating to investments;
- fees and expenses relating to software tools, programs or other technology;
- research and market data;
- administrative expenses;
- legal expenses;
- external accounting and valuation expenses;
- audit and tax preparation expenses;
- the costs of any ERISA fidelity bond;
- fees of the directors of the Client's general partners;
- costs relating to directors' and officers' liability insurance;

- costs of printing and mailing reports and notices;
- taxes;
- corporate licensing;
- regulatory expenses;
- expenses related to complying with the legal, compliance, regulatory, collateral and reporting obligations of, and preparing and making, regulatory and compliance filings associated with the respective Client's investment activities;
- listing fees;
- organizational expenses;
- expenses incurred in connection with the offering and sale of the interests issued by the Symmetry Funds and other similar expenses related to the Symmetry Funds;
- indemnification expenses; and
- extraordinary expenses.

We do not accept, and none of our supervised persons accepts, compensation for the sale of securities or other investment products.

SMA expense charges and reimbursement arrangements are reflected in the relevant investment management agreement.

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

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

The Adviser structures any performance-based compensation arrangement to comply with the Investment Advisers Act of 1940 (the “**Investment Advisers Act**”), including Rule 205-3 thereunder. However, incentive allocation arrangements may create an incentive for an adviser to recommend investments which may be riskier or more speculative than those which it would recommend under a different arrangement, and prospective investors and clients should consider the potential impact of that incentive and any resulting conflicts.

We serve as a sub-adviser to our Clients. The Delegating Manager may receive performance-based compensation from the Clients for which we act in a sub-advisory capacity. While our reimbursement arrangement with the Delegating Manager or another delegating adviser may not specifically entitle us to that kind of performance-based compensation, in effect we may, and often do, receive compensation and reimbursement that is tied to the performance of our investment decisions and the performance of the underlying Client accounts.

Differences in our compensation arrangements among our Clients create an incentive for us to allocate investment opportunities to those Clients who would be expected to pay us greater compensation. To seek to address this conflict of interest, among other actions, we have adopted a trade allocation policy that is intended to mitigate such conflicts.



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

Our Clients are:

- the Symmetry Funds, described in Item 4 above, which are generally open to investment from institutional investors including, without limitation, investment managers, pension plans, sovereign wealth and endowments, family offices, and also other sophisticated investors which may include high net-worth individuals; and
- the SMAs, described in Item 4 above. As of the date of this Brochure, we only sub-advise one private fund SMA.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the offering documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved. The disclosures in this Item 8 relate to our management of the Symmetry Funds, but much of this Item 8 is also applicable to the advice we provide to our SMA Clients.

### ***Investment Objective and Strategy***

The investment objective of our Clients is to seek to achieve superior risk-adjusted returns.

We seek to integrate various relative value and global macro trading strategies into a single strategy. We believe that we can enhance returns on a risk-adjusted basis by expressing macro views utilizing relative value techniques and the timely identification of risks and opportunities in anticipation of macro developments.

With a focus on the above, the benefits of diversification are sought through the use of a diverse set of trade ideas expressed through a wide-variety of geographic markets, products and holding periods, with a focus on aligning position size and holding periods to the risk and return profile of an opportunity.

We aim to stay objective and avoid substituting the influence of previous market behavior for careful and objective research. We seek to extract value from the market through rigorous independent research, robust technology and vigilant risk management. Ongoing analysis of individual traders and trade performance, together with a portfolio-level approach to margin and cash management, is used to attempt to maximize the efficiency of the overall portfolio.

In pursuing our strategy, our Clients are expected to take positions intended to profit from any or a combination of fixed income, foreign exchange, equity, credit, commodity and volatility markets. Our strategies are expected to include a combination of micro relative value, macro relative value and directional trade expressions.

Our strategy for our Clients comprises a number of primary investment strategies and various sub-strategies managed according to the respective Client's return and risk targets. The typical holding periods for our Clients' underlying investments are expected to range from intra-day to multi-year depending on the strategy, with an expected median holding period of two to three weeks.

### ***Risk Management***

Risk management of the Clients' portfolios is managed by the Delegating Manager and its affiliates. As at the date of this Brochure, the Adviser's investment staff provide sub-advisory services to the Symmetry Funds and a single SMA within the trading mandates and risk management parameters and guidelines set under its sub-advisory agreements with the Delegating Manager and its affiliates.

We manage the risk of our Clients in accordance with the Delegating Manager's overall risk guidelines and specific instructions.

Monthly risk reports covering the market and counterparty risk of each Symmetry Fund are disclosed to their respective investors as part of standard investor reporting.

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

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

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

### **General Risks**

*General Risks of Investing.* An investment in our Clients is highly speculative and involves a high degree of risk due to the nature of our Clients' investments and the investment strategies and trading strategies to be employed. An investment in the Symmetry Funds should not in itself be considered a balanced investment program. As such, investors should be able to withstand the loss of their entire investment. The profitability of the Symmetry Funds depend upon the Adviser correctly assessing the future price movements of its investments. These price movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by us. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events which may affect the investments. There can be no assurance that we will be successful in accurately predicting price movements. Accordingly, investors may incur substantial losses on their investments in our Clients, and it is possible that our Clients' performance will fluctuate substantially from period to period.

*Systemic Risk.* Systemic risk is commonly used to describe the possibility of a series of correlated defaults among financial institutions, typically banks, which occur over a short period of time, often caused by a single major event. Our Clients' investment strategies are subject to some dimension of systematic risk due in part to the degree of leverage embedded in the derivative instruments in which our Clients may invest. As a result, our Clients may incur sudden and dramatic losses. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which our Clients interact are all subject to systemic risk. A systemic failure could have material adverse consequences on our Clients and on the markets for the financial instruments in which we seek to invest. Further, as hedge funds typically are heavily reliant on the banking sector for liquidity through the provision of trading platforms and facilities in order to deploy their investment strategy, the hedge fund industry may have a material impact on the banking sector and is regarded as a new source of systemic risk. Our Clients will inevitably be exposed to, and will be impacted by, this source of systemic risk.

*Systems and Operational Risks Generally.* Our Clients depend on us to develop and implement appropriate systems for our Clients' activities. Our Clients rely heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets, to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of our activities.

In addition, our Clients rely on information systems to store sensitive information about each Client, its affiliates, the Adviser and the investors. Certain of our and our Clients' activities will be dependent upon systems operated by third parties, including service providers and other market counterparties, and we may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in our operations may cause our Clients 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 our Clients.

*Risk of Loss of Capital.* No guarantee or representation is made that our Clients' investment programs will be successful. The investment programs will involve, without limitation, risks associated with possible limited diversification, leverage, volatility, tracking risks in hedged positions, financial instrument borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in our activities. Certain investment techniques of ours can, in certain circumstances, magnify the impact of adverse market moves to which our Clients may be subject. In addition, our Clients' investments in financial instruments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where our Clients may invest their assets.

Our method of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information

used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

*Dependence on Key Individuals.* The success of our Clients depends upon the ability of our key investment personnel and the key personnel of the Delegating Manager (including Feng Guo) to develop and implement investment strategies that achieve our Clients' investment objectives. If our Clients were to lose the services of these members, the consequence to our Clients could be material and adverse and could lead to the premature termination of the Symmetry Funds and SMAs.

*Discretion of the Management Group; New Strategies and Techniques.* We have considerable discretion in the types of financial instruments which our Clients may trade and we have the right to modify the trading strategies or hedging techniques of our Clients without the consent of their investors. Any of these new trading techniques may not be thoroughly tested in the market before being employed and may have operational shortcomings, which could result in unsuccessful trades and, ultimately, losses to our Clients. In addition, any new trading strategies or hedging technique developed on behalf of the Symmetry Funds may be more speculative than earlier techniques and may increase the risk of an investment in the Symmetry Funds.

*Competition; Availability of Investment Strategies.* The success of the our Clients' investment activities depends on our ability to identify investment opportunities as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by our Clients involves a high degree of uncertainty. No assurance can be given that we will at all times be able to locate suitable investment opportunities in which to deploy all of our Clients' assets or to exploit discrepancies in the financial instruments and derivatives markets.

*Legal, Tax and Regulatory Environment for Private Investment Funds.* The legal, tax and regulatory environment worldwide for private investment funds (such as the Symmetry Funds) and their managers is evolving, and changes in the regulation of private investment funds, their managers and their trading and investing activities may have a material adverse effect on our ability to pursue our Clients' investment programs and on the value of investments held by our Clients. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict our ability to pursue our Clients' investment programs, our ability to obtain leverage and financing or employ brokers and other counterparties could have a material adverse effect on our Clients' and their investors' investment therein. It is impossible to predict with certainty what, if any, changes in regulations may occur, but any regulations which restrict our ability to trade in securities or extend credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on our Clients' portfolios. In addition, the general partner and the board of directors of the Symmetry Funds may, in their sole discretion, cause the Symmetry Funds to be subject to certain laws and regulations if they believe that an investment or business

activity is in the applicable Symmetry Funds' interest, even if such laws and regulations may have a detrimental effect on one or more investors.

*Eurozone.* Given the nature of the Economic and Monetary Union (“**EMU**”), it is possible that a member of the EMU may exit the EMU and return to a national currency. It is also possible that the Euro ceases to exist and all of the members of the EMU return to their national currency. The effect of such events on our Clients is impossible to predict with certainty, but could result in material losses to our Clients.

*MiFID II.* The European Union (“**EU**”) Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014) (together, for the purposes of this paragraph, “**MiFID II**”) governs the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes and derivatives. MiFID II was required to be implemented in EU member states from 3 January 2018. Although none of the Symmetry Funds are organized in the EU, and are not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an impact on the Symmetry Funds.

MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with our Clients. Subject to certain conditions and exceptions, our Clients may be unable to trade shares or derivatives with or through affected EU counterparties regulated firms (e.g. EU broker-dealers) other than as provided by MiFID II. MiFID II also applies position limits to the size of a net position that a person can hold at all times in commodity derivatives traded on EU trading venues and in “economically equivalent” OTC derivatives.

More generally, EU regulated firms that have trading relationships with our Clients may be obliged by MiFID II to impose certain requirements on our Clients, or they may seek to do so contractually, with a view to satisfying their own compliance obligations. It is difficult to predict the full impact of MiFID II on our Clients. Prospective investors in the Symmetry Funds should also be aware that there may be costs (whether direct or indirect) of compliance with MiFID II.

The United Kingdom (the “**UK**”) has equivalent rules to those in MiFID II. Accordingly, although none of the Symmetry Funds are organized in the UK, and are not authorized or regulated by the UK Financial Conduct Authority (the “**FCA**”), similar consequences to those discussed above would arise when trading with or through UK regulated firms and/or holding positions in commodity derivatives traded on UK trading venues and in economically equivalent OTC derivatives.

*European Market Infrastructure Regulation.* The European Market Infrastructure Regulation (Regulation (EU) No 648/2012) (“**EMIR**”) entered into force on 16 August 2012.

EMIR introduced certain requirements in respect of derivative contracts, which apply primarily to “financial counterparties” such as EU authorized investment firms, credit institutions, insurance companies, UCITS and AIFs as well as non-EU AIFs which are managed by AIFMs

authorized under AIFMD. EMIR also applies to “non-financial counterparties” (“**NFCs**”) which are entities established in the EU which are not FCs. NFCs whose transactions in OTC derivative contracts exceed EMIR’s prescribed clearing thresholds (“**NFC+s**”) are generally subject to more stringent requirements under EMIR than NFCs whose transactions in OTC derivative contracts do not exceed such clearing thresholds (including because such contracts are excluded from the threshold calculation on the basis that they are concluded in order to reduce risks directly relating to the NFC’s commercial activity or treasury financing activity) (“**NFC-s**”). Additionally, amendments made to EMIR in 2019 introduced relief from central clearing requirements for those FCs which do not exceed prescribed clearing thresholds (“**FC-s**”). FCs which do exceed such clearing thresholds are referred to hereafter as “**FC+s**”.

Broadly, EMIR’s requirements which apply to derivative users in respect of derivative contracts include: (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts, including the bilateral exchange of collateral; and (iii) reporting and record-keeping requirements in respect of all derivative contracts.

As the Symmetry Funds are established outside the EU and are not managed by an AIFM authorized under AIFMD, the Symmetry Funds are not directly subject to the requirements of EMIR; however, where the Symmetry Funds transact with in-scope EU counterparties, such counterparties may be required to apply certain provisions of EMIR so that the EU counterparty can fulfil its regulatory obligations and ensure that the transaction is EMIR-compliant. The costs of complying with EMIR, especially the cost of collateral required to meet variation and initial margin requirements associated with OTC transactions and clearing and the risk mitigation measures, may materially impact the Symmetry Funds’ returns and their ability to trade with certain counterparties.

The EU regulatory framework and legal regime relating to derivatives is set out not only by EMIR but also by MiFID II. In particular, MiFID II requires transactions between FC+s and NFC+s in certain sufficiently liquid OTC derivatives to be executed on a trading venue which meets the requirements of the MiFID II regime (the “**Derivatives Trading Obligation**” or “**DTO**”). This trading obligation will also extend to FC+s and NFC+s which trade with third country counterparties that would be classed as FC+s or NFC+s if they were established in the EU.

Prospective investors in the Symmetry Funds should be aware that the costs of complying with the requirements of EMIR and MiFID II could significantly raise the costs of entering into derivative contracts and that EMIR may adversely affect the Symmetry Funds’ ability to engage in certain transactions in derivatives.

The UK has equivalent rules to those in EMIR (“**UK EMIR**”), since EMIR has been retained as UK law by the European Union (Withdrawal) Act 2018 (“**EUWA**”), and also UK rules equivalent to that of the DTO under MiFID II (“**UK DTO**”). As the Symmetry Funds are established outside the UK and are not managed by a UK AIFM (as defined in the FCA Handbook), the Symmetry Funds are not directly subject to the requirements of UK EMIR or the UK DTO; however, where the Symmetry Funds transact with in-scope UK counterparties, such

counterparties may be required to apply certain provisions of UK EMIR so that the UK counterparty can fulfil its regulatory obligations under UK EMIR and the UK DTO. As a result, the Symmetry Funds may be subject to additional contractual obligations and/or costs that may not otherwise have applied.

*EU Short Selling Regulation.* Regulation (EU) No 236/2012 on Short Selling and Certain Aspects of Credit Default Swaps (as supplemented by Commission Delegated Regulations 918/2012, 919/2012, 826/2012 and Commission Implementing Regulation 827/2012) (the “SSR”) applies directly (i.e. without national implementation) in all member states of the EU.

The SSR imposes certain private and public disclosure obligations on all natural or legal persons, irrespective of regulatory status, located inside or outside the EU, who have net short positions (as calculated in accordance with the SSR) in EU listed shares and EU sovereign debt, which reach or fall below the specified thresholds. The SSR also contains prohibitions on uncovered short sales of EU listed shares and EU sovereign debt (a short sale is “uncovered” unless the specified conditions under the SSR are met for such short sale). In addition, the SSR prohibits uncovered positions in credit default swaps (“CDS”) referencing EU sovereign debt issuers. National regulators, and in certain circumstances the European Securities and Markets Authority (“ESMA”), are able to take certain additional emergency measures (including complete bans on short-selling activities) if certain conditions are met. The SSR may prevent us from fully expressing negative views in relation to EU listed shares and/or EU sovereign debt and may also restrict our ability to hedge certain risks through EU sovereign CDS. Accordingly, our ability to implement the investment approach and to fulfil the investment objective of our Clients may be constrained.

For the purposes of this provision, “**EU listed shares**” means shares admitted to trading on a regulated market or multilateral-trading facility (as defined in MiFID) in the EU, unless the principal trading venue (as determined by the relevant national regulator) for the relevant shares is located in a country outside the EU; “**EU sovereign debt**” means debt instruments issued by an EU sovereign issuer (which includes EU institutions, governments of EU Member States and certain international institutions established by two or more EU Member States); and “**MiFID**” means Directive 2014/65/EU on Markets in Financial Instruments. The UK has equivalent rules that apply to UK listed shares, UK sovereign debt and UK sovereign CDS, mutatis mutandis (“**UK SSR**”), since the SSR has been retained as UK law by European Union Withdrawal Act 2018. Accordingly, the UK SSR may prevent us from fully expressing negative views in relation to UK listed shares and/or UK sovereign debt and may also restrict our ability to hedge certain risks through UK sovereign CDS.

*LIBOR Reform.* Benchmarks, such as LIBOR, may be terminated or altered. Interest rates and indices which are deemed to be “benchmarks” (including LIBOR) are the subject of recent national and international regulatory reform. The general increased regulatory scrutiny of these “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations. LIBOR is an estimate of the rate at which a sub-set of banks (known as the panel banks) could borrow money on an uncollateralized basis from other banks. The majority of previously published LIBOR rates have been discontinued. It is expected that U.S. Dollar LIBOR will not be published after 30 June



2023 (the one-week and two-month tenors of U.S. Dollar LIBOR ceased to be published after 31 December 2021). It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forward. These reforms may result in LIBOR and other “benchmarks” performing differently than in the past, disappearing entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on our Clients and their investment activities.

In anticipation of the end of LIBOR, the United States and other countries are replacing LIBOR with alternative reference rates. The Secured Overnight Financing Rate (“**SOFR**”) (and with respect to term SOFR rates, the CME’s term SOFR rates) is the reference rate recommended by the Alternative Reference Rates Committee (the “**ARRC**”). The ARRC and regulators have stated that any party choosing another reference rate should do so carefully. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which our Clients are a party. Generally, the transition to alternative reference rates may (i) cause the value of a reference rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including our Clients and their counterparties. Additionally, it is possible that hedges that reference existing physical positions may become less effective as a result of differences between the LIBOR transition mechanism (or lack thereof) in hedges and corresponding physical positions. Certain asset classes such as securitizations may be subject to “basis risk” inherent in the instrument as a result of inconsistencies between LIBOR transition mechanisms (or lack thereof) in collateral assets and LIBOR transition mechanisms (or lack thereof) in the securitization notes themselves. With respect to financial contracts to which our Clients are a party, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a reference rate (other than contracts that include curative fallback language or which have other curative mechanisms available, such as safe harbour legislation adopted in the State of New York to permit the replacement of LIBOR with the rates recommended by the ARRC in contracts governed by New York law and the Adjustable Interest Rate (LIBOR) Act included in the Consolidated Appropriations Act, 2022) may need to be renegotiated, the process of which will consume our Clients’ resources and may result in disputes among counterparties, the result of which may be adverse to our Clients. Regulators encouraged market participants to cease (and in the case of entities that they regulate, have required such entities to cease) entering into new contracts that use U.S. Dollar LIBOR as a reference rate. As a result, U.S. Dollar LIBOR’s liquidity and usefulness will likely diminish. Investors in the Symmetry Funds and SMA clients should expect that our Clients will be a party to SOFR-based contracts, or contracts utilizing different reference rates. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which our Clients are a party may adversely affect the performance of our Clients.

*Climate Change-Related Risks.* The environmental effects of climate change, including rising temperatures, extreme weather, fires, flooding, erratic weather fluctuations, agricultural failures and displacement and destabilization of human populations, could have materially adverse

effects on assets held by our Clients. We believe that such risks may increase over time, although the time period over which these consequences might unfold is difficult to predict.

In addition to the physical, economic and geo-political risks associated with climate change, there are transition risks. The willingness of certain governments, industries and businesses, especially those that profit from, or have a reliance on, fossil fuels, to adapt to climate change or transition to sustainable practices may also adversely affect assets held by our Clients.

Regulatory changes and divestment movements tied to concerns about climate change could adversely affect the value of certain industries whose activities or products are seen as accelerating climate change, or ill-positioned in light of the economic and social demands imposed by climate change. In recent years, certain investors have incorporated the business risks of climate change and the adequacy of companies' responses to climate change as part of their investment theses. These shifts in investing priorities may result in adverse effects on the trading price of assets held by our Clients if investors determine that the company has not made sufficient progress on climate change and environmental sustainability matters whether or not climate change proves to be as severe as predicted or preventable.

The values of assets held by our Clients whose performance is linked to assets and revenue streams that are exposed to climate change risk may readily be affected by both long-term, systemic effects of climate change, as well as severe environmental events whose occurrence is inherently unpredictable.

*Sovereign Default Risk.* In certain jurisdictions there has been a material increase in the cost of insuring against default on sovereign debt based on concerns that government funding costs are becoming unsustainable. Additional economic disruptions in such jurisdictions could lead to increased volatility in financial and other markets and a sovereign default could lead to substantial losses in value in these markets, potentially compounded by currency and foreign exchange conversion restrictions. In the event that such disruption leads to the exit of one or more countries from the Euro, there may be additional difficulties in analysing, valuing and/or realizing holdings in such jurisdiction as a result of the change in reference currency. Such events could lead to a material, if not complete, loss of our Clients' investment in that jurisdiction. European sovereign debt risk and pressure on bond and currency markets have been a drag on financial markets and are a risk to recovery in those markets. The markets' perception of risk in certain countries has increased, raising the prospect of financial contagion across European countries and beyond. Our Clients may suffer from substantial losses in such jurisdictions.

*Dodd-Frank Act and the OTC Derivatives Markets.* The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") mandates that a substantial portion of OTC derivatives be executed in regulated markets and be submitted for clearing to regulated clearinghouses ("**Central Clearing**"). The U.S. Commodity Futures Trading Commission (the "**CFTC**") has implemented Central Clearing rules for certain OTC derivatives and the SEC may implement such rules in the future. OTC trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as margin requirements mandated by the CFTC, the SEC and/or federal prudential regulators. Additionally,

when trading cleared OTC derivatives, our Clients will not face a clearinghouse directly but rather will do so through a member of the clearinghouse. Clearing members typically demand the unilateral ability to increase the our Clients' margin requirements for cleared OTC trades beyond any regulatory and clearinghouse minimums. Clearing members also are required to post margin to the applicable clearinghouses, instead of using such margin in their operations, as was widely permitted before the Dodd-Frank Act. This has increased the clearing members' costs, which increased costs are generally passed through to other market participants, including our Clients.

With respect to cleared OTC derivatives, our Clients will not face a clearing house directly but rather will do so through an OTC derivatives dealer that is registered with the CFTC or SEC and that acts as a clearing member. Our Clients may face the indirect risk of the failure of another clearing member customer to meet its obligations to its clearing member. Such scenario could arise due to a default by the clearing member on its obligations to the clearinghouse triggered by a customer's failure to meet its obligations to the clearing member.

The CFTC also requires, and the SEC in the future may require, certain derivative transactions that were previously executed on a bi-lateral basis in the OTC markets be executed through a regulated exchange or execution facility. Such requirements may make it more difficult and costly for market participants, including our Clients, to enter into highly tailored or customized transactions. They may also render certain strategies in which our Clients might otherwise engage impossible or so costly that they will no longer be economical to implement. If a Client decides to execute derivatives transactions through such exchanges or execution facilities—and especially if a Client decides to become a direct member of one or more of these exchanges or execution facilities—such Client would be subject to the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential requirements under applicable regulations and under rules of the relevant exchange or execution facility.

OTC derivative dealers are required to register with the CFTC and in the future may be required to register with the SEC. Registered swap dealers are subject to minimum capital and margin requirements business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers, which costs may be passed along to market participants.

Additional regulation of the OTC derivatives markets, whether as a result of expanded CFTC and/or SEC mandated clearing and execution requirements, increased initial margin requirements or overlapping regulatory requirements imposed by non-U.S. regulators, may make OTC derivatives more costly, may limit the availability of certain derivatives transactions or may otherwise adversely affect the value or performance of certain derivatives.

In addition to the foregoing requirements, the CFTC imposes, and the SEC in the future may impose, initial and variation margin requirements on non-cleared OTC derivatives, which apply to the holding of customer collateral by OTC derivatives dealers. Under the new rules, the level of margin required to be exchanged (and in certain cases segregated) in connection with uncleared derivatives in many cases is substantially greater than the level historically required by market participants or clearing houses. These requirements may therefore increase the amount of

collateral our Clients are required to provide and the costs associated with providing it, negatively impacting our Clients' returns.

*Risks of Dealing in OTC Markets.* Our Clients may effect transactions (involving or relating to, among other things, interest rates, currencies or securities, including swaps and contract for differences) in OTC or "interdealer" markets and other unregulated private markets. Whereas exchange-traded transactions are generally backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries, transactions entered directly between two counterparties or market participants may not benefit from such protections and expose the parties to the risk of counterparty default. As a result, transactions effected through OTC or "interdealer" markets and other unregulated private markets may involve risks which differ materially from, and in addition to, those applicable to exchange-traded derivative instruments, including, without limitation: (i) risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem; (ii) lack of governmental regulation, transparency and supervision of transactions in the OTC market; (iii) unavailability of many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, in connection with OTC transactions; (iv) the risk of the negotiated price deviating materially from fair value may be substantial, particularly when there is no active market available from which to derive benchmark prices; (v) to the extent that the derivatives are valued on the basis of dealers' pricing of these instruments, the price at which dealers value a particular derivative and the price which the same dealers would, in fact, be willing to pay for such derivative should our Clients wish or be forced to sell such position may be materially different; and/or (vi) the potential illiquidity of the markets for OTC derivative instruments which can make it difficult as well as costly for us to close out positions in order either to realize gains or to limit losses.

Since participants in OTC or "interdealer" markets can exchange products and securities privately without others being aware of the terms, including the price, this could potentially lead to disruptions to trading and on net asset value calculations. Further, OTC securities are highly volatile and may experience negative returns and our Clients may suffer from substantial losses when effecting transactions in such markets.

*Alternative Investment Fund Managers Directive.* The AIFM Directive regulates (i) AIFMs based in the EU (ii) the management of any AIF established in the EU (irrespective of where an AIF's AIFM is based), and (iii) the marketing in the EU of the securities of any AIF, such as the Symmetry Funds, whether conducted by an EU AIFM, a non-EU AIFM or a third party. To obtain authorization to market a Symmetry Fund in the EU, we would be required to comply with numerous obligations in relation to our own operations and in relation to the AIFs that we manage, which may create significant compliance costs and burdens.

Pursuant to the AIFM Directive, SIHKL (an affiliate of the Adviser), as a non-EU AIFM marketing a non-EU AIF to persons within the EU, would be required to, among other things: (i) confirm that the Hong Kong and the Cayman Islands regulatory authorities have entered into a cooperation-and-information-sharing agreement with the regulator of each EU country into

which the applicable Symmetry Fund is to be marketed; (ii) confirm that the Cayman Islands are not listed as a non-cooperative country for the purposes of the Financial Action Task Force; and (iii) provide EU investors and the regulators of such investors' EU countries with the applicable Symmetry Fund's annual financial report and certain information about such Symmetry Fund.

In addition, each of the Symmetry Funds, as a non-EU AIF managed by a non-EU AIFM, may only be marketed to investors in the EU in accordance with applicable national private placement rules. Each EU country has discretion over its own national private placement rules and has the authority to remove these rules or enact new rules that may require AIFs to become registered with the local regulator before securities can be offered in that country. The Symmetry Funds or the Adviser may be required to take significant measures to comply with national rules implementing the AIFM Directive in those countries of the EU where any of the Symmetry Funds are to be marketed. Compliance with the requirements of the AIFM Directive and marketing rules in the EU may be onerous due to the additional regulatory requirements of individual national competent authorities. Instances where an EU investor approaches a non-EU AIFM regarding shares in a non-EU AIF (known as "reverse solicitation") remain outside the scope of the AIFM Directive and at present generally remains permissible in EU jurisdictions. If, due to rule changes, reliance cannot be placed on "reverse solicitation", this may lead to a material increase in costs in the event EU markets are targeted.

Regulatory changes arising from amendments to the AIFM Directive may increase the expenses of the Symmetry Funds or the Adviser related to compliance therewith and may impair the ability of the Adviser to market interests in the EU in the future. As a result, such regulatory changes may have a material adverse effect on the Symmetry Funds ability to achieve their respective investment objectives.

The UK has equivalent rules to those in the AIFM Directive, since the AIFM Directive has been implemented under the UK Alternative Investment Fund Managers Regulations 2013, in the FCA Handbook and retained as UK law by the EUWA. Accordingly, although none of the Symmetry Funds are organized in the UK, and are not authorized or regulated by the FCA, similar requirements and consequences to those discussed above would arise where a Symmetry Fund is marketed to investors domiciled or with a registered office in the UK.

*Legal Risk.* Many of the laws that govern private and foreign investment, financial instrument transactions and other contractual relationships in certain countries, particularly in developing countries, are new and largely untested. As a result, our Clients may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain countries in which assets of our Clients are invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Clients and their operations.

*Assumption of Business, Terrorism and Catastrophe Risks.* Opportunities involving the assumption by our Clients of various risks relating to particular assets, markets or events may be considered from time to time. Each of our Clients' portfolios is subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change factors), terrorism, energy crises, events that could adversely affect the health or life expectancy of people, and other catastrophic events. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by our Clients in assuming these risks and, depending on the size of the loss, could adversely affect our Clients' returns.

*Risk of Natural Disasters and Epidemics.* Our Clients could be adversely affected by outbreaks of a highly contagious disease, as recently seen with the COVID-19 Coronavirus ("Novel Coronavirus"), or other global pandemics or other epidemics or outbreaks of serious contagious diseases such as the avian flu, H1N1 flu, MERS or SARS.

Natural disasters, an outbreak of the Novel Coronavirus and other contagious diseases, or any other adverse public health developments around the world, could result in a widespread health crisis. Such a development could adversely affect and severely disrupt the business operations, economies and financial markets of many countries and which may carry on for a sustained period. As a result, our, our Clients and our Clients' service providers may also be adversely affected and calculation of the net asset value of our Clients may be disrupted or suspended. There is no guarantee that any preventative measure or contingency plan that is adopted by us, our Clients and our Clients' service providers to combat any natural disaster or outbreak of an epidemic will be effective in minimizing the effect of such an event on the parties.

*Market Disruptions; Governmental Intervention.* The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions.

In addition, as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action, these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

Our Clients may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions may be compounded by the fact that in disrupted markets many positions may become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

The financing available to our Clients from banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to our Clients. Market disruptions may cause dramatic losses for our Clients, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

*Cybersecurity.* As part of our business, we may process, store and transmit large amounts of electronic information, including information relating to the transactions of our Clients and personally identifiable information of their investors. Similarly, the Adviser and its affiliates, our Clients and their service providers, especially administrators, may process, store and transmit such information. We have procedures and systems in place that we believe 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 us may be susceptible to compromise, leading to a breach of our networks. Our systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Breach of our information systems may cause information relating to the transactions of our Clients and personally identifiable information of their investors to be lost or improperly accessed, used or disclosed.

Service providers are subject to the same electronic information security threats as us. 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 our Clients and personally identifiable information of their investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of proprietary information belonging to us and our Clients may cause us and our Clients to suffer, among other things, financial loss, the disruption of business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on our Clients and their investors' investments therein.

*Sanctions Risk.* Economic sanction laws in the United States and other jurisdictions could prohibit us and companies in which we are invested from transacting with certain countries or territories, individuals and entities. These types of sanctions could significantly restrict or prohibit certain investment activities, and if we or companies in which we are invested were to violate any such laws or regulations, we or they could face significant legal and monetary penalties.

The U.S. Congress has enacted the Hong Kong Human Rights and Democracy Act of 2019 and the Uyghur Human Rights Policy Act of 2020, which authorize the imposition of sanctions on persons identified as involved in alleged human rights abuses in Hong Kong and the Xinjiang Uyghur Autonomous Region, respectively. In addition, during 2020 and 2021, U.S. Presidents Donald J. Trump and Joseph R. Biden issued various Executive Orders, and agencies of the federal government including the U.S. Department of the Treasury's Office of Foreign Assets

Control (“**OFAC**”), the U.S. Department of Commerce, the U.S. Department of State and the U.S. Department of Defense have taken various actions, including imposing or authorizing the imposition of sanctions and other adverse measures against certain Chinese government officials, government entities, and state-owned and non-state-owned companies (“**Sanctioned Counterparties**”). In the event that conflict between the United States and China continues to escalate, additional laws and regulations could be adopted and additional sanctions could be imposed targeting Chinese companies in which our Clients are invested or otherwise affecting our operations and/or those of our Clients.

The sanctions currently imposed, and additional sanctions that could be imposed in the future, against Chinese companies, persons and entities could adversely affect our Clients in various ways, including but not limited to preventing or inhibiting our Clients from making investments in Sanctioned Counterparties, requiring our Clients to divest from investments previously made in Sanctioned Counterparties, including for no or nominal consideration, and leading to substantial reductions in the revenues, profits and value of Chinese companies in which our Clients are invested. As a result, the value of our Clients’ investments in Chinese companies could be adversely affected, our Clients’ respective investment objectives and investment strategies could become difficult, or even impossible, to fulfil, and if any of our Clients were to violate or be deemed to have violated any such laws or regulations, such Client could face significant legal and monetary penalties.

In addition to the potential impact of current or future sanctions on the value of our Clients’ investments, a significant portion of the Clients’ investors could be required under applicable law to be excluded from participating in investments in Sanctioned Counterparties, or could elect to withdraw from the Symmetry Funds, due to the Symmetry Funds’ association with, or investment in, Sanctioned Counterparties. The exclusion of affected investors from the Sanctioned Counterparties may be to the detriment of such investors. If the Symmetry Funds exclude affected investors from economic exposure to Sanctioned Counterparties, there is likely to be a divergence between the net profits and losses attributable to the interests held by the affected investors and the interests held by other investor. The overall value of the Symmetry Funds could also decrease because the liquidation value of certain assets could be materially less than their cost or mark-to-market value. The Symmetry Funds could be forced to suspend redemptions and/or withdrawals, as applicable, or to sell its more liquid positions, which could cause an imbalance in the portfolio that could have a material adverse effect on the remaining investors of the Symmetry Funds. Substantial redemptions could also significantly restrict our ability to obtain financing or transact with derivatives counterparties needed for our Clients’ investment strategies, which would have a further material adverse effect on our performance. There is still some uncertainty regarding the scope and requirements of the sanctions currently imposed, and how they will be interpreted and enforced by the relevant governmental authorities. For example, there is no assurance that complying with the prohibitions through excluding the participation of affected Limited Partners from certain investments will in all cases be without error and affected investors could inadvertently be exposed to an economic interest in one or more Sanctioned Counterparties leading to a breach by that affected investor of applicable sanctions, which could result in civil and/or criminal sanctions.

## **RISKS RELATING TO THE CLIENTS AND THE INTERESTS**



*Limited Liquidity.* An investment in the Symmetry Funds provides limited liquidity since the interests are not freely transferable and an investor's right to redeem or withdraw, as applicable, is subject to the terms and restrictions set forth in the relevant Symmetry' Fund's offering documents. The Symmetry Funds may invest a portion of their assets in financial instruments that are not publicly traded. The Symmetry Funds may not be able to readily dispose of such non-publicly traded financial instruments and, in some cases, may be contractually prohibited from disposing of such instruments for a specified period of time. Accordingly, the relevant Symmetry Fund may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of illiquid assets. The Symmetry Funds may also suspend investors' redemption and withdrawal rights. An investment in any of the Symmetry Funds is suitable only for sophisticated investors who do not require immediate liquidity for their investment.

*Availability of Credit; Financing Arrangements; Market Value Borrowings and Derivatives.* As a general matter, the banks and dealers that provide financing to our Clients can apply essentially discretionary margin, "haircut" financing as well as financial instrument and collateral valuation policies. Changes by banks and dealers in such policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or government, regulatory or judicial action, may result in large loss of financing, margin calls, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants. The imposition of any such limitations or restrictions could compel us to liquidate all or part of our Clients' portfolio at disadvantageous prices, perhaps leading to a complete loss of their investments. In general, the anticipated use of margin borrowings and other borrowings based on the market value of the portfolio and derivatives which require our Clients to post margin results add certain additional risks to the Clients. For example, should the assets pledged to brokers to secure the Clients' margin accounts decline in value, our Clients could be subject to a "margin call", pursuant to which the Clients must either deposit additional funds or assets with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. In the event of a sudden drop in the value of the Clients' portfolio, our Clients might not be able to liquidate investments quickly enough to satisfy their margin requirements or may be required to close out positions at losses, which, if our Clients had continued to hold, would have been profitable.

*Leverage; Borrowing for Operations.* Leverage in the Clients may take the form of, among other things, any of the financial instruments described herein, including, derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. The use of leverage will allow our Clients 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 Clients' portfolios. The effect of the use of leverage by our Clients in a market that moves adversely to its investments could result in substantial losses to the Client, which would be greater than if the Client were not leveraged. In addition, our Clients will have the authority to borrow money for cash management purposes and to meet withdrawals that would otherwise

result in the premature liquidation of its investments. The level of interest rates generally, and the rates at which our Clients can borrow particularly will affect the operating results of our Clients. The amount of borrowings and leverage which our Clients may have outstanding at any time may be substantial in relation to its capital.

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

*Tax Considerations.* We may or may not take tax considerations into account in determining when our Clients' positions should be sold or otherwise disposed of and may or may not assume certain market risk and incur certain expenses in this regard to achieve favourable tax treatment of a transaction.

*Prime Broker, Central Counterparties and Executing Broker Risks.* There are risks involved in dealing with the custodians, brokerage firms, banks and broker-dealers who have custody of and settle our Clients' trades. Financial instruments and other assets deposited with such institutions either as collateral or margin may not be clearly identified as being assets of the Clients, and hence our Clients may be exposed to a credit risk with regard to such parties. All financing transactions such as borrowing or lending of funds will carry counterparty risks until such borrowing or lending has terminated and the relevant collateral is returned. In some jurisdictions, our Clients may only be an unsecured creditor of their trading counterparties and brokers in the event of bankruptcy or administration of such trading counterparties and brokers. Our Clients are thus subject to the risk that these firms and other brokers, counterparties, clearinghouses or exchanges with which our Clients deal may default on their obligations to our Clients. Any default by any of such parties could result in material losses to our Clients. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital position of our Clients. Further, there may be practical or time problems associated with enforcing our Clients' rights to its assets in the event of the insolvency of any such party. Upon default by a counterparty our Clients may be forced to unwind certain transactions and our Clients may encounter delays and difficulties with respect to court procedures in seeking recovery of their assets.

Liquidity crises and other problems arising as a result of the undercapitalization of the banking sector as a whole and exogenous risks such as the risk of a general banking crisis in any of the countries in which our Clients invest may also have a material adverse effect on our Clients. The significant losses incurred by many hedge funds in connection with the global financial crisis in

2008-2009 and the bankruptcy of several large financial institutions illustrate the risks incurred in both derivatives trading and custody/brokerage arrangements. Although we attempt to limit our Clients' brokerage and custody transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks, the collapse in 2008 of the seemingly well capitalized and established Bear Stearns and Lehman Brothers demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses. Our Clients are thus subject to the risk that a counterparty does not perform its obligations under the related contracts. There is no assurance that a counterparty will not default and that our Clients will not sustain a loss on a transaction as a result.

Transactions entered into by our Clients may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearinghouses, custodians, depositories and prime brokers throughout the world. Although our Clients attempt to execute, clear and settle the transactions through entities that we believe to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to our Clients. There is also no requirement that our Clients diversify their holdings among their prime brokers or other leverage and access relationships. The counterparty risk of prime brokers, ISDA counterparties and execution broker counterparties may therefore be substantial.

*Counterparty Risk.* Some of the markets in which our Clients may effect transactions may include those that are not "exchange-based", including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of OTC markets exposes our Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Clients to suffer a loss. In addition, "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where our Clients have concentrated their transactions with a single or small group of counterparties. Generally, our Clients are not restricted from dealing with any particular counterparties. Our evaluation of the creditworthiness of our Clients' counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Clients' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by our Clients.

*Counterparty Default.* The stability and liquidity of OTC derivative transactions depend in large part on the creditworthiness of the parties to the transactions. We monitor on an ongoing basis the creditworthiness of firms with which our Clients enter into OTC derivative transactions. If there is a default by the counterparty to such a transaction, our Clients will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of our Clients being less than if they had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of our Clients' counterparties were to become insolvent or the subject of insolvency proceedings, there is a risk that the recovery of the Clients' assets from such prime broker or broker-dealer will be delayed or be of a value less than the

value of the assets originally entrusted to such prime broker or broker-dealer. While the Dodd-Frank Act is intended to bring more stability and lower counterparty risk to derivatives market by requiring central clearing of certain standardized derivatives trades, not all of our Clients' trades will be subject to a clearing requirement because the trades are grandfathered or because they are bespoke, or because they are within a class that is not currently subject to mandatory clearing. Furthermore, it is yet to be seen whether the Dodd-Frank Act will be effective in reducing counterparty risk or if such risk may actually increase as a result of market uncertainty, mutuality of loss to clearinghouse members, or other reasons. Investors should assume that the insolvency of any counterparty would result in a loss to our Clients, which could be material.

*Lending of Portfolio Instruments.* Our Clients may lend financial instruments on a collateralized and an uncollateralized basis, from their respective portfolios to creditworthy financial institutions. The risks in lending financial instruments, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the financial instruments or possible loss of rights in the collateral, if any, should the borrower fail financially.

*Liquidity Risks Generally.* Liquidity is important to our Clients' businesses. Under certain market conditions, such as during volatile markets or when trading in a financial instrument or market is otherwise impaired, the liquidity of our Clients' portfolio positions may be reduced. In addition, our Clients may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Clients' liquidity. During such times, our Clients may be unable to, in part or in full, dispose of certain investments, including longer-term investments, which would adversely affect our Clients' ability to rebalance their portfolios or to meet withdrawal requests. In addition, such circumstances may force us to dispose of investments at reduced prices, thereby adversely affecting our Clients' performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, our Clients may be unable to sell such investments or prevent losses relating to such investments. Furthermore, if our Clients incur substantial trading losses, the need for liquidity could rise sharply while their access to liquidity could be impaired. In addition, in conjunction with a market downturn, our Clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing our Clients' credit risk to them.

*Illiquid Portfolio Instruments.* Investments that lack liquidity and/or a readily assessable market value or which may become illiquid from time to time as a result of market conditions will generally be carried on our Clients' books at fair value (which may be approximated by cost) as we may reasonably determine. There is no guarantee that fair value will represent the value that will be realized by our Clients on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

*Financial and Risk Modelling.* We may use and rely on quantitatively-based financial/analytical models or other financial models in pricing any of our Clients' investments, assisting with the selection of certain positions and/or managing the risk profile of our Clients' investment portfolio. However, such financial and risk models are subject to errors, defects, interruptions or failures and depend on human inputs and assumptions, which may have a material impact on the accuracy of our Clients' overall level of risk as well as financial metrics. We may rely on

erroneous computations or data causing losses to our Clients. Quantitative trading and valuation models may also not successfully select profitable positions, determine allocations or manage risk or perform in the manner in which they have historically performed or were intended to perform. There can be no assurance that the investment professionals utilizing such models will be able to (i) determine that any model is or will become partially or wholly unviable or (ii) notice, predict or adequately react to any change in the viability of a model. 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 our Clients and could potentially lead to imperfect hedges. Moreover, the quantitative models used may not perform in a manner in which they were intended to perform and could potentially lead to adverse effects on the value of our Clients' investments.

## **RISKS RELATED TO CERTAIN INVESTMENT STRATEGIES**

*Hedging Transactions.* Our Clients may utilize financial instruments both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of our Clients' investment portfolios resulting from market fluctuations; (ii) protect our Clients' unrealized appreciation in the value of their investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or appreciation on any investment in our Clients' portfolios; (v) hedge the interest rate, credit or currency exchange rate on any of our Clients' investments; (vi) protect against any increase in the price of any investments our Clients anticipate purchasing at a later date; or (vii) act for any other reason that we deem appropriate. Our Clients are not required to hedge any particular risk in connection with a particular transaction or their portfolios generally. While our Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for our Clients than if they had not engaged in any such hedging transaction. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged. Furthermore, to the extent that any hedging strategy involves the use of OTC derivative transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to the Dodd-Frank Act.

*Exchange Rate Fluctuations; Currency Risks.* Our Clients invest in certain financial instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. Dollar. Our Clients, however, value their financial instruments in U.S. Dollars. Our Clients may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions, such as forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that financial instruments suitable for hedging currency or market shifts will be available at the time when our Clients wish to use them, or that hedging techniques employed by our Clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of our Clients' positions denominated in currencies other than U.S. Dollars 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. In such cases, an increase in the value of the U.S. Dollar compared to the other currencies in which our Clients make investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of our Clients' investments in their local markets and may result in a loss to our Clients. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect on our Clients' non-U.S. Dollar investments.

*Interest Rate Fluctuations.* The prices of securities tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short positions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to our Clients of borrowed securities and leveraged investments. To the extent that interest rate assumptions underlying the hedge ratios are implemented in hedging a particular position, any fluctuations in interest rates could invalidate those underlying assumptions and expose our Clients to losses. There can be no guarantee that our Clients will be successful in fully mitigating the impact of interest rate changes on their portfolio.

*Highly Volatile Markets.* Price movements of derivative contracts and other financial instruments in which our Clients' assets may be invested can be highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments can from time to time intervene, directly and by regulation, particularly in currencies. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert. Our Clients may make certain speculative investments in currencies which we believe to be undervalued; however, there are no assurances that the currencies purchased will in fact be undervalued. In addition, our Clients may be required to hold such currencies for a substantial period of time before realizing their anticipated value. During this period, a portion of our Clients' assets will be committed to the currencies purchased, thus possibly preventing our Clients from investing in other opportunities.

*Emerging Market Investments.* From time to time our Clients invest in securities of companies located in emerging countries or instruments issued by the governments of such countries, including but not limited to China, as well as rates, FX and equity instruments that relate to emerging economies. Investing in such securities or instruments involves certain considerations not usually associated with investing in securities of companies located in developed countries or issued by the governments of such countries, including security and economic considerations, such as greater risks of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of funds, nationalization and general social, political and economic instability; the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict our Clients' investment opportunities; and problems that may arise in connection with the clearance and settlement of trades. In addition, the economies of emerging market countries are often characterized by frequent and occasionally drastic intervention by governments and such governments may exercise significant control over the country's economic growth. Governments may play a substantial role in regulating industries and may exercise significant control over a particular industry's development through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The economies of such countries can also be impacted by taxation and volatile inflation rates and fluctuations in the value of its currency. Certain

emerging market countries may have restrictions or controls with respect to foreign investment in securities. These restrictions or controls may at times limit or preclude foreign investment in certain issuers and may increase the costs and expenses of our Clients. Accounting and financial reporting standards that prevail in certain of such countries generally are not equivalent to standards in more developed countries and, consequently, less information is available to investors in companies located in these countries than is available to investors in companies located in more developed countries. There is also less regulation, generally, of the financial markets in emerging countries than there is in more developed countries.

*Short Selling.* Short selling involves selling financial instruments which are not owned by the short seller, and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed instruments at a later date. Short selling allows the seller to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the financial instruments. The extent to which our Clients engage in short sales depends upon their investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying financial instrument could theoretically increase without limit, thus increasing the cost to our Clients of buying those financial instruments to cover the short position. There can be no assurance that our Clients will be able to maintain the ability to borrow financial instruments sold short. In such cases, our Clients can be “bought in” (i.e. forced to repurchase financial instruments in the open market to return to the lender). There also can be no assurance that the financial instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing financial instruments to close out a short position can itself cause the price of the financial instruments to rise further, thereby exacerbating the loss. Legal and regulatory restrictions may impact on the ability of our Clients to sell a short and/or may require our Clients to disclose any short position with possible adverse consequences to our Clients.

*Volatility Risk.* Our Clients’ investment programs involve the purchase and sale of derivatives, which can require the use of an implied volatility of the underlying financial instrument to value such derivatives. Fluctuations or prolonged changes in the volatility of such financial instruments, therefore, can adversely affect the value of investments held by our Clients.

*Long-Term Investments.* Our Clients may pursue investment opportunities that seek to maximize asset value or create market opportunities on a long-term basis. In pursuing such long-term strategies, our Clients may forgo value in the short term or temporary investments in order to be able to avail our Clients of additional and/or longer-term opportunities in the future. Consequently, our Clients may not capture maximum available value in the short term, which may be disadvantageous, for example, for investors who redeem or withdraw all or a portion of their interests before such long-term value may be realized by the relevant Client.

*Uncertain Exit Strategies.* Due to the less liquid nature of certain positions which our Clients may acquire, we may be unable to predict with confidence what the exit strategy will ultimately be for any of such given positions, or that one will definitely be available. Exit strategies, which appear to be viable when an investment is initiated, may be precluded by the time the investment is ready to be realized due to liquidity, economic, legal or other factors.

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

*Equity Securities Generally.* The value of equity securities and derivatives generally varies with the performance of the issuer (or underlying financial instrument) and general movements in the equity markets. As a result, our Clients may suffer losses if they invest in equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and our Clients have not hedged against such a general move. Our Clients also may be exposed to risks that issuers will not fulfil contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

*Risks Related to Algorithmic Trading.* Our Clients may pursue investment strategies that involve fully automated trading using computer algorithms, collectively known as “**Algorithmic Trading**”. Algorithmic Trading is subject to a confluence of operational and market risks stemming from the reliance on computer systems to generate signals, perform portfolio construction and risk management as well as trade execution. Such reliance gives rise to the risk of failure of such systems to operate as expected. Such a failure could lead to losses for our Clients, which could be exacerbated in adverse markets.

*Bond Connect.* Our Clients from time to time make investments in Chinese debt securities via China’s Bond Connect (“**Bond Connect**”). Bond Connect is a new market that allows foreign investors, like our Clients, to invest in the China interbank bond market with the proceeds of all investments being retained offshore and not held directly in mainland China. Unlike previous access to the Chinese bond market, foreign investors will not be subject to any quotas and will not be required to establish onshore settlement accounts. As Bond Connect is a new investment platform available to foreign investors it faces significant ongoing uncertainties. Bond Connect is likely to be effected by economic uncertainty, changes in laws and national and international political circumstances. It is expected that Bond Connect will develop to allow mainland Chinese investors access to worldwide bond markets. These proposed developments may also have an effect on the structure and participants in the market. Investments via Bond Connect will also be subject to counterparty default and settlement risks. Further information on Bond Connect can be found on the website at <http://www.chinabondconnect.com/en/index.htm>.

*Limited Access to Chinese Equities.* Investors should be aware that investment in China A shares may only be available to our Clients via OTC derivatives entered into with OTC swap counterparties who have (or whose affiliates have) either (i) obtained Qualified Foreign Institutional Investor (“**QFII**”) status in China or (ii) have access to China A shares via the Shanghai-Hong Kong Stock Connect program (“**Shanghai Stock Connect**”) and/or Shenzhen-Hong Kong Stock Connect program (“**Shenzhen Stock Connect**” and together with Shanghai Stock Connect, the “**Stock Connect**”). Our Clients may not have any other access to China A shares. Access on swap via QFII allocations and via Stock Connect each may carry significant risks to our Clients, as further detailed below.



***QFII Risks.*** Foreign investors can invest in China A shares through institutions that have obtained QFII status in China. The current QFII regulations impose strict restrictions (including rules on investment restrictions, as well as remittance and repatriation of principal and profits) on China A share investment. As a swap counterparty may not be able to freely repatriate principal and profits from China, there may be potential lock-up periods imposed for repatriation. Under the terms of the relevant OTC swap between a Client and the swap counterparty, such Client may suffer losses as a consequence. The restrictions on, or the delays in, the repatriation of principal and profits may therefore have an unfavorable impact on our Clients. In extreme circumstances, our Clients may incur losses due to limited investment opportunities, or may not be able to fully implement or pursue their respective investment objectives or strategy, due to QFII investment restrictions, illiquidity of the China A shares market, and/or delay or disruption in execution of trades or in settlement of trades. The uncertainty and change of the laws, policies and regulations in China may adversely impact our Clients. The QFII policy and regulation may also be subject to change with potential retrospective effect. Our Clients will be exposed to any fluctuation in the exchange rate between such Client's base currency and the Renminbi in respect of such investments. Renminbi is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. There is no assurance that Renminbi will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency or liquidity of currency hedging instruments (physical or synthetic) will not develop. Our Clients will be dependent on swap counterparties being willing to use portions of their QFII quotas for the purposes of facilitating access to China A shares for our Clients and there can be no guarantee that a swap counterparty will continue to facilitate such access. As QFII regulations are subject to change, our Clients could lose QFII access to China A shares at short or no notice.

***Stock Connect.*** Our Clients may invest and have access to certain eligible China A shares via OTC derivatives referencing securities traded via the Stock Connect. Each of Shanghai Stock Connect and Shenzhen Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited ("**HKEx**"), China Securities Depository and Clearing Corporation Limited ("**ChinaClear**") and Shanghai Stock Exchange ("**Shanghai SE**") or Shenzhen Stock Exchange ("**Shenzhen SE**"), as appropriate, with an aim to achieve mutual stock market access between China and Hong Kong. The Stock Connect comprises a Northbound Trading Link (for investment in China A shares) by which swap counterparties or their affiliates, for the purposes of facilitating China A shares access for our Clients, may be able to place orders to trade eligible shares listed on Shanghai SE or Shenzhen SE. Under the Stock Connect, overseas investors (including the swap counterparties or their affiliates) may be allowed, subject to rules and regulations issued / amended from time to time, to trade China A shares listed on the Shanghai SE and Shenzhen SE through the Northbound Trading Link. Further information about the Stock Connect is available online at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm). In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risks, nominee arrangements in holding China A shares and regulatory risk.

*Stock Connect Quota Limitations and Re-call of Eligible Stocks.* The Stock Connect is subject to quota limitations on investments, which may restrict our Clients' ability to access China A shares through the Stock Connect on a timely basis. A stock may also be recalled from the scope of eligible stocks, meaning that the stock can be sold but no longer purchased. This could have a negative impact on our Clients' respective portfolios.

*Stock Connect Suspension Risk.* Each of the Stock Exchange of Hong Kong Limited ("SEHK"), Shanghai SE and Shenzhen SE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the relevant Client's ability to access the China A shares market.

*Differences in Trading Day.* The Stock Connect only operates on days when both China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the China market but Hong Kong investors (such as the our Clients' swap counterparties) cannot carry out any China A shares trading. Our Clients may be subject to a risk of price fluctuations in China A shares during the time when the Stock Connect is not trading as a result.

*Stock Connect Restrictions on Selling Imposed by Front-end Monitoring.* China regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise Shanghai SE or Shenzhen SE, as appropriate, will reject the sell order concerned. SEHK will carry out pre-trade checking on China A shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling. This may limit our Clients' ability to implement their respective investment decisions on a timely basis.

*Stock Connect Clearing and Settlement Risks.* The Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx ("HKSCC") and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of China's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("CSRC"). The chances of ChinaClear default are considered to be remote. Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, our Clients, under their respective OTC swap terms, may suffer delay in the recovery process or may not be able to recover their losses, in whole or in part.

*Stock Connect Nominee Arrangements in Holding China A Shares.* HKSCC is the "nominee holder" of the Shanghai SE or Shenzhen SE securities acquired by overseas investors (including our Clients) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors enjoy the rights and benefits of the Shanghai SE and Shenzhen SE securities acquired through the Stock Connect in accordance with applicable laws. However, the courts in China may consider that any nominee or custodian as registered holder of Shanghai SE or Shenzhen SE

securities would have full ownership thereof, and that even if the concept of beneficial owner is recognized under Chinese law those Shanghai SE and Shenzhen SE securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant swap counterparties cannot ensure that their ownership of these securities or title thereto is assured in all circumstances and under the terms of any OTC swap contract, our Clients may suffer losses as a result.

*Stock Connect Regulatory Risk.* The CSRC Stock Connect rules are departmental regulations having legal effect in China. However, the application of such rules is untested, and there is no assurance that Chinese courts will recognize such rules, e.g. in liquidation proceedings of Chinese companies. The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. Our Clients which may invest in the Chinese markets through Stock Connect may be adversely affected as a result of such changes.

*Audit Risk.* The accounting and reporting regime applicable to companies traded on Chinese markets could differ from that in the United States and other longer-established markets. Chinese companies might not have sufficient controls, processes and personnel to address accounting or financial reporting issues resulting from operating in China. This could make it more difficult for investors that are more experienced in investing in more established markets to analyse such companies and ultimately could affect the price of a particular security.

Investors should be aware that the oversight of audit firms in Greater China might not be equivalent to that of the Public Company Accounting Oversight Board (“**PCAOB**”) even where the audit firm is otherwise subject to PCAOB oversight. PCAOB inspections are a key component of ensuring quality and consistency of audit; the PCAOB may have limited ability to inspect PCAOB-registered accounting firms in China, which could impact the quality of financial reporting and audit quality. Companies in China are generally subject to different accounting, auditing and financial reporting standards, practices and disclosure requirements which could be less stringent and less uniform than companies in other countries. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of such auditors’ audit procedures or quality control procedures as compared to auditors that are subject to PCAOB inspections.

Furthermore, under the Holding Foreign Companies Accountable Act (“**HFCAA**”) which became law in the United States in December 2020, the inability of the PCAOB to conduct inspections of auditors in China could result in certain public companies with China-based operations being provisionally and later conclusively identified for delisting from the relevant U.S. exchanges if they are unable to provide sufficient evidentiary support to dispute an incorrect identification within the brief time period allotted. The implementation framework under the

HFCAA is still in development and there is little to no precedent to inform the market of the possible outcomes on the companies that are identified. Delisting could significantly impact the value and liquidity of the investments, particularly if the company is not already listed on an alternative venue and needs to apply for an alternative listing. Even where a company is listed in multiple markets including its respective home country exchanges, there could still be significant impact on our Clients' ability to acquire and dispose of investments in such companies.

Any of these issues could undermine the performance of our Clients' investments. While we will endeavor to conduct appropriate due diligence in connection with each investment and to maintain ongoing monitoring and review to risk manage for possible delisting events, no guarantee can be given that we will obtain the information or assurances that an investor in a more developed economy would obtain before proceeding with an investment.

## **RISKS RELATED TO CERTAIN FINANCIAL INSTRUMENTS**

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

*Call Options.* Our Clients may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e. the writer holds the underlying financial instrument) assumes the risk of a decline in the market price of the underlying financial instrument below the purchase price of the underlying financial instrument less the premium received, and gives up the opportunity for gain on the underlying financial instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying financial instrument above the exercise price of the option. The financial instruments necessary to satisfy the exercise of an uncovered call option, if applicable, may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing financial instruments to cover the exercise of an uncovered call option can cause the price of the financial instruments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* Our Clients may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (i.e. the writer has a short position in the underlying financial instrument) assumes the risk of an increase in the market price of the underlying financial instrument above the sales price (in establishing the short position) of the underlying financial instrument plus the premium received, and gives up the opportunity for gain on the underlying financial instrument if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of

the underlying financial instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Futures Contracts.* The value of futures depends upon the price of the financial instruments, such as commodities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which our Clients' positions trade or of their clearinghouses or counterparties.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent our Clients from promptly liquidating unfavorable positions and subject our Clients to substantial losses or prevent them from entering into desired trades. In extraordinary circumstances, a futures exchange or regulator could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

*Forward Trading.* Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities 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. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The CFTC regulates non-deliverable forwards. Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. The imposition of credit controls by governmental authorities or the implementation of regulations might limit such forward trading to less than that which we would otherwise recommend, to the possible detriment of our Clients.

*Swap Agreements Generally.* Our Clients enter into swap agreements and options on swap agreements ("**swaptions**"). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Our Clients, for instance, may enter into correlation swaps, variance swaps, volatility swaps or other swap agreements with respect to interest rates, credit defaults, currencies and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase

or decrease our Clients' exposure to, for example, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Our Clients are not limited to any particular form of swap agreement.

Whether our Clients' use of swap agreements or swaptions is successful will depend on our ability to select appropriate transactions for our Clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of our Clients' portfolios. Moreover, our Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Clients will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect our Clients' ability to terminate swap transactions or to realize amounts to be received under such transactions.

*Repurchase and Reverse Repurchase Agreements.* Our Clients enter into repurchase and reverse repurchase agreements. When our Clients enter into a repurchase agreement, they "sell" financial instruments to a broker-dealer or financial institution, and agree to repurchase such financial instruments on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, our Clients "buy" financial instruments issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such financial instruments at the price paid by our Clients, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by our Clients involves certain risks. For example, if the seller of financial instruments to our Clients under a reverse repurchase agreement defaults on its obligation to repurchase the underlying financial instruments, as a result of its bankruptcy or otherwise, our Clients will seek to dispose of such financial instruments, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, our Clients' ability to dispose of the underlying financial instruments may be restricted. It is possible, in a bankruptcy or liquidation scenario, that our Clients may not be able to substantiate their interest in the underlying financial instruments. Finally, if a seller defaults on its obligation to repurchase financial instruments under a reverse repurchase agreement, our Clients may suffer a loss to the extent that they are forced to liquidate their position in the market, and proceeds from the sale of the underlying financial instruments 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.

As a general matter, it is currently unclear what credit value should be attached by banks and dealers to repurchase and reverse repurchase agreements. Changes by banks and dealers in valuation policies, or the imposition of other credit limitations or restrictions with respect to repurchase and reverse repurchase agreements, whether due to market circumstances or government, regulatory or judicial action, may have a material adverse effect on our Clients and their portfolios. Any such adverse effect may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants.

*Government Debt Generally.* Our Clients invest in government debt securities and instruments. Our Clients may invest in debt instruments that are unrated, and whether or not rated, the debt instruments may have speculative characteristics. The sovereign issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

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

Our Clients may invest in undervalued currencies. Identifying investment opportunities in undervalued currencies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. Returns generated from such investments may not adequately compensate for the business and financial risks assumed. In addition, our Clients may be required to hold such currencies for a substantial period of time before realizing their anticipated value. During this period, a portion of our Clients' assets would be committed to the currencies purchased, thus possibly preventing our Clients from investing in other opportunities. Further, our Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Like the writing of other kinds of options, the writing of an option on a currency constitutes only a partial hedge, up to the amount of the premium received. Our Clients could be required, with respect to any option they have written, to purchase or sell currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on a currency may constitute an effective hedge against fluctuation in exchange rate, although in the event of rate movements adverse to our Clients' position, our Clients could forfeit the entire amount of the premium plus related transaction costs.

*Corporate Debt and Asset-Backed Securities.* Our Clients may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and non-investment grade (for example, "high yield") debt securities which may carry higher risk. If our Clients invest in bonds of issuers that do not have publicly traded equity securities, it will be more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to an issuer's inability to meet principal and interest payments on the obligation. Corporate debt securities may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

When interest rates rise, the value of corporate debt securities can be expected to decline, and conversely, the value of corporate debt securities increase as interest rates decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. In addition, certain corporate debt securities may be highly customized and as a result may be subject to, among others, liquidity and pricing transparency risks.

Company defaults can impact the level of returns generated by corporate debt securities. An unexpected default can reduce income and the capital value of a corporate debt security. Furthermore, market expectations regarding economic conditions and the likely number of corporate defaults may impact the value of corporate debt securities. Also, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. The market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

In addition, corporate debt securities may be subject to illiquidity risk, as they may be difficult to purchase or sell in different market conditions. The downgrading of debt securities may affect the liquidity of investments in debt securities. Other market participants may be attempting to sell debt securities at the same time as our Clients, causing downward pricing pressure and contributing to illiquidity. The ability and willingness of bond dealers to “make a market” in debt securities may be impacted by both regulatory changes as well as the growth of bond markets. This could potentially lead to decreased liquidity and increased volatility in the debt markets.

In addition, our Clients are exposed to other credit risks, liquidity risks, interest-rate risks, market risks, operations risks, structural risks and legal risks associated with investing in corporate debt, asset-backed securities including mortgages, synthetic instruments such as collateralized loan obligations, collateralized bond obligations, collateralized debt obligations or swaps and options on these instruments. The performance of such instruments may be adversely affected by macroeconomic factors, including (a) general economic conditions affecting capital markets and participants therein, (b) economic downturns and uncertainties affecting economies and capital markets worldwide, (c) recent concern about financial performance, accounting and other issues relating to various publicly traded companies, and (d) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

*Risks Relating to Virtual Currency and Virtual Currency Derivatives Trading.* Our Clients may invest in a variety of virtual currencies (also known as “cryptocurrencies” or “digital currencies”), or similar assets that utilize blockchain technology, and virtual currency derivatives, although we expect that any such investment is likely to constitute only a small proportion of our Clients’ portfolios. Virtual currencies are relatively new, evolving products based upon new and evolving technologies. An investment in any virtual currency is subject to a variety of risks, including technological, security and regulatory risks as well as associated uncertainties over the future existence, support and development of such virtual currency. Virtual currencies may also experience unusual volatility. Any such investment is highly speculative and subject to the risk that the entirety or a material portion of such investment or its value may be lost. Virtual currency derivatives, such as futures or options on futures on a virtual currency, are also a relatively new asset class, and trading in these instruments, like trading in the virtual



currencies themselves, carries a high level of risk. Investments in virtual currency derivatives, like direct investments in virtual currencies, should be considered substantially more speculative and significantly more likely to result in a total loss of capital than many other investments.

*Unique Features of Virtual Currencies.* Virtual currencies are not legal tender, but a type of highly decentralized electronic commodity that is not typically backed by any intermediating authority, such as a central bank or a national, supra-national or quasi-national organization, or any hard assets, human capital, or other form of credit. Rather, their value is based on (and fluctuates frequently according to) supply and demand factors, the number of merchants that accept the currency, and the value that various market participants place on it through their mutual agreement, barter or transactions.

The creation of new units of the virtual currency, as well recordation of ownership and transactions in the currency, is typically driven by an algorithmic system distributed over a very large computer network with many participants. Typically, an individual virtual currency unit exists as a record in a digital file, based upon a mathematical proof, and is comprised of a public key that encrypts a transaction value and a private key that decrypts it. Virtual currencies allow users to send payments within a decentralized, peer-to-peer network, and do not require a central clearinghouse or financial institution clearing transactions.

*Cybersecurity Risk.* Because of the cryptographic characteristics of virtual currency networks and their large number of users, direct attacks on the integrity of a virtual currency network (such as to change ownership, the number of units of the virtual currency in circulation, or the history of transactions) are generally considered impractical, but new technological developments or unforeseen technical flaws in a virtual currency's algorithm could create opportunities for disruption. If the basic algorithm of a virtual currency were compromised, the value of the virtual currency itself, and derivatives thereupon, could be severely affected. Note, also, that the electronic exchanges and third-party custodians that facilitate trading in virtual currencies may experience, and have experienced, cybersecurity incidents of their own. As described below, depending upon the electronic custody arrangements used by an exchange, a compromise of its systems can result in an irreversible loss of virtual currency for users even if the algorithm of the virtual currency itself remains technically sound. Hackers or malicious actors may launch attacks to steal, compromise, or secure virtual currencies, such as by attacking virtual currency network source code, exchange servers, third-party platforms, cold and hot storage locations or software, or virtual currency transaction history, or by other means. Depending upon the scale of such an incident, it could have systemic effects upon the value and liquidity of a virtual currency. Although virtual currency derivatives may not be directly exposed to this latter so-called "wallet risk", major disruptions to one or more virtual currency exchanges could have valuation effects on a virtual currency that would negatively impact the value of its derivatives in turn.

*Risks Associated With "Digital Wallets".* Our Clients may use digital currency "wallets" (a "virtual currency wallet" being a programmatic record system that contains virtual currency units) provided by exchanges or other third-parties to hold all or a portion of our Clients' virtual currencies. We may be unable to conduct detailed information technology diligence on such third-party wallet providers and, as a result, may not be aware of all security vulnerabilities and risks. Certain third-party wallet providers might not indemnify our Clients against any losses of

virtual currencies. Certain virtual currencies are intended to be controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which such virtual currencies are held. If private keys relating to our Clients' virtual currency holdings are lost, destroyed or otherwise compromised and such private keys are not capable of being restored by a virtual currency network, our Clients may be unable to access the related virtual currencies. Further, virtual currencies are typically transferred digitally, through electronic media not controlled or regulated by any entity. If a virtual currency transfers to the wrong destination, our Clients may be unable to recover the virtual currency or its value.

*Price Volatility Risks.* A principal risk in trading virtual currencies and virtual currency derivatives is the rapid fluctuation of their market price. Virtual currencies experience significant price volatility (daily price fluctuations in certain of these assets have exceeded 20%), which may result in substantial changes in the value of a derivative contract on the underlying virtual commodity. The price of virtual currencies held by our Clients may be affected generally by a wide variety of complex and difficult to predict factors such as virtual currency supply and demand; rewards and transaction fees for the recording of transactions; availability and access to virtual currency service providers (such as payment processors), exchanges or other virtual currency users and market participants; perceived or actual virtual currency network or virtual currency security vulnerability; inflation levels; fiscal policy; interest rates; and political, natural and economic events. Additionally, the highly distributed nature of virtual currency trading can complicate efficient price discovery for a virtual currency in the marketplace, an effect compounded by the fact that the distributed network responsible for processing virtual currency transactions may have a relatively limited transaction volume.

Fluctuations in the underlying virtual currency's value between the time that a trade is placed for a virtual currency futures contract and the time that an attempt is made to liquidate it will affect the value of a futures contract and the potential profit and losses related to it.

Like futures generally, virtual currency futures are also traded using initial margin, which permits positions to be established in these instruments whose value exceeds the initial investment. Because the initial margin of a virtual currency derivative may be set as a percentage of the value of the contract, margin requirements for a long position may significantly increase if the price of the contract rises. Additionally, due to the leverage effect provided by initial margin, unfavorable movements in the price of a virtual currency future can produce substantial losses compared to the size of the initial investment. These risks are enhanced in the context of increased price volatility.

There is no guarantee that our Clients will be able to achieve a better than average market price for virtual currencies or virtual currency derivatives or will purchase such assets at the most favorable price available.

*Virtual Currencies are Speculative Investments.* To date, speculators and investors seeking to profit from either short- or long-term holding of virtual currencies have driven much of the demand for these products. Virtual currencies typically have a very limited commercial and retail market application, thus contributing to price volatility that could adversely affect our Clients. Virtual currencies are not yet widely adopted as a means of payment for goods and services, and

banks and other established financial institutions may refuse to process funds for virtual currency transactions, process wire transfers to or from their exchanges, as well as virtual currency-related companies or service providers, or maintain accounts for persons or entities transacting in virtual currencies. Accordingly, investments in virtual currencies and virtual currency derivatives should be considered highly speculative.

*Risk of Competition.* As purely algorithmic constructs, virtual currencies present a relatively low barrier to entry for new financial products, and competitive products for a particular virtual currency may readily develop and vie for market share. Any such competition may reduce the value of our Clients' assets.

*Fees Associated With Virtual Currency Networks.* Virtual currency network participants may charge a fee for effectuating certain essential services, such as transaction recording. These fees are sensitive to prevailing market conditions and may increase during periods of high volume.

*Risks Associated With Virtual Currency Exchanges.* The virtual currency exchanges on which virtual currencies trade are relatively new and largely unregulated and may therefore be more exposed to theft, fraud and failure than established, regulated exchanges for other products. Liquidity for a virtual currency may be inconsistent or limited, particularly during periods of market stress. Virtual currency exchanges may impose daily, weekly, monthly or customer-specific transaction or distribution limits or suspend redemptions entirely, rendering the exchange of virtual currency difficult or impossible. Virtual currency exchanges are appealing targets for cybercrime, hackers and malware. It is possible that any such exchange may cease operations due to theft, fraud, security breach, liquidity issues, anti-money laundering issues or government investigation. While the virtual currency spot trading market is relatively unregulated, investors should note that both U.S.-domestic and foreign regulators have applied serious sanctions, including trading bans, to virtual currency exchanges that were found derelict under applicable laws. In addition, banks may refuse to process wire transfers to or from exchanges. Over the past several years, many exchanges have, indeed, closed due to fraud, theft, government or regulatory involvement, failure or security breaches, or banking issues. Our Clients may be unable to replace missing virtual currencies or seek reimbursement for any theft of virtual currencies.

While virtual currencies have been determined to be commodities under the U.S. Commodity Exchange Act of 1934, as amended, the CFTC's regulatory oversight authority over commodity cash markets is limited. The CFTC maintains general anti-fraud and manipulation enforcement authority over virtual currency cash markets as a commodity in interstate commerce. However, recourse for recovery of any fiat currency lost as a result of participating in a virtual currency exchange may be limited in practice due to technological considerations. The spot and underlying markets for virtual currency are relatively opaque systems in which the ultimate beneficial owners of units of virtual currency may be difficult or impossible to identify, complicating antitheft and antifraud measures by virtual currency exchanges or regulators.

*Risks Associated With Virtual Currency Derivatives Exchanges.* Futures exchanges subject to U.S. jurisdiction that trade in virtual currency derivatives are responsible for regulating their activities with CFTC oversight; certain exchanges have also contracted with the National Futures

Association to implement monitoring and rule compliance in furtherance of the CFTC's rules. Exchange-traded virtual currency derivatives that are subject to CFTC jurisdiction mitigate some of the risks of direct participation in virtual currency trading by interposing regulated facilities and contracts between traders and the underlying virtual currency market. Nevertheless, to the extent that disruptions in the exchanges of an underlying virtual currency affect the value of that commodity, derivatives in that virtual currency may be negatively impacted as well.

Futures commission merchants may impose enhanced trading restrictions upon virtual currency derivatives due to their novel and highly speculative nature. Virtual currency derivatives contracts may be subject to additional margin, dynamic price limits, position limits, or prohibitions on trading strategies such as certain forms of short selling or give-up/give-in transactions. Designated contract markets for virtual currency derivatives may impose trading halts that may restrict a market participant's ability to exit a position during a period of high volatility. Such features could affect our ability to expand or exit a position in virtual currency derivatives at the most financially opportune moment, potentially resulting in losses to our Clients. In addition, the risk of loss in trading virtual currency derivatives can be substantial. If a Client purchases a virtual currency derivative, it may sustain a total loss of the premium and of all transaction costs. If a Client purchases or sells a virtual currency derivative, it may sustain a total loss of the initial margin funds and any additional funds that it deposits with its broker to establish or maintain its position. If the market moves against its position, such Client may be called upon by its broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain its position. If it does not provide the requested funds within the prescribed time, its position may be liquidated at a loss, and it will be liable for any resulting deficit in its account.

For example, Bitcoin Futures are margin products and, although cash-settled, involve a high degree of inherent risk and special trading stipulations. Potential losses of long or short positions in these instruments can exceed the amount of funds and equity provided in the margin account, and because of the high level of volatility in the price of the Bitcoin underlier, losses can be magnified rapidly. To manage some of these risks, the Chicago Mercantile Exchange (the "CME") Bitcoin Futures are subject to price and position limits: A daily price limit variant is established by the CME to limit the price volatility to a range, and two position limits are applied to control participants' exposure to the asset (specifically, 4,000 contracts in a single Futures contract and 5,000 overall). In addition, the margin requirements by the CME to trade Bitcoin Futures are higher compared to other equity futures.

*Risks of Uninsured Losses.* Though our Clients may seek to insure their virtual currency futures holdings, it may not be possible, either because of a lack of available policies or because of prohibitive cost, for our Clients to obtain insurance of any type that would cover losses associated with virtual currency derivatives. If an uninsured loss occurs or a loss exceeds policy limits, our Clients could lose a portion of their assets.

*Additional Regulatory Considerations.* The regulatory schemes affecting virtual currencies may not be fully developed. Government action or regulation may directly or indirectly affect a virtual currency market or network, influencing virtual currency use or prices. It is possible that any jurisdiction may, in the near or distant future, adopt laws, regulations, policies or rules

directly or indirectly affecting a virtual currency network, generally, or restricting the right to acquire, own, hold, sell, convert, trade, use or exchange virtual currencies. Like virtual currencies themselves, virtual currency derivatives exist within an evolving regulatory landscape and could also become subject to new regulations with valuation consequences for these instruments. Such changes could be difficult or impossible to predict.

*Blockchain Technology May Not Prove Disruptive.* Blockchain-led transformation may be years away. So far, blockchain technology has, in many instances, not challenged traditional business models with a lower-cost solution, and has not yet overtaken incumbent firms. It may take decades for blockchain technologies to be integrated with economic infrastructure and for companies and businesses in the blockchain space to become profitable. The progress of Blockchain technology may indirectly impact the value of virtual currency and virtual currency derivatives.

*The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Symmetry Funds or SMAs. Prospective investors should refer to the offering documents and consult with their own advisers before deciding whether to invest in the Symmetry Funds or an SMA. In addition, as the respective funds' investment programs develop and change over time, an investment in the Symmetry Funds or SMAs may be subject to additional and different risk factors.*

### **Item 9: Disciplinary Information**

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

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

As described in Item 4 above, the Adviser is registering with the SEC and is the sub-investment adviser for the Symmetry Funds and provides discretionary sub-advisory services to an SMA. The Adviser is compensated solely through indirect compensation paid by the Clients.

Symmetry US is affiliated with other investment managers (“**Other Symmetry Advisers**”) by way of common ownership. They are exempt from registration with the SEC but file reports on Form ADV as Exempt Reporting Advisers. The Other Symmetry Advisers are compensated by the Delegating Manager for their investment advisory services pursuant to their respective sub-advisory arrangements. The Other Symmetry Advisers include:

- the Delegating Manager, which is registered with the Cayman Islands Monetary Authority (“**CIMA**”) under the Securities Investment Business Act (As Revised) of the Cayman Islands as a Registered Person and is subject to regulation by CIMA. The Delegating Manager receives compensation, including management and performance fees, from the Symmetry Funds.
- Symmetry Investments (Hong Kong) Limited (“**SIHKL**”), which is licensed with the Securities and Futures Commission of Hong Kong to provide discretionary asset management services;
- Symmetry Investments UK LLP, which is authorized and regulated by the U.K. Financial Conduct Authority as an Alternative Investment Fund Manager with MiFID top permissions pursuant to Article 6(4) of the AIFM Directive, but does not act as the alternative investment fund manager to the Symmetry Funds;
- Symmetry Investments Singapore Private Limited, which is authorized and licensed by the Monetary Authority of Singapore with a capital markets services license; and
- Symmetry Investments Jersey Limited, which holds a Fund Services Business License granted to it by the Jersey Financial Services Commission pursuant to the provisions of the Financial Services (Jersey) Law 1998.

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

The Adviser is not registered as, and does not have any application pending to register as, a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. The Delegating Manager and SIHKL are registered as co-commodity pool operators with the CFTC and the National Futures Association.

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

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

Symmetry US has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees or other related persons (each, a “**Supervised Person**”) and procedures regarding our Supervised Persons’ personal trading of securities. Our Supervised Persons are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Supervised Persons also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

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

- Supervised Persons must at all times place the interests of the Symmetry Funds and Clients first;
- Supervised Persons must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Personal Trading Policy (described below); and
- Supervised Persons should not take inappropriate advantage of their position at the Adviser.

The Code of Ethics places restrictions on personal trades by Supervised Persons, including that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that Supervised Persons pre-clear certain types of personal securities transactions. Supervised Persons may purchase and sell certain securities outlined in the Code of Ethics. Supervised Persons are also prohibited from personally, or on behalf of a Client, purchasing or selling certain securities that appear on the Adviser’s Restricted List.

The Adviser has established policies and procedures to identify and mitigate conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on Supervised Person personal trading in the Code of Ethics, as described above, and regular monitoring of Supervised Persons’ transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

One such conflict is the risk that a Supervised Person (or an immediate family member) may have knowledge that the Adviser intends to purchase (or sell) a security on behalf of a Client(s) and then “front-run” the Adviser and its Client(s) by purchasing (or selling) the security before the Adviser does and profit from the market impact of the Adviser’s transaction. If the Supervised Person’s transaction affects the price of the security that the Client purchases or sells, it could negatively impact the price the Client pays (or receives) for the transaction. Conversely, a Supervised Person (or an immediate family member) may take a position contrary to a position that a Client has (or may take). This presents a potential conflict if the Supervised Person’s trading has an impact on the value of the Client’s investment in the security.



To address these and other conflicts of interest, we maintain the Code of Ethics, as described above, and require preapproval of certain trades.

Further, Supervised Persons must obtain pre-approval from the Chief Compliance Officer before: (i) engaging in any outside business activities; or (ii) making any private investments.

The Adviser will provide a copy of the Code of Ethics to any investors, or any prospective investor, upon request, to be viewed on the premises.

### ***Principal and Cross Trades***

We do not generally enter into principal or cross trades but have and may do so from time to time, including when closing a Client account. It is our policy to engage in cross trades only in accordance with our duty to seek best execution on behalf of Clients.

To the extent that a cross trade is viewed as a principal transaction due to the ownership interest in a Client by the Adviser or its personnel, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act.

## **Item 12: Brokerage Practices**

### ***Best Execution***

The Adviser is authorized to determine the brokers or dealers to be used for each securities transaction for each of the Symmetry Funds. In general, for the Symmetry Funds, we use the brokerage relationships determined by the Delegating Manager.

Notwithstanding the foregoing, in selecting an appropriate broker-dealer to effect a client trade, the Adviser seeks to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, the Adviser will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to the Adviser, brokerage and research services provided to the Adviser (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services. Best execution determinations may be, and often are, determined jointly with the Delegating Manager for our shared Clients.

### ***Soft Dollars***

The Adviser does not currently use “**Soft Dollars**” to generate commission credits that are then used to purchase eligible research or other services but may do so in the future. In such cases, the Adviser may enter into arrangements whereby a broker or dealer may use part of the relevant dealing commission to pay for certain services related to the execution of transactions on behalf of customers and/or the provision of its orders and generally will also operate, to the extent applicable, within the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Soft dollar credits generated in respect of futures, currency and derivatives transactions (that are not riskless principal transactions) do not generally fall within the safe harbor created by Section 28(e) and will be utilized only with respect to research-related products and services for the benefit of the respective Symmetry Funds.

### ***Brokerage for Client Referrals***

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party.

From time to time, our representatives may participate in “capital introduction” services sponsored by prime and executing brokers for customers interested in investing in the Symmetry Funds. Through such capital introduction events and services, prospective investors have the opportunity to meet with our representatives. Neither we nor our Clients compensate the brokers for organizing such events or for any investments ultimately made by prospective investors attending such events. However, such events and similar services (including, without limitation, referrals to Clients or investors) provided by a broker may influence decisions whether to use

such broker in connection with brokerage, financing and other activities. Notwithstanding such relationships or business dealings with these counterparties, we have a fiduciary duty to Clients to seek best execution when trading with these firms and have implemented policies and procedures to monitor our efforts in this regard.

### ***Client-Directed Brokerage Transactions***

While we generally select brokers for Clients, we sometimes directly or indirectly (through the Delegating Manager) accept direction from SMAs as to which broker-dealer is to be used. If an SMA directs the use of a particular broker, we may ask that the investor also specify in writing: (i) general types of securities for which a designated firm should be used; and (ii) whether the designated firm should be used for all transactions, even though we might be able to obtain a more favorable net price and execution from another broker in particular transactions. SMAs that, in whole or in part, direct us to use a particular broker to execute transactions on their behalf should be aware that, in so doing, such decision may adversely affect our ability to, among other things, obtain volume discounts on aggregated orders or to obtain best price and execution by, for example, executing over-the-counter stock transactions with the market makers for such securities.

Additionally, as noted above, transactions for a Client that directs brokerage are generally not aggregated for execution purposes with orders for the same securities for other portfolios we manage. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in a Client receiving a price that is less favorable than the price obtained for the aggregated order. Under these circumstances, the direction by a Client or investor of a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we could negotiate commission rates or spreads freely, or select brokers or dealers based on best execution. Consequently, best price and execution may not be achieved.

### ***Trade Aggregation and Allocation***

Our policy seeks to allocate trades in a manner that treats all Clients fairly and equitably over time.

On occasions when the purchase or sale of a security is deemed to be in the best interest of more than one Client, the Adviser may, but is not obligated to, aggregate orders directed to the same executing broker for the purchase or sale of that security from all Client portfolios to the extent consistent with best execution and the terms of the relevant governing agreements. Each participating Client in an aggregated order will generally receive the same volume-weighted average price. In cases where an aggregated order is not fully filled, each participating Client will generally receive a *pro rata* share (based on the relative sizes of the participating Clients' orders) of the total filled quantity. Transaction costs are generally allocated among the participating Clients on a *pro rata* basis (based on the relative sizes of the participating Clients' orders).

In order to efficiently liquidate portfolio positions, the Adviser may aggregate the orders for portfolios to be closed separately from the rest of its orders.

It is currently the general policy of the Adviser to aggregate and allocate orders routed to the same executing broker as described above whenever reasonably possible. However, the Adviser reserves the right to modify, cancel, and/or make exceptions to this policy at any time, subject to the overriding requirement of treating all Clients fairly over time.

The Adviser may decide to execute orders for Client portfolios without aggregation if, under the circumstances, such other method of execution is reasonable, does not result in an improper or undisclosed advantage or disadvantage to any portfolio, and results in fair access over time to trading opportunities for all eligible portfolios.

The Adviser may allocate on a basis other than *pro rata* if, under the circumstances, such other method of allocation is reasonable, does not result in improper or undisclosed advantage or disadvantage to any portfolio, and results in fair access over time to trading opportunities for all eligible portfolios. For example, the Adviser may identify investment opportunities that are more appropriate for certain portfolios than others, based on such factors as differing account sizes, financing, margin and commission (or bid/ask spread) terms, leverage, cash availability, risk parameters, tax, legal and regulatory considerations, investment strategies and asset classes. Consequently, the Adviser may decide it is more appropriate to place a given security in one account rather than another account. Other non-*pro rata* methods include volume-weighted average allocation, rotation allocation and random allocation. Alternative methods of allocation may be appropriate, for example, when the transaction size is too limited to be effectively allocated *pro rata* among all eligible portfolios or when an investor is contributing securities. Absence of aggregation when it would otherwise be feasible could, depending on the trading activity and pricing, increase costs for Clients.

### ***Trade Error Policy***

The Adviser's policy is to seek to identify and promptly investigate trade errors, as defined in the relevant Funds' offering documents, and to take appropriate corrective action. While we attempt to correct any error promptly, correction of trade errors may be delayed in certain cases where investigation of the error is necessary or where consultation with a particular Client is sought.

Errors in investment research, database errors and system risks are not classified as trade errors. In addition, process enhancements, errors or other incidents that occur in connection with use of models and/or data sources in the investment management process are not deemed to be trade errors. Errors caused by brokers or other third parties are not covered by this particular policy. Even if an error is not considered a "trade error" under our policies supervised persons who become aware of any error that may impact Client accounts must notify the appropriate personnel.

In general, any gains that result from a trade error will benefit the Client, provided that the Adviser will net trade errors in certain circumstances, including by netting gains and losses attributable to a basket order. In the event that a trade error results in a discernible net loss,

whether the cost of such trade error is borne by the Client or the Adviser will be determined by the liability provisions and/or any specific provisions regarding trade errors set forth in the investment management agreement and other governing documents relating to the specific Client.

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

#### *Funds*

The investment portfolios of the Symmetry Funds are primarily managed by portfolio managers (the “**Portfolio Managers**”) employed by us or one of our affiliates. Generally, the Portfolio Managers are responsible for frequently reviewing the portion of the portfolio managed by them for consistency with the Adviser’s policies and in accordance with the investment objectives and approach applicable to our Clients. The Portfolio Managers are responsible for the strategy in which the Portfolio Managers trade, subject to the trading mandates and risk management parameters and guidelines set under our sub-advisory agreements with the Delegating Manager. In addition, members of our management review the Symmetry Funds’ portfolios and accounts on a regular basis.

Reports that we generate for our internal use and for the benefit of the Symmetry Funds typically contain portfolio breakdown and performance. The reports are provided no less frequently than monthly.

The Symmetry Funds will distribute an audited financial report with respect to the previous fiscal year to all investors within 90 days of fiscal year end, or as reasonably practicable thereafter. The Symmetry Funds may also distribute monthly unaudited net asset value statements and a monthly investor letter to all investors in such funds.

#### *Separately Managed Accounts*

The frequency of the review of each SMA, the nature of the review, and the factors which may trigger reviews can vary widely depending on the Client’s investment objectives and circumstances and the complexity, portfolio structure and size of an account. The type and frequency of reporting in respect of an SMA will vary based on the terms set forth in the SMA’s account management agreement.

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

### *Other Compensation*

As described under Item 12, custodians, brokers and other service providers may sponsor events where attendees may include clients or employees of the sponsoring service provider and Adviser personnel. As a result, we may have an incentive to continue to use or expand the use of a service provider's services. We may also have an incentive to recommend certain financial institutions and service providers to Clients. We have evaluated this potential conflict of interest, and we recommend the use of custodians, brokers and other service providers to our Clients only when we believe their services are appropriate for our Clients and in our Clients' best interests.

### *Client Referrals*

Other than as described above in Item 12, neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals. To the extent that we do enter into any such arrangements, as applicable, all such compensation will be fully disclosed to each client consistent with applicable law and, to the extent necessary, will be conducted in accordance with SEC Rule 206(4)-1(b) under the Advisers Act.

### **Item 15: Custody**

The Adviser and certain affiliates are deemed to have custody of Fund assets and other client assets by virtue of their status as investment manager or general partner of certain of the Symmetry Funds, which gives them the ability to obtain client funds or securities, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account. Actual custody of Funds and other client assets, however, is at a broker-dealer, bank or trust company, not at the Adviser. Account statements related to the Clients are sent by qualified custodians to the Adviser.

The Adviser will comply with Rule 206(4)-2 of the Advisers Act (the "**Custody Rule**") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Symmetry Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), the Delegating Manager will ensure the Symmetry Fund distributes its audited financials to investors within 120 days of such Symmetry Fund's fiscal year end.

The Adviser does not have custody of the assets of any SMA. Each SMA must make its own arrangements for custody of its securities, cash and other assets. Such custodians may be broker-dealers, prime brokers, banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the SMA with at least quarterly account statements relating to the assets held within the account advised by the Adviser. Each SMA Client should carefully review the qualified custodian's statement upon receipt to determine that it accurately states all holdings in the account and all account activity over the relevant period. Any discrepancies identified by an SMA Client should be immediately reported to the Adviser and the qualified custodian.

In the event that an SMA Client requests the Adviser to also send statements to it, such Client is urged to compare the statements provided to it by the Adviser against those provided to it by its qualified custodians who hold the assets of its accounts, and to report any questions, concerns, or discrepancies to both the Adviser and the qualified custodian promptly.



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

The Adviser serves as the sub-investment adviser to the Symmetry Funds, with discretionary sub-advisory authority with respect to each of the Symmetry Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. The Adviser also provides discretionary sub-advisory services to an SMA.

Investment decisions for our Clients are made in a manner consistent with the investment objectives, approach and restrictions described in the Symmetry Funds' offering memoranda or the related SMA agreement, as applicable.

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

In compliance with Rule 206(4)-6 of the Advisers Act (the “**Proxy Voting Rule**”), the Adviser has adopted proxy voting policies and procedures. To the extent the Adviser has discretion to vote proxies on behalf of Clients, all decisions about how to vote a proxy will be made in accordance with the Adviser’s proxy voting policies and procedures, which are designed to take into account the best interest of the Client, as determined by the Adviser in its discretion. The Adviser may take into account all relevant factors when making such determination, which are specified in the proxy voting policies and procedures.

In certain circumstances, the Adviser may refrain from voting proxies (or affirmatively decide not to vote) where the Adviser determines that not voting is in the best interest of the client. Generally, clients may not direct the Adviser’s vote in a particular solicitation. Conflicts of interest may arise between the interest of the clients on the one hand and the Adviser or its affiliates on the other hand. If the Adviser determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, the Adviser will vote in accordance with its proxy voting policies and procedures. Clients may obtain a copy of the Adviser’s proxy voting policies and its proxy voting record upon request by contacting ComplianceUS@symmetryinvestments.com.

### **Item 18: Financial Information**

The Adviser does not require or solicit prepayment of fees six months or more in advance, is not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.