

# FORM ADV PART 2A

## HBC Group LLC

4763 Westridge Dr, Fort Collins, CO 80526

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This Form ADV Part 2A (the “**Brochure**”) provides information about the qualifications and business practices of **HBC Group LLC** (hereinafter “**HBC**”, “**we**”, “**us**”, or “**our**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Paul Ellis, by email at. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about HBC and its affiliates is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser does not imply that HBC or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

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This is the firm's first Part 2A Brochure. As such, there are no material updates at this time.

### Item 3: Table of Contents

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|  |    |
|--|----|
| Item 2: Material Changes .....   | 2  |
| Item 3: Table of Contents .....  | 3  |
| Item 4: Advisory Business .....  | 4  |
| Item 5: Fees and Compensation .....  | 5  |
| Item 6: Performance-Based Fees and Side-By-Side Management.....                                      | 5  |
| Item 7: Types of Clients.....  | 6  |
| Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....                           | 6  |
| Item 9: Disciplinary Information .....   | 13 |
| Item 10: Other Financial Industry Activities and Affiliations .....                                  | 13 |
| Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading..... | 13 |
| Item 12: Brokerage Practices .....   | 15 |
| Item 13: Review of Accounts.....   | 16 |
| Item 14: Client Referrals and Other Compensation .....   | 16 |
| Item 15: Custody .....   | 17 |
| Item 16: Investment Discretion.....  | 17 |
| Item 17: Voting Client Securities .....  | 17 |
| Item 18: Financial Information .....   | 17 |

## Item 4: Advisory Business

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### A. Description of the firm.

**HBC Group LLC** (hereinafter “**HBC**”, “**we**”, “**us**”, or “**our**”) is an investment advisory firm specializing in investment management for a private investment fund. **HBC** is organized as a Delaware limited liability company with a principal place of business in Colorado. **HBC** was founded in 2023 and its sole member is Paul Ellis. The ultimate principal owners of **HBC** is Paul Ellis.

HBC provides investment management services to The Hawksbridge Global Master Fund, a private fund incorporated as an exempted open-ended investment company with limited liability in the Fund (the “**Fund**” or the “**Client**”). **HBC** has entered into a sub-advisory agreement with Hawksbridge **Capital Co., Ltd.** (hereinafter “**Hawksbridge**”). Hawksbridge services as the investment manager to the Fund and . **HBC** provides sub-investment advisory services on a discretionary basis to the Fund. Hawksbridge and HBC are not related persons or otherwise affiliated entities.

Interests in the Fund are offered through a private placing memorandum to US persons who are accredited investors, as defined under the Securities Act of 1933, as amended (the “**Securities Act**”), and qualified purchasers, as defined under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”) or knowledgeable employees as defined under Rule 3c-5 under the Investment Company Act.

### B. Types of advisory services.

**HBC** offers investment advisory services to the Fund pursuant to a sub-advisory agreement with Hawksbridge. **HBC** focuses its investment advice primarily with respect to investments in derivatives.

### C. Investment restrictions.

The advisory services **HBC** provides to the Fund are tailored to the investment objectives, investment strategy and investment restrictions of the Fund in accordance with the terms of the documents governing our relationship with the Fund. **HBC** does not tailor its advisory services to the individual needs of any particular investor.

Hawksbridge and the Fund have entered into and may in the future enter into “side letter” agreements with investors, [primarily to accommodate an investor’s particular legal, tax or regulatory requirements]. As disclosed in the Fund’s private placing memorandum, Hawksbridge have the right in their absolute discretion to agree with any existing or potential investor in the Fund, whether by means of a side letter or other agreement, to waive or modify the application of any of the terms in any document governing such investor’s investment in the Fund or to grant to such investor additional rights and/or access to more information that is granted, or provided, to other investors (each and together, a “**Modification of Terms**”). Any Modification of Terms may be made in relation to (but is not limited to) the application or calculation of fees, rebates of fees and/or charges payable to Hawksbridge, the provision of additional liquidity, co-investment opportunities, redemption and payment rights, capacity in the Fund, access to greater transparency, investment restrictions, notification of certain events, indemnification obligations and/or additional representations, warranties or covenants. Hawksbridge may also agree to consult with or obtain prior approval from particular investors before taking certain actions. The ability of investors to obtain more favourable terms in this manner may disadvantage other investors who do not have a Modification of Terms. While any Modification of Terms may be evidenced through the use of side letters or other agreements, the Fund also has the general discretion to agree any Modification of Terms as provided for in the Fund’s governing documents, including through the creation of a separate class of Fund shares.

None of the Fund or HBC is obligated to disclose the existence or specific terms of any side letter or other agreement which gives rise to a Modification of Terms to any other investors, with the exception that where the Fund and/or HBC has granted preferential rights of redemption in any Modification of Terms, the material terms relating to such preferential rights will be made available on request.

#### **D. Wrap fee programs.**

Our firm does not participate in wrap fee programs.

#### **E. Assets under management.**

As of [\_\_\_\_], HBC does not have any regulatory assets under management. HBC will update this Part 2A along with the ADV Part 1A once it is required to amend the Form ADV to comply with Rule 203A-2(c). HBC expects to be eligible for SEC registration within 120 days of the date that the Form ADV was filed.

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

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#### **A. How we are compensated for our advisory services.**

HBC receives compensation for its investment advisory services, including advisory and performance fees, from Hawksbridge pursuant to a sub-advisory agreement entered into by HBC and Hawksbridge.

The Fund has issued different classes of participating shares and as such the advisory fee and/or the performance fee may be further reduced or waived and permit certain shareholders to participate in the funds on different terms. Investors should refer to the Fund offering documents for a complete understanding of how HBC is compensated for its advisory services *The information contained herein is a summary only and is qualified in its entirety by such documents.*

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

Prime Brokerage Fees – Each prime broker can earn interest on any advances that it makes to the Fund and other fees as may be agreed with the Fund from time to time.

Fees for the Administrator, Registrar and Transfer Agent – The administrator, registrar and transfer agent receive fees paid out of the assets of the Fund based upon the nature and extent of the services performed for the Fund.

General Expenses – The Fund bears the cost of all brokerage (if any) payable on the purchase or sale of investments, interest on borrowings and fees in respect thereof, fees payable in the Cayman Islands on increase in the share capital of the Fund, the annual company registration fee payable in the Cayman Islands, the fees and reasonable travel and per diem expenses of the Fund's Directors, the fees and expenses of the auditors and legal advisors, the cost of any liability insurance taken out by the Fund in respect of the directors, the cost of the investment management insurance, the cost of printing and distributing the annual and semi-annual reports and statements and all other operating and administrative expenses.

HBC incurs costs and expenses on research services, data and information technology (including software, hardware, infrastructure and connectivity) charged by service providers including but not limited to Bloomberg, data providers, law firms and expert network service providers, in relation to investments programs that HBC deems beneficial to the Fund. The Fund bears or reimburses these costs and expenses.

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

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As described in more detail in "Item 5: Fees and Compensation" above, HBC receives performance-based compensation indirectly from the Fund, which creates an incentive for HBC to recommend or make investments that are riskier or more speculative than would be the case in the absence of a performance fee. Prospective investors should note that the advisory fee and performance fee are based in part upon unrealised gains and unrealised losses, and that the Fund may never realise such unrealised gains and losses.

HBC currently only has one client, the Fund, and therefore HBC does not face certain conflicts of interest that may arise when an investment adviser manages client accounts with different fee arrangements side-by-side.

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

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HBC currently only has one client, the Fund. The Fund is open to investors who are able to acquire participating shares who meet applicable legal and suitability requirements. All investors that are US Persons (as such term is defined in Regulation S promulgated under the Securities Act) must be accredited investors (as such term is defined under the Securities Act) and qualified purchasers or knowledgeable employees (as such terms are defined under the Investment Company Act) to invest in the Fund.

The minimum initial subscription for the Fund is generally at least US\$5 million or such lesser amount as the Directors may from time to time agree whether generally or in a particular case but in no event less than the applicable local regulatory requirements of the Cayman Islands, which law currently requires a minimum initial subscription amount of US\$100,000 or its foreign currency equivalent).

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

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### **A. Methods of analysis and investment strategies.**

#### **INVESTMENT OBJECTIVE**

The investment objective of the Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Fund seeks to provide returns that are uncorrelated to the broad market indices. There can be no assurance that the investment objective will be achieved.

#### **INVESTMENT STRATEGIES**

The Fund's portfolio is constructed by mix of a directional trading and relative value trading. Directional trading involves taking positions that express a view of the future direction of a market parameter, such as the price of a financial asset or the level of a financial asset's volatility. Relative value trading involves taking positions intended to exploit distortions in the relative values of similar instruments or markets. Some trades can be represented by a combination of directional and relative value trading. It is expected that new trading strategies will be added as investment opportunities present themselves.

The Fund conducts the above-mentioned types of trading primary in interest rate and foreign exchange markets. The Fund also trades in equity, commodity and credit markets, primary but not exclusively via instruments linked to indices of such markets. The Fund generally focuses on financial markets in developed regions or countries including but not limited to the US, Europe, Japan, Canada, Australia and New Zealand.

The Fund has maximum flexibility to invest in a wide range of liquid instruments with primary focus on sovereign bonds, interest rate swaps, spot currencies, currency forwards, futures, exchange-traded funds or notes, and options, warrants, credit default swap indices, equity basket swaps, and commodity swaps. Derivative instruments may be exchange-traded or over-the-counter. The Fund may engage in short sales. The Fund may retain amount in cash or cash equivalents including money market funds pending reinvestment, for use as collateral or if this is considered appropriate to the investment objective.

The Fund makes its trading decisions on a combination of top-down (fundamental) and bottom-up (technical) analysis. Top-down analysis attempts to anticipate market movements by an analysis of factors external to the financial market itself such as central bank policies, sovereign credit strengths, trade balances, or GDP growth. Bottom-up analysis attempts to forecast price changes or exploit distortions through observations of the markets themselves. The Fund's trading decisions will be highly discretionary and judgmental, relying upon the subjective analysis of the markets by [HBC].

#### **INVESTMENT RESTRICTIONS**

HBC is not subject to any particular investment restrictions with regard to the investment of the assets of the Fund.

## LEVERAGE

When deemed appropriate, the Fund may employ leverage for working capital and/or as part of the investment strategies. Such leverage may include, without limitation, borrowing cash, securities and other instruments, purchasing futures and entering into derivative transactions and repurchase agreements. Assets of the Fund may be pledged as security for borrowings. The use of leverage will increase the risk of an investment in the Fund. There is no limit on the amount of leverage which may be employed.

## CURRENCY HEDGING

HBC may seek to hedge the currency exposure between the Dealing Currency of any Class and the US Dollar. HBC may use spot and forward foreign exchange contracts or other methods of reducing exposure to currency fluctuations.

## CHANGES TO INVESTMENT STRATEGIES AND RESTRICTIONS

The investment objective, investment strategies, investment restrictions and limits on leverage summarised above represent the current intentions of the Fund. Subject to any applicable law or regulation, the investment objective, investment strategies, investment restrictions and limits on leverage may be changed by giving investors not less than 3 months' prior written notice of the proposed changes.

## B. Material Risks

The Risks listed below do not represent all of the risks associated with an investment in the Fund. Investors should review the Fund's offering documents for an explanation of certain additional risks.

### RISKS ASSOCIATED WITH THE STRUCTURE OF THE FUND

**Absence of regulatory oversight.** Although the Fund is a regulated mutual fund under the Mutual Funds Act, it is not required to be registered under the laws of any other jurisdiction. As a consequence, the securities laws of other jurisdictions (which may provide certain regulatory safeguards to investors) generally will not apply. Accordingly investors may not have the benefit of all the protections afforded to them by the securities laws of their home jurisdiction or other relevant jurisdictions.

**Business risk.** The Fund will compete with other investment funds and market participants for investment opportunities. Such competitors may be substantially larger and have considerably greater financial, technical and marketing resources than are available to the Fund. They may also have a lower cost of capital and access to funding sources that are not available to the Fund. Such factors may result in the Fund being at a competitive disadvantage with respect to investment opportunities. In addition, the number of investment funds and market participants and the scale of the assets managed by such entities is increasing. The effect of such increase may be to reduce the opportunities available for the Fund to generate returns and/or reduce the quantum of these returns.

**Cybersecurity.** As part of its business, HBC processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Fund. Similarly, service providers of the Fund, especially the Administrator, may process, store and transmit such information personally identifiable information of the investors. HBC and the Administrator have procedures and systems in place that they 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 unauthorised 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 may be susceptible to compromise, leading to a breach of HBC's and/or Administrator's network.

**Illiquidity of Units.** It is not anticipated that there will be an active secondary market for the Units and it is not expected that such a market will develop. Units are not transferable without the approval of the Trustee. Consequently, Unitholders may not be able to dispose of their Units except by means of redemption. Redemptions may be subject to an overall limit by reference to the Net Asset Value and may be suspended in certain circumstances. The Trustee may pay redemption proceeds in whole or in part by the transfer of assets or may establish a liquidating trust, account or entity to hold the relevant investments until they are liquidated at a later date. As such, a Unitholder may not

receive cash proceeds on redemption or in the event that the Fund is terminated or may not receive cash proceeds in a timely manner.

**Lack of operating history.** The Fund is newly established. As such there is no operating history that a prospective investor can evaluate before making an investment in the Fund. The investment results of the Fund, are reliant upon the success of Hawksbridge and HBC and no guarantee or representation is made in this regard. There can be no assurance that the investment objective of the Fund will be achieved.

**Limited rights of holders of Units.** An investment in the Fund should be regarded as a passive investment. Investors have no right to participate in the day-to-day operations of the Fund.

**Receipt of non-public information.** From time to time, the Investment Manager may come into possession of non-public information concerning specific companies although internal structures are in place to prevent the receipt of such information. Under applicable securities laws, this may limit HBC's flexibility to buy or sell securities issued by such companies which may have an impact on the investment strategies of the Fund.

**Regulatory risks of investment funds.** The regulatory environment for hedge funds is evolving and any changes may adversely affect the ability of the Fund to pursue its trading strategies or obtain the leverage it might otherwise have obtained.

#### **RISKS ASSOCIATED WITH THE INVESTMENT STRATEGIES**

**Availability of investment strategies.** The success of the investment strategies of the Fund will depend in part on the ability of the Fund to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment opportunities to be pursued involves a high degree of uncertainty. No assurance can be given that the Fund will be able to locate suitable investment opportunities in which to deploy all of the assets of the Fund or to exploit discrepancies in the securities and derivatives markets. Market factors including a reduction in market liquidity or the pricing inefficiency of the markets in which the assets of the Fund are invested, may reduce the scope for the investment opportunities for the Fund.

**Combination transactions.** The Fund may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible and the possibility that a loss could be incurred on both sides of a multiple options transaction. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

**Commodity futures trading.** Commodity futures trading is speculative and commodity futures prices can be highly volatile. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental trade programs and policies, and national and international political and economic events. Changing prospects occasioned by unexpected events make it difficult to forecast supplies of commodities. Similarly, demand is also difficult to forecast due to such factors as variable world production patterns, unexpected purchases by countries and continued changes in domestic needs. Because of the low margin deposits normally required in commodity futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses for the Fund, and consequently the Fund. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

**Concentration of investments.** Substantially all of the assets of the Fund (to the extent not retained in cash) will be invested in the ordinary shares of the Fund and will accordingly not be diversified directly. The Investment Manager is not subject to any requirement to diversify the assets of the Fund and consequently such assets may at any time be heavily concentrated in a limited number of positions. In attempting to maximise returns, the holdings of the Fund may be concentrated in those countries, sectors, markets, asset classes, instruments or issuers which, in the judgment of the Fund, provide the best profit opportunity in view of the investment objective. Such concentration increases the risk of an investment in the Fund, and consequently the Fund by increasing the relative impact of changes in the market, economic or political environment affecting particular countries, sectors, markets and issuers. The Fund, and consequently the Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected (including as a result of default by the issuer).

**Counterparty risk.** The Fund is subject to the risk of the inability of any counterparty (including any prime brokers and custodians) to perform with respect to transactions, whether due to



insolvency, bankruptcy or other circumstances. The Fund is subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. In the event of any counterparty entering an insolvency procedure, the Fund could experience delays in liquidating positions and significant losses could be incurred, including the loss of that portion of the assets of the Fund financed through such a transaction, a decline in value of the relevant investment during the period in which the Fund seeks to enforce the contract, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing the contract. During an insolvency procedure (which may last many years) the use of assets held by or on behalf of the relevant counterparty may be restricted and accordingly (a) the ability of the Fund to fulfil the investment objective may be severely constrained, (b) the Trustee may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Units. During such a procedure, the Fund is likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor) and accordingly it may not be possible to recover such assets from the insolvent estate of the relevant counterparty in full, or at all.

**Credit default swaps.** Assets of the Fund may include long and short positions in credit default swaps. A credit default swap is a type of credit derivative contract which allows one party (the **protection buyer**) to transfer the credit risk of an entity (the **reference entity**) to one or more other parties (the **protection seller**). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of certain specified credit events experienced by the reference entity. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations under the swap if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

**Currency exposure.** Assets of the Fund may be invested in securities and other investments which are denominated in currencies other than the currency or currencies in which Units are denominated. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Fund may seek to hedge the foreign currency exposure but the Fund will necessarily be subject to foreign exchange risks and there can be no assurance that any hedges which are put in place will be effective. Prospective investors whose assets and liabilities are predominantly in currencies other than the currency in which their Units will be denominated should take into account the potential risk of loss arising from fluctuations in value between the currency in which their Units will be denominated, the currency of investment and the currencies of their assets and liabilities.

**Daily price fluctuation limits.** Commodity exchanges limit daily price fluctuations in certain commodity futures contracts. For contracts that have a price limit, no trades may be executed at prices beyond the “daily limit” during the trading day. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither initiated nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavourable positions and subject the Fund, and consequently the Fund to substantial losses.

**Debt securities.** Assets of the Fund may be invested in fixed income securities which may be unrated by a recognised credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than rated or higher-rated debt securities. As there are generally perceived to be greater risks associated with unrated and below investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Fund, and consequently the Fund. Assets of the Fund may be invested in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Assets of the Fund may be invested in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Fund, and consequently the Fund to suffer significant losses. The Fund, and consequently the Fund will therefore be subject to credit, liquidity

and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

**Derivative instruments.** The Fund may make extensive use of both exchange-traded and over-the-counter derivative instruments such as futures, forwards, swaps, options and contracts for differences. Derivative instruments typically have a high degree of leverage embedded in them and consequently a relatively small movement in the price of an instrument may result in a profit or a loss which is high in proportion to the margin deposited. In the event that a call for further margin exceeds the amount of cash available in the Fund, the Fund will be required to close out the relevant contract. The derivatives market is often characterised by limited liquidity and daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. When used for hedging purposes there may be an imperfect correlation between derivatives and the investments or market sectors being hedged. The pricing relationships between derivatives and the underlying instruments on which they are based may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses.

Transactions in over-the-counter derivative instruments may involve additional risk as there is no exchange market on which to close out a position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Furthermore, "bid-ask" spreads may be unusually wide in the substantially unregulated over-the-counter markets. Certain counterparties may require collateral in connection with over-the-counter transactions. Although the Fund will principally engage in such transactions with money centre financial institutions, the Fund will still be subject to counterparty risk including the risk of loss of such collateral. The risk of counterparty non-performance can be significantly greater in the case of these over-the-counter instruments as opposed to exchange-traded derivative instruments.

**Forward foreign exchange contracts.** A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Fund will be subject to the risk of the inability or refusal of counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Fund to cover commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

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

**Hedging transactions.** Although the Fund may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, swaptions, caps and floors, futures and forward contracts generally for risk management purposes, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Hedging against a decline in the value of a position does not eliminate fluctuations in the values of that position or prevent losses if the value of such position declines, but establishes another position designed to gain from those same developments, thus offsetting the decline in the position's value. Such hedging transactions therefore also limit the opportunity for gain if the value of the hedged positions should increase. Accordingly, while the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance and increased (rather than reduced) risk for the Fund. Moreover, the Fund will always be exposed to certain risks, such as credit risk, that cannot be hedged.

**Highly volatile instruments.** The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts are influenced by, among other things, (i) interest rates, (ii) changing supply and demand relationships, (iii) trade, fiscal, monetary, and exchange control programs and policies of governments, and (iv) national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

**Market disruptions.** The Fund may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund, and consequently the Fund. A sudden restriction of credit by the dealer community has resulted in forced liquidations and major losses for a number of investment funds and other vehicles. Because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment funds and other vehicles have suffered heavy losses even though they were not necessarily heavily invested in credit-related investments. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund, and consequently the Fund and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Fund to liquidate affected positions and thereby expose the Fund, and consequently the Fund to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Fund to close out positions.

**Market liquidity.** The Fund may be adversely affected by a decrease in market liquidity for the instruments in which it invests which may impair its ability to adjust its positions. The size of the Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by any lender not to offer credit or by other counterparties to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions may also adversely affect the Fund.

**Options.** There are inherent risks in buying and selling options. The seller of a covered call option (ie the seller has a long position in the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received on the call option. The seller of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the call. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller of a covered put option (ie the seller has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option. The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

**Overall investment risk.** All investments of the Fund risk the loss of capital. The nature of the securities to be purchased and traded for the Fund and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. Many unforeseeable events, including actions by various government agencies, and domestic and international political events, may cause sharp market fluctuations. Changes in the macroeconomic environment, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political events and trends, changes to tax laws, currency exchange rates, regulatory policy, employment and consumer demand and innumerable other factors, can substantially and adversely affect the performance of an investment of the Fund. None of these

conditions will be within the control of the Fund and there can be no assurance that the Fund, and consequently the Fund will not incur losses.

**Repurchase and reverse-repurchase agreements.** The use of repurchase and reverse-repurchase agreements involves certain risks. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the ability of the Fund to dispose of the underlying securities may be restricted. Finally, it is possible that the Fund may not be able to substantiate its interest in the underlying securities. If the seller fails to repurchase the securities, the Fund may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

**Reliance on financial reporting.** Investment strategies implemented in respect of the Fund may rely on the financial information made available by the issuers in which the assets of the Fund are invested. The Fund will have no ability to independently verify the financial information disseminated by such issuers and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors can incur as a result of corporate (as well as government agency) mismanagement, fraud and accounting irregularities.

**Short selling.** Short selling involves the Fund selling securities that it borrows from a securities lender and is obliged to return at a later date. The Fund will ordinarily fulfil its obligation to return the borrowed securities by acquiring them on the open market. The Fund must also pay the securities lender any dividends or interest payable on the securities during the borrowing period and may have to pay a premium to borrow the securities and/or deposit cash of marketable securities with the lender as collateral. Short selling allows the Fund to profit from a decline in the price of the relevant securities. However if, contrary to the Investment Manager's expectations, the price of the relevant securities increases, the Fund will suffer a loss equal to the difference between the cost of acquiring the securities and the net proceeds from the sale. A short sale theoretically creates the risk of an unlimited loss, in that there is no limit on how much the price of the security may appreciate before the short position is closed out.

There can be no assurance that the securities necessary to cover a short position will be available for purchase by the Fund. If the lender requires that the securities be returned on short notice it may be necessary to replace the borrowed securities with purchases on the open market at a disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating any loss. In addition, if a sufficient number of market participants have entered into a short position, the short position may not react in the same way as a security would with no or limited short interest. In certain circumstances it may be difficult to establish a desired short position, whether due to limited supply of the security available for borrowing, regulatory restrictions or otherwise. As a result the ability of the Investment Manager to fulfil the investment objective of the Fund may be constrained.

**Straddles.** In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

**Speculative position limits.** In the United States, the Commodity Futures Trading Commission (CFTC) and certain exchanges have established speculative position limits on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule generally requiring each domestic exchange to set speculative position limits, subject to CFTC approval, for all futures contracts and options traded on such exchanges which are not already subject to speculative position limits established by the CFTC or such exchange. Generally, no speculative position limits are in effect with respect to the trading of forward contracts or trading on non-US exchanges. All trading accounts managed by the Investment Manager acting on behalf of the Fund or other funds will be combined for speculative position limit purposes. With respect to trading in futures which are subject to such limits, the Investment Manager may reduce the size of the positions which would otherwise be taken in such futures and not trade certain futures in order to

avoid exceeding such limits. Such modification, if required, could require the Investment Manager to liquidate certain positions more rapidly than might otherwise be desirable, and could adversely affect the performance of the Fund.

**Swap agreements.** Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the exposure of the Fund to long-term or short-term interest rates, foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of swap agreement.

Swap agreements tend to shift the investment exposure of the Fund from one type of investment to another. For example, if the Fund agrees to exchange payments in US Dollars for payments in another currency, the swap agreement would tend to reduce the exposure of the Fund to US interest rates and increase its exposure to interest rates associated with the other currency. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Fund. If a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund.

**This list of risk factors does not purport to be complete. Nor does it purport to be an entire explanation of the risks involved in an investment in the Fund. A potential investor should read this Memorandum in its entirety as well as consult with its own legal, tax and financial advisers before deciding to invest in the Fund.**

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

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HBC is obligated to disclose legal or disciplinary events that would be material to a client's or prospective client's evaluation of HBC's advisory business or the integrity of its management. HBC does not have any such legal or disciplinary events to report.

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

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Neither HBC nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

HBC is not registered as, and currently does not have any pending application to register as, a futures commission merchant, a commodity pool operator ("CPO") or a commodity trading advisor ("CTA"). HBC relies on an exemption from registration with the Commodity Futures Trading Commission ("CFTC") under CFTC Regulation 4.14(a)(10) because it provides commodity trading advice to "15 or fewer clients" and does not hold itself out generally to the public as a CTA. HBC does not act as a CPO by marketing any funds in the US or elsewhere, or soliciting or communicating with investors or otherwise sponsoring or being responsible generally for the management of funds.

**Hawksbridge** serves as the investment manager of the Fund. HBC is the sub-adviser to the Fund and it provides sub-investment advisory services to the Fund on a discretionary basis. Hawksbridge and HBC are not related persons.

Hawksbridge earns ~~advisory~~ management and performance fees from the Fund and pays a fee to HBC for its sub-advisory services to the Fund. Our investment personnel may receive a portion of performance-based compensation from time to time. Please see Item 5, "Fees and Compensation" for further information. Our relationship with Hawksbridge does not create a material conflict of interest with the Fund.

HBC does not recommend or select other investment advisers for the Fund.

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

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##### Code of Ethics

HBC has adopted a Code of Ethics that establishes the standard of business conduct that its employees and certain other designated persons (“**supervised persons**”) must follow.

The Code incorporates the following general principles that must at all times govern our conduct and the conduct of our personnel, including that:

- The interests of the Fund (our client) must be placed first at all times.
- All investment transactions (including personal investment transactions) must be conducted consistent with the Code of Ethics, and in such a manner as to avoid any actual or potential conflict of interest.
- Employees should not take inappropriate advantage of their positions with HBC; and
- Employees must comply with all applicable federal securities laws.

The Code of Ethics also includes provisions relating to [the confidentiality of HBC and client information], restrictions on the acceptance of significant gifts and entertainment and the reporting of certain gifts and business entertainment items, restrictions on outside business activities and personal securities trading procedures, among other things.

In particular, the Code of Ethics: (i) requires our “access persons” to submit to the Chief Compliance Officer, or his designee, upon request, reports disclosing all personal securities holdings and/or transactions and (ii) imposes certain restrictions on personal securities trading.

Personal securities transactions by our supervised persons in “Reportable Securities” (as defined in the Code of Ethics, and which includes a wide variety of instruments such as stocks, bonds, fixed income, options, warrants, futures, certain transaction relating to currencies, certain derivatives, exchange traded funds and exchange traded notes) are subject to preclearance by HBC’s Compliance Department. Preclearance of personal account trading requests are subject to the following rules:

- a) Employees are prohibited from personally, or on behalf of the Fund, purchasing or selling securities that appear on the Restricted List.
- b) Employees may not buy or sell an investment for their personal account within one trading day before (if the employee is aware of a forthcoming fund transaction) or after trading in that investment on behalf of the fund, or after a recommendation on that investment is made or proposed by the Firm.
- c) Investment opportunities must be offered first to the Fund before HBC or its employees may act on them.

HBC’s supervised persons are required to acknowledge that they have reviewed and understand the Code of Ethics (as well as the Adviser’s other policies and procedures), and that they have complied with and agree to comply with the Code of Ethics (including any revisions or updates), upon commencement of employment and annually thereafter. Supervised persons also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

Any prospective client, any client or any investor in the Fund may receive a copy of our Code of Ethics by submitting a written request to: 8 THE GREEN STE DOVER Delaware United States 19901 Attn: Chief Compliance Officer.

#### *Participation or Interest in Client Transactions and Investment Conflicts*

HBC’s supervised persons are or may be investors in the Fund and may invest in securities that HBC or one of its advisory affiliates recommends for the Fund. Further, HBC or one of its advisory affiliates are or may also invest themselves, directly or indirectly, in securities that it recommends for the Fund. As such, it is possible that HBC will cause the Fund to buy or sell securities in which HBC or one of its related persons or supervised persons has a financial interest. Further, HBC and its related persons and supervised persons are not obligated to offer such investments to the Fund or to account to the Fund for (or share with the Fund or to inform the Fund of) any such transactions or any benefit received by any of them from any such transaction.

As a means of mitigating conflicts of interest, supervised persons must follow HBC’s personal trading policies and procedures. Further, supervised persons who are planning to invest in or recommend

a security for the Fund, and who have a material interest in the security or a related security, must first disclose such interest to the CCO, who shall conduct an independent review of the recommendation to purchase the security for the Fund and maintain written evidence of such review and steps to mitigate any conflicts of interest.

HBC currently only has one client, the Fund, and cross trades are not therefore relevant for it. In addition, HBC and individuals associated with our firm are generally not permitted to engage in principal transactions. A principal transaction is a transaction where HBC or a person associated with HBC, as principal, buys securities from, or sells securities to, a client.

#### *Procedures to Prevent and Detect Misuse of Material, Non-Public Information*

HBC has established policies and procedures intended to prevent the misuse of material, non-public information by its supervised persons and to prevent, detect and correct any violations of the prohibition on insider trading. Under applicable law, HBC and its related persons are prohibited from disclosing or using such material, non-public information for their personal benefit or for the benefit of another person, including the Fund. HBC and its related persons may, from time to time, come into possession of material, non-public information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Accordingly, HBC's policies provide that if HBC or its supervised persons obtain material, non-public information concerning an issuer of securities, they are prohibited from communicating such information to, or using (including trading) such information and such issuer is placed on HBC's Restricted List.

### **Item 12: Brokerage Practices**

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#### **A. Factors in selecting broker-dealers**

HBC has authority to select broker-dealers to effect transactions on behalf of the Fund and for negotiating the commission rates paid for each transaction. Portfolio transactions for the Fund will be allocated to brokers on the basis of our obligation to seek best execution and in consideration of relevant factors, including, but not limited to, the price of a security offered by the broker-dealer, the size or timing of the transaction, the nature of the market for the security, the broker-dealer's expertise in the relevant market or sector, the extent to which the broker or dealer makes a market in the security or has access to such market; the broker or dealer's skill in positioning the relevant market; the broker or dealer's facilities, reliability, responsiveness and financial stability, the quality and usefulness of brokerage and research products and services and investment ideas presented by the broker-dealer (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services and other factors deemed appropriate by HBC. HBC need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. It is not our practice to negotiate "execution only" commission rates; therefore, the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rates.

We also have the authority to select and appoint custodians of the assets of the Fund. HBC's authority is limited by its own internal policies and procedures and the Fund's investment guidelines.

The commissions charged by broker-dealers that we select may be higher or lower than those charged by other broker-dealers. The Fund may pay a commission to a broker-dealer that is higher than another qualified broker-dealer might charge to effect the same transaction when we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services that we receive. In seeking best execution for the Fund, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer's services.

We will regularly evaluate the execution performance of brokers executing transactions for the Fund, including but not limited to during periodic meetings of HBC's Operating Committee.

#### *Soft Dollars*

HBC may but currently does not maintain any formal soft dollar arrangements. To extent HBC determines to engage in any formal soft dollar arrangements in the future, we intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favourable execution for a client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

## **2. Brokerage for Client Referrals.**

In selecting broker-dealers for client transactions, HBC takes into consideration the factors described in Item 12.A.1 above. HBC does not consider, in selecting or recommending broker-dealers, whether HBC or its related persons receive client referrals from a broker-dealer or third party.

Subject to the best execution considerations described above, the selection of a broker-dealer (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker-dealer of capital introduction and marketing assistance with respect to investors in the Fund. Neither HBC nor the Fund separately compensates any broker for any of these other services.

## **3. Directed Brokerage.**

HBC has no directed brokerage arrangements.

## **B. Aggregation of trade orders.**

HBC currently only has one client, the Fund, and therefore does not currently aggregate the purchase or sale of securities for various client accounts. If HBC were to advise other private funds or separately managed accounts in the future where trades must be allocated among multiple accounts, HBC will implement written policies and procedures regarding trade aggregation consistent with its duty to seek best execution, the terms of any investment guidelines and restrictions for each client for which trades are being aggregated and any trade allocation procedures intended to ensure that all clients are treated fairly and equitably.

# **Item 13: Review of Accounts**

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## **A. Review of Accounts.**

HBC's portfolio managers and investment professionals review the portfolios HBC manages on behalf of the Fund (including transactions, positions, and investment) on a regular and ongoing basis with Hawksbridge's Global Chief Investment Officer and Investment Committee to determine if they are consistent with applicable investment objectives and guidelines set forth in the Fund's offering documents.

## **B. Reports to Clients.**

Hawksbridge distributes an audited financial report to all Fund investors within 90 days of fiscal year end. Hawksbridge prepares periodic risk reports and investor letters and communications for the Fund and its investors. Generally, investor communications are provided on a monthly basis.

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

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HBC does not receive any monetary compensation or other economic benefit from a non-client in connection with the provision of investment advisory services, other than as disclosed 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.



**Item 15: Custody**

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Hawksbridge distributes audited financial statements of the Fund to investors within 120 days of the end of each fiscal year. The Fund's audited financial statements are prepared by an independent public accountant in conformity with IFRS and will contain additional information substantially similar to statements prepared in accordance with generally accepted accounting principles with any material differences reconciled to meet the requirements of U.S. generally accepted auditing standards (U.S. GAAS).

**Item 16: Investment Discretion**

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HBC has discretionary investment authority with respect to the Fund, including authority to decide which securities are bought and sold, as well as the amount and price of those securities. HBC makes investment decisions in accordance with the Fund's investment objectives and guidelines, as set forth in its offering or other underlying fund documents.

**Item 17: Voting Client Securities**

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We have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions in a prudent and diligent manner that will serve the Fund's best interests and is in line with the Fund's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Investors may obtain a copy of our proxy voting policies and our proxy voting record upon request.

**Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.