

**VesperMare Capital LP**

405 Lexington Avenue  
26th Floor  
New York, NY  
10174

vespermare.com

**November 2023**

This brochure ("Brochure") provides information about the qualifications and business practices of VesperMare Capital LP. If you have any questions about the contents of this Brochure, please contact us by e-mail at [compliance@vespermare.com](mailto:compliance@vespermare.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Registration as an investment adviser does not imply that VesperMare Capital LP or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business. Additional information about VesperMare Capital LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

Since its last annual updating amendment on March 25, 2022, VesperMare Capital LP amended this Brochure to reflect its registration with the Commodity Futures Trading Commission ("CFTC") and its membership with the National Futures Association ("NFA").

**Item 3. Table of Contents**

Item 1.	Introduction .....	1
Item 2.	Material Changes .....	2
Item 4.	Advisory Business.....	4
Item 5.	Fees and Compensation.....	4
Item 6.	Performance-Based Fees and Side-By-Side Management.....	6
Item 7.	Types of Clients .....	6
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9.	Disciplinary Information.....	20
Item 10.	Other Financial Industry Activities and Affiliations .....	20
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	21
Item 12.	Brokerage Practices .....	21
Item 13.	Review of Accounts.....	23
Item 14.	Client Referrals and Other Compensation.....	23
Item 16.	Investment Discretion.....	24
Item 17.	Voting Client Securities.....	24
Item 18.	Financial Information.....	24
Item 19.	Requirements for State-Registered Advisers.....	24

**Item 4. Advisory Business**

VesperMare Capital LP (“we,” “us,” or “our”) is a Delaware limited partnership that was formed in June 2021. We are principally owned and controlled by Parisa Golestaneh, our Founder and Chief Investment Officer (the “Principal”).

We provide discretionary investment advice to the following private funds (collectively, the “Funds”): (i) VesperMare EM Tactical Opportunities Fund LP (the “Onshore Fund”), (ii) VesperMare EM Tactical Opportunities Offshore Fund LTD (the “Offshore Fund”), and (iii) VesperMare EM Tactical Opportunities Master Fund LP (the “Master Fund”). The Onshore Fund and the Offshore Fund are feeder funds that invest through the Master Fund. We may also provide investment advice to additional private funds and separately managed accounts for institutional, non-retail investors (“SMAs”) in the future. References throughout this document to “clients” refer to the Funds and any other private funds and SMA’s that we may advise in the future.

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

VesperMare Fund GP LLC (“VesperMare Fund GP”) serves as the general partner to certain Funds.

We do not participate in wrap fee programs.

As of January 31, 2023, we managed \$138,676,143 of regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5. Fees and Compensation**

Our fees and compensation are described in our Funds’ Governing Documents. All of our clients are “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

We are paid management fees from the Funds quarterly in advance. We deduct such management fees from each Fund. Once paid, the management fees will be non-refundable. We have the right, and have, to reduce or waive the management fee payable with respect to any investor and have done so with respect to certain investors.

The VesperMare Fund GP is entitled to receive performance-based allocations from the Funds, as further described in *Item 6 – Performance-Based Fees and Side-By-Side Management.*

In general, the Funds bear all of their operating expenses, such expenses include, without limitation: (i) organizational and offering expenses; (ii) expenses associated with all investments and transactions considered, evaluated and/or consummated by the Funds, including, without limitation, those expenses incurred before the initial closing of the Funds, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including, without limitation, third-party research, data, analytics, modeling, risk, structuring, pricing, execution and other third-party information systems, including,

without limitation, installation and maintenance, software and service fees (including, without limitation, the expenses with respect to data feeds, subscriptions, expert networks, political intelligence providers and reports); (iii) research-related computer hardware and software expenses, including, without limitation, Bloomberg terminals and subscriptions; (iv) the Funds' *pro rata* share of our portfolio management system and any other software used for accounting and/or monitoring of the portfolio, including, without limitation, subscriptions relating to, among other things, trading and order management systems and services; (v) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments of the Funds and all transaction and other costs associated therewith; (vi) travel and related expenses associated with investments and potential investments; (vii) professional fees associated with investments and potential investments, including, without limitation, consulting, due diligence, accounting, valuation, financial, legal and other advisory fees and expenses; (viii) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments; (ix) expenses associated with legal and regulatory filings of the Funds in the United States or in any other jurisdiction (including, without limitation, pursuant to Sections 13 and 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well as the Funds' *pro rata* portion of the expenses associated with preparation and filing of our 13F, Form 13H and Form PF, if applicable, and any other similar filing in any other U.S. or non-U.S. jurisdiction; (x) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees and expenses associated with the Funds' operations, investments and transactions, including, without limitation, fees and expenses of the Funds' administrator (the "Administrator") fees of any service provider engaged to verify the work of the Administrator or regulatory matters with respect to the Funds; (xi) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization; (xii) broken-deal, failed transaction, breakup and similar fees, costs and expenses (if any); (xiii) costs and expenses of leverage or any other borrowings of the Funds, including, without limitation, interest charges and fees; (xiv) expenses incurred in the collection of monies owed to the Funds, as applicable; (xv) auditing and accounting expenses of the Funds, including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedules K-1 and the fees and expenses of the auditor; (xvi) any entity level taxes, fees or other governmental charges on the Funds, including, without limitation, any withholding taxes not due to the status or noncompliance of a particular investor; (xvii) costs and expenses associated with investor communications and reports and the delivery thereof to investors; (xviii) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions; (xix) costs and expenses associated with meetings of the investors; (xx) insurance expenses, including, without limitation, general partner liability insurance and other policies, if any, as well as the Funds' share of expenses with respect to directors' and officers' liability insurance and errors and omissions insurance; (xxi) costs and expenses (including, without limitation, entity-level taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Funds; (xxii) wind-up, liquidation, termination and dissolution expenses; (xxiii) costs, fees and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including, without limitation, blue sky fees, Form D, Form 8.3, filings with the National Futures Association and notices and other securities and/or investment-related filing expenses; (xxiv) costs related to any transfers of interests/shares, unless otherwise charged to or borne by the applicable transferor and/or transferee; (xxv) expenses incurred in connection with the preparation of any amendment to the Funds' partnership agreement and the private side letter; (xxvi) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by the Funds; (xxvii) any extraordinary expenses (including, without limitation, all litigation-related and indemnification and contribution expenses, including, without

limitation, the amount of any judgment or settlement paid in connection therewith); (xxviii) the above-described management fee; (xxix) fees and expenses of the Funds' directors as applicable; (xxx) advisory committee and director fees and expenses, including, without limitation, the fees of the independent members of the advisory committee and directors; and (xxxi) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Funds. We expect such fees and expenses for certain clients to be subject to a cap.

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

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

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

The VesperMare Fund GP is entitled to receive a performance allocation from the Funds on an annual basis and upon withdrawals/redemptions by investors. The performance allocation is based on the net capital appreciation of the Funds' assets and is subject to a loss-carryforward mechanism. We have the right, and have, to reduce or waive the performance allocation with respect to any investor and have done so with respect to certain investors.

Performance-based compensation arrangements create an incentive for us to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement.

Currently, the Funds are our only clients and they operate through a master-feeder structure. To the extent that we advise additional client accounts in the future, performance-based compensation arrangements could also create an incentive for us to favor accounts with higher compensation rates over other accounts when allocating investments. Accordingly, if we manage additional client accounts in the future, we will adopt and follow procedures designed and implemented to ensure that all clients are treated fairly and equitably.

In addition, because the Funds' management fees and performance-based compensation are generally based on the Funds' net asset values, we have a potential conflict of interest in valuing the Funds' assets. To mitigate this conflict, the Administrator values the positions and calculates the net asset values of the Funds.

#### **Item 7. Types of Clients**

Investors in the Funds are generally institutional investors, high net worth individuals, and endowments that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) (the "Securities Act") and qualified purchasers. The minimum initial investment in the Funds is generally \$2,000,000. We can waive such minimum under certain circumstances.

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

The investment objective of the Funds is to seek to achieve an absolute-return mindset which seeks to pair a rigorous approach to sovereign macroeconomic and credit analysis with a deep understanding of global macro dynamics. This is intended to help us to capitalize on mispriced credit or macroeconomic fundamentals, while mitigating risk, by taking into account the implications of trends in developed markets with regards to emerging markets.

The Funds also seek a highly targeted country selection as the foundation of the investment process: one that zeros in on an issuer's fundamental ability and willingness to service debt, and the ability to withstand possible global macro headwinds that have the potential to impact asset prices over a multi-month timeframe. This is intended to allow capital to be deployed in the best upside value opportunities in a concentrated yet diverse set of countries.

The cornerstone of our bottom-up research and investment process is our Sovereign Scoring Framework (the "Framework"). The Framework uses both model-driven and discretionary inputs to derive a final 'conviction' score. The goal of the Framework is to arrive at a comprehensive and robust understanding of a country's credit, economic, and financial market prospects. The backbone of the Framework consists of four building blocks which are used to evaluate the Economic, Fiscal, External Account, and Environmental, Social and Governance ("ESG") Soundness of countries over time.

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

*Risk Factors*

An investment in each Fund is speculative and involves a high degree of risk. There can be no assurance that the investment objectives of any Fund will be achieved or that an investment in a Fund will generate positive returns. A discussion of the material risks is provided below. Prospective investors in the Funds are urged to review the relevant Funds' Governing Documents carefully and consult with their own financial, legal and tax advisers before investing.

General Investment and Trading Risks. All securities investments present a risk of loss of capital. Volatile financial markets increase that risk. If our evaluation of an investment opportunity should prove incorrect, the Funds could experience losses as a result of a decline in the market value of securities in which the Funds hold a long position or an increase in the value of securities in which the Funds hold a short position. The Funds' investment program will include short sales, which can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Funds may be subject. The risk management techniques that we can use do not provide any assurance that the Funds will not be exposed to a risk of significant investment losses. No guarantee or representation is made that the Funds' investment program will be successful, that the Funds will achieve their targeted returns or that there will be any return of capital to investors. In addition, investment results have the potential to vary substantially over time.

Investment Judgment. The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future profitability of companies and future price movements of securities and other investments. There can be no assurance that we will be able to accurately predict the long-term results of any security or other investment.

General Economic Conditions. The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), tax considerations and tax treatment, trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors can affect the level and volatility of the prices and liquidity of the Funds' investments and could impair the Funds' profitability or result in losses. We have the ability to consider some or all of these factors when making trading decisions. The Funds could incur material losses even if we react quickly to difficult market conditions, and there can be no assurance that the Funds will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Investors should realize that markets for the financial instruments in which the Funds will seek to invest can correlate strongly with each other at times or in ways that are difficult for us to predict. Even a well-analyzed approach may not protect the Funds from significant losses under certain market conditions.

Availability of Suitable Investments. The success of the Funds' investment and trading activities depend on our ability to identify overvalued and undervalued investment opportunities and to manage market risk. Identification and exploitation of the investment strategies to be pursued by the Funds involve a high degree of uncertainty. No assurance can be given that we will be able to identify suitable investment opportunities in which to deploy all of the Funds' capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investments for the Funds. Certain of the investment strategies employed by the Funds are based on historical relationships among securities prices, exchange rates, interest rates and bond prices. There can be no assurance that these historical relationships will continue. No representation is made by us as to what results the Funds will or are likely to achieve based on these trends and relationships.

Available Information. We have the ability to select investments, in part, on the basis of information and data filed by the issuers of securities with various government regulators or made directly available to us by such issuers, or through sources other than the issuers. Although we evaluate all such information and data and seek independent corroboration when we consider it appropriate and when it is reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

General Credit Risk/Credit Opportunities. The Funds intend to invest primarily in credit opportunities, a portion of which may be less liquid, illiquid and/or distressed. In addition, the Funds invest in other debt instruments or obligations that are not secured by collateral, and, thereby, the Funds may be exposed to losses resulting from default and foreclosure of any such investments. Therefore, the value of underlying collateral, if any, the creditworthiness of borrowers and the priority of liens are each of great importance in determining the value of the Funds' investments. No guarantee can be made regarding the adequacy of the protection of the Funds' security, if any, in the debt instruments in which they invest. Moreover, in the event of foreclosure, the Funds or an affiliate thereof can assume direct ownership of any assets collateralizing such foreclosed loans. The liquidation proceeds upon the sale of such assets may not satisfy the entire outstanding balance of principal and interest on such foreclosed loans, resulting in a loss to the Funds. Any costs or delays involved in the effectuation of loan foreclosures or liquidation of the assets collateralizing such foreclosed loans will further reduce proceeds associated therewith and, consequently, increase possible losses to the Funds. In addition, no assurances can be made that borrowers or third parties will not assert claims in connection with foreclosure proceedings or otherwise, or that such claims will not interfere with the enforcement of the Funds' rights.

Concentration of Investment; Limited Diversification. Although it is expected that the Funds' portfolio generally will be diversified, the Funds have the ability to hold a limited amount of positions (both long and short) at any

given time. As a result of the Funds' possible lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of the Funds and the Funds' rates of return. Therefore, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on the performance of the Funds. Our specialized investment strategy and potential lack of diversification could be more vulnerable to changes in the economy or those industries or other factors than a broad based portfolio, and, as a result, performance results may be highly volatile and may result in the Funds significantly outperforming, or under-performing, the market as a whole.

*Issuer's Inability to Pay Obligations.* The Funds will invest in emerging markets sovereign and corporate debt obligations, which are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations, therefore creating credit risk. There can be no guarantee that we will be successful in making the right selections and thus fully mitigate the impact of credit risk.

*Risks of Emerging Markets Investments.* Investing in emerging markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks include, but are not limited to, (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty; (iii) dependence on exports and the corresponding importance of international trade and commodities prices; (iv) less liquidity of securities markets; (v) currency exchange rate fluctuations; (vi) potentially higher rates of inflation (including hyperinflation); (vii) controls on investment and limitations on repatriation of invested capital and the Funds' ability to exchange local currencies for U.S. dollars; (viii) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (ix) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (x) less extensive regulatory oversight of securities markets; (xi) longer settlement periods for securities transactions; (xii) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; (xiii) governmental and judicial corruption; and (ix) certain consequences regarding the maintenance of securities and cash with non-U.S. brokers, sub-custodians and securities depositories. Moreover, to the extent that the Funds invest in distressed sovereign debt obligations, derivatives or similar instruments, they will be subject to additional risks and considerations not present in other assets, including the uncertainties involved in enforcing and collecting on such obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and laws and other factors outside of our control.

*General Risks of Non-U.S. Investments.* The Funds invest in securities of foreign companies, governments and government agencies. Investing in such securities, which are generally denominated in foreign currencies, and the use of forward foreign currency exchange contracts, involves unusual risk not typically associated with investing in securities issued by U.S. companies or by the U.S. government or its agencies or instrumentalities. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries. The Funds may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. Moreover, individual foreign economies may compare unfavorably with the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency, balance-of-payment positions and in other respects. Some of the countries in which the Funds may invest have laws and regulations that currently preclude or severely restrict direct foreign investment in securities of their companies. Securities of some foreign companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in foreign securities creates a greater risk of securities clearance and settlement problems. Further, some of the securities in which the Funds may invest may be thinly traded and relatively illiquid or may cease to be traded after the Funds invest in them. In addition to being illiquid, such securities may be issued by unseasoned companies and may be highly speculative. In addition, the Funds occasionally acquire relatively large positions in a few securities. In such

cases, and in the event of extreme market activity, the Funds may not be able to liquidate investments promptly, if the need should arise, which could materially and adversely affect the results of such investments.

*Currency Hedging.* The Funds have the potential to be exposed to foreign exchange risk and could seek to mitigate this risk through the use of a variety of strategies and products, including, but not limited to, Forex forwards, currency futures and currency swaps. There is no guarantee that any of these currency hedging strategies will reduce or prevent losses to the Funds. As part of their currency hedging strategy, the Funds have and can continue to enter into currency transactions that are not traded on an exchange, and each Fund invests in those transactions may not receive the same protections as funds used to margin or guarantee exchange-traded futures and options contracts. If the counterparty to an over-the-counter Forex transaction becomes insolvent and the Funds have a claim for amounts deposited or profits earned on transactions with the counterparty, the Funds' claim may not receive a priority. Without a priority, the Funds are general creditors and their claims will be paid, along with the claims of other general creditors, from any monies still available after priority claims are paid. Even the Funds' funds that the counterparty keeps separate from its own operating funds may not be safe from the claims of other general and priority creditors. Forex trading can quickly lead to large losses as well as gains. Such trading losses can sharply reduce the net asset values of the Funds.

*Non-Performing Nature of Debt.* Some of the loans or securities purchased by the Funds may be or become non-performing and/or in default. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments with respect to the loans or securities. Non-performing loans or securities may require substantial workout negotiations or restructuring that can entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes and the bankruptcy or insolvency laws are subject to additional potential liabilities, which may exceed the value of the Funds' original investment. For example, borrowers often resist foreclosure on collateral by asserting numerous claims, counterclaims and defenses against the holder of loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure. Even assuming that the collateral securing each loan provides adequate security for the loans, substantial delays could be encountered in connection with the liquidation of nonperforming loans. In the event of a default by a borrower, these restrictions as well as the ability of the borrower to file for bankruptcy protection, among other things, may impede the ability to foreclose on or sell the collateral or to obtain net liquidation proceeds sufficient to repay all amounts due on the related loan. Under certain circumstances, payments to the Funds and distributions by the Funds to investors has the potential to be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Any loss the Funds incur on these types of investments may be significant and may reduce distributions to investors and adversely affect the Funds' performance. There are no limits on the percentage of sub-performing and non-performing assets the Funds may hold.

*Interest Rate Risk; Prepayment.* The Funds invest in fixed interest rate debt instruments. The value of fixed interest rate debt instruments generally has an inverse relationship with future interest rates. Accordingly, if interest rates rise, the value of such instruments may decline. In addition, to the extent that the receivables or loans underlying specific financial instruments may be prepaid without penalty or premium, the value of such financial instruments may be negatively affected by increasing prepayments. Such prepayments tend to occur more frequently as interest rates decline.

*Equitable Subordination.* Under the laws of certain jurisdictions, a court may use its equitable powers to subordinate the claim of a lender to some or all of the other claims against the borrower under certain circumstances. The concept of equitable subordination is that a claim may normally be subordinated only if its holder is guilty of some misconduct. The remedy is intended to be remedial, and not penal. In determining whether equitable subordination of a claim is appropriate in any given circumstance, courts may look to whether the following conditions have been satisfied: (i) whether the claimant has engaged in some type of inequitable conduct; (ii) whether the misconduct has resulted in injury to the creditors of the bankrupt company or conferred an unfair advantage on the claimant; and (iii) whether equitable subordination would be inconsistent with other applicable provisions of the bankruptcy code. While the stated test could be interpreted broadly, equitable subordination is usually confined to three general paradigms: (x) when a fiduciary of the debtor (who is also a creditor) misuses its position to the detriment of other creditors; (y) when a third party (which can include a lender) controls the debtor to the disadvantage of other creditors; and (z) when a third party actually defrauds other creditors. The Funds may be subject to claims from creditors of an obligor that debt assets of such obligor, which are held by the Funds, should be equitably subordinated. The concept of equitable subordination (or the equivalent thereof) may vary from jurisdiction to jurisdiction.

*Special Situations Investments.* The Funds have the ability to invest in the securities of issuers involved in, or the target of, acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell their investments at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by each Fund of its entire investment in such companies.

*U.S. Government Securities.* The Funds have the ability to invest in U.S. Government securities. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, where the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. The Funds in the future can also invest in zero coupon U.S. Treasury securities and in zero coupon securities issued by financial institutions, which represent a proportionate interest in underlying U.S. Treasury securities. A zero coupon security pays no interest to its holder during its life. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

Securities of Sub-Investment Grade Companies. Special risks may arise if the Funds invest in the securities of sub-investment grade and highly-leveraged companies. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. If the “natural leverage” created by a company’s high level of borrowing works against the Funds’ short position, the Funds’ losses would be heightened. If the Funds purchase distressed and/or non-performing debt securities, and subsequent to purchasing them find that they are no longer readily traded by broker-dealers, these securities may not show any return for a considerable period of time. Many distressed and/or non-performing securities ordinarily remain unpaid while the company is in bankruptcy and may not ultimately be paid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. As a result, if they are no longer readily traded by broker-dealers, such securities may have to be held for an extended period of time. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment. Under such circumstances, the returns generated from the Funds’ investments may not compensate investors adequately for the risks assumed.

Hedging. The Funds have the ability, but are not expected, to engage in certain hedging transactions, including derivatives, options and swaps. Hedges can be more difficult to implement than many other types of transactions, and the possibilities for errors may be greater than for other transactions. Additionally, there is no guarantee that these hedging transactions will prevent losses to the Funds. The success of the Funds’ hedging strategy will be subject to our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds’ hedging strategies will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, hedging transactions may result in poorer overall performance for the Funds than if no such hedging transactions were executed. Moreover, we may determine not to hedge against, or may not anticipate, certain risks. Finally, the Funds may be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular investments and counterparties).

Derivative Financial Instruments and Techniques. From time to time, the Funds utilize derivative financial instruments. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Funds’ assets, include: (i) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset); (iii) legal risks (the characterization of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other techniques such as short sales involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the

assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

*Derivatives.* The Funds invest in derivative financial instruments. In addition, the Funds from time to time utilize both exchange-traded and over-the-counter futures, options and other derivatives, and have the ability to utilize for hedging purposes contracts for differences. Regulatory restraints may restrict the instruments that the Funds may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a gain or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

*Credit Derivatives.* The Funds invest in credit derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. Such payments may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

*Synthetic Securities.* In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, the Funds will usually have a contractual relationship only with counterparties of such synthetic securities, and not the Reference Obligor (as defined below) on the Reference Obligation. A "Reference Obligation" is the debt security or other obligation upon which the synthetic security is based. The Funds generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of off-set against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. The Funds will not benefit directly from the collateral supporting the Reference Obligation or have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of insolvency of the counterparty, the Funds will be treated as general creditors of such counterparty and will not have any claim with respect to the credit risk of the counterparty or the Reference Obligor. As a result, concentrations of synthetic securities in any one counterparty subject the Funds to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. We will not normally perform independent credit analyses of a counterparty or any entity guaranteeing such counterparty, individually or in the aggregate. A "Reference Obligor" is the obligor on a Reference Obligation.

**Credit Default Swaps.** The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay or obligation acceleration. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. The Funds may be either buyers or sellers in the transaction. If the Funds are buyers and no credit event occurs, the Funds may lose their investments and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As sellers, the Funds receive a fixed rate of income throughout the term of the contract, which typically is between one month and ten years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations.

Credit default swaps involve greater risks than if the Funds had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Funds.

**Leverage.** The Funds have the ability to employ leverage in connection with their investment strategies and/or for any other purpose deemed necessary, desirable or appropriate at such times, in such amounts and subject to such terms and conditions as we and/or our affiliates may determine in our sole and absolute discretion. Such leverage may take a variety of forms, including, but not limited to, margin borrowing from securities brokers and dealers, loans, repurchase agreements, derivative instruments that are inherently leveraged, and other financing arrangements, as determined by us and/or our affiliates in our sole and absolute discretion. The use of leverage increases both the possibility for gain and the risk of loss. Leverage employed by the Funds may be secured by the securities holdings and other assets of the Funds, as applicable. Under certain circumstances, a lender may demand an increase in the collateral that secures such obligations, and if the Funds are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy such obligations. In addition, the amount of the Funds’ borrowings and the interest rates on those borrowings, both of which will fluctuate, may have an effect on the Funds’ profitability. Additionally, leverage typically will cause the Funds’ net asset value to increase or decrease at a greater rate than if leverage were not used. In addition, the use of leverage may cause a U.S. tax-exempt investor to realize unrelated business taxable income.

**Short Sales.** We may engage in short selling on behalf of the Funds. Short selling involves selling securities that are not owned by the Funds. A short position is established when the Funds borrow securities from securities brokers or other institutions and sell them in an open market transaction with an obligation to return the borrowed securities at a later date. Short selling allows the Funds to profit from the decline in the price of the securities by purchasing the securities at a price that is lower than the price at which they were initially sold, in each case, to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. In addition, short sales may act as a hedge against long positions in the same or related securities in the Funds’ portfolio in the event that the price of securities decline. However, a short sale creates the risk of unlimited loss because in order to close out a short position, the Funds would need to return the borrowed securities by purchasing such securities at prevailing market prices. Specifically, the price of the subject security could rise without limit, thus increasing the cost to the Funds of buying those securities in order to close out the short position. There can be no assurance that the security necessary to close out a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the

securities to rise further if the demand to buy such securities outpaces the available supply, thereby exacerbating the loss.

For instance, a so-called “short squeeze” can occur when the price of securities in which the Funds have an open short position rise sharply in a short time frame. The rapid rise may be a result of (i) multiple short sellers seek to cover their short positions in the same time frame by purchasing the security, resulting in a rapid price increase, (ii) market participants collectively purchase a significant amount of shares, thereby causing a substantial increase in the price of such securities, and/or (iii) one or more lenders of a security that was used to facilitate a short position suddenly demand the return of the security that has been loaned. A “short squeeze” may result in the Funds having to prematurely close out short positions at unattractively high prices, resulting in a substantial loss. Further, the risk of a “short squeeze” likely will increase if other short sellers, market participants, and/or lenders become aware of the Funds’ short positions, including, without limitation, as a result of legally required reporting with respect to the Funds’ ownership of options to purchase the underlying security being shorted.

In the instance where securities lenders demand a return of securities in respect of an open short position, the Funds will need to either find another source of supply of such security or purchase the subject securities in open market transactions at then-prevailing market prices. If the Funds are unable to source another securities lender and are forced to close out their short position, the Funds could incur significant losses if the securities sold short had increased beyond the price at which the Funds initially established their short position.

In addition to the risks of securities loan recalls or “short squeezes,” the Funds may be required to provide additional margin to their counterparties, including their prime brokers, on short notice if the price of a security underlying a short position suddenly rises. If the Funds are unable to deliver the additional margin required, the Funds may need to prematurely close out the short position at unattractive prices, thereby resulting in a substantial loss. In addition, depending on the timing and magnitude of a price increase in respect of an open short position, the Funds may be required to liquidate long positions in order to meet margin requirements, thereby further increasing the losses (or decreases the gains) of the Funds.

In addition, stock loan fees charged to the Funds for borrowing securities may be substantial and will decrease any gains (or increase losses) associated with the short position. Certain jurisdictions have enacted restrictions on short selling (including wholesale bans, at times) as well as public disclosure requirements. If additional short-selling restrictions and disclosure requirements are enacted, the prices of the instruments in which the Funds invest may be materially affected and our ability to take advantage of opportunities for short-selling may be significantly reduced.

**Securities Lending.** The Funds may lend securities to securities brokers and other institutions as a means of earning additional income. If the other party to such transaction becomes insolvent or bankrupt, the Funds could experience delays and extra costs in recovering payment or the securities. To the extent that, in the meantime, the value of securities changes, the Funds could experience further losses. Security loans must be fully collateralized, and we must be satisfied with the creditworthiness of the other party to the transaction.

**Borrowing; Margin; Interest Rates.** We and/or our affiliates may make use of short-term borrowing or repurchase agreements on behalf of the Funds, and any such use will result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds’ margin accounts or repurchase obligation decline in value, the Funds could be subject to a “margin call,” pursuant to which the Funds must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds’ assets, the Funds might not be able to liquidate assets quickly enough to pay off their margin debt. In addition, the rates at which the Funds can borrow, in particular, will affect the operating results

of the Funds. Even if the Funds make a profit on a trade, the interest expense incurred in carrying the position may exceed the profit generated by the trade.

**Futures and Forward Contracts.** Trading in futures and forward contracts is a highly specialized activity, which, while it may reduce the Funds' volatility, may entail greater than ordinary investment risks.

**Equity Securities.** Although the Funds' portfolio are expected to be comprised of credit instruments, the Funds may nevertheless invest in equity and equity-related securities, including, without limitation, equity investments acquired in connection with restructured debt securities or instruments, or in connection with reorganizations and/or restructurings of debt securities, equity securities or other obligations and assets of undervalued, operationally challenged and/or financially troubled companies or institutions. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments.

**Options.** The Funds may engage in the trading of options when appropriate. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

**Depository Receipts.** The Funds may invest in sponsored and unsponsored American Depositary Receipts ("ADRs"), which are receipts issued by an American bank or trust company evidencing ownership of underlying securities issued by a foreign issuer. ADRs, in registered form, are designed for use in U.S. securities markets. Unsponsored ADRs may be created without the participation of the foreign issuer. Holders of these ADRs generally bear all the costs of the ADR facility, whereas foreign issuers typically bear certain costs in a sponsored ADR. The bank or trust company depository of an unsponsored ADR may be under no obligation to distribute shareholder communications received from the foreign issuer or to pass through voting rights. The Funds may also invest in Global Depositary Receipts ("GDRs") and in other similar instruments representing securities of foreign companies. GDRs are securities that are typically issued by foreign banks or foreign trust companies, although U.S. banks or U.S. trust companies may issue them. GDRs are structured similarly to the arrangements of ADRs. Depository receipts are generally subject to the same sort of risks as direct investments in a foreign country, such as currency risk, political and economic risk, regulatory risk, market risk, and geographic investment risk, because their values depend on the performance of a foreign security denominated in its home currency.

**Price and Liquidity Fluctuations of Investments.** Generally, the Funds' investments will be in publicly traded securities. However, the market value of the Funds' investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in the securities markets, the financial condition of the issuers of the securities in which the Funds invest and certain geo-political events. During periods of limited liquidity and higher price volatility, the Funds' ability to acquire or dispose of their investments at a price and time that the Funds deem advantageous may be impaired. As a result, in periods of rising market prices, the Funds may be unable to participate in price increases fully to the extent that they are unable to acquire the desired positions quickly; the Funds' inability to dispose fully and promptly of positions in declining markets will conversely cause their net asset values to decline as the value of unsold positions is marked to lower prices.

Possible Illiquidity of Investments; Investments in Restricted Securities; Designated Investments. The Funds may from time to time, designate an existing investment that we and/or our affiliates, in our good faith discretion, deem to have become illiquid or without a readily ascertainable market value as a Designated Investment, (the “Designated Investment”). Designated Investments may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. For example, the Funds generally cannot sell certain restricted securities publicly in the United States without the expense and time required to register the securities under the Securities Act and may not otherwise sell such securities in the United States unless such sale is exempt from registration under the applicable provisions of the Securities Act. Any such market or legal restrictions, or any contractual transfer limitations, on the Funds may result in the relative illiquidity of certain of the Funds’ investments, preventing or delaying any sale thereof or reducing the amount of proceeds that might otherwise be realized from their sale. The market value of Designated Investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in any particular industry, the financial condition of the issuers of the securities or other financial instruments in which the Funds invest and certain geo-political events.

Uncertain Exit Strategies. Due to the illiquid nature of Designated Investments, we are unable to predict the ultimate exit strategy for certain of Designated Investments, or that one will definitely be available prior to the dissolution of the Funds. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political, regulatory or other factors. As a result, the Funds may be unable to dispose of certain illiquid investments in any particular timeframe or at a price that that we deem advantageous.

Competition. The securities industry is extremely competitive. We will compete for investment opportunities against various other investors, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs. Competitive investment activity by other firms may reduce the Funds’ opportunities for profit by reducing the availability of or increasing the price of what the Funds believe to be, based on its investment criteria, exceptional investment opportunities.

Securities Market Volatility. Securities markets are volatile and may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of debt and equity securities may react differently to these developments. For example, small cap stocks may react differently than large cap stocks. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region or the market as a whole.

Risk of Operations/Liquidity Risks. Although the securities that the Funds may acquire generally will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it difficult or impossible for the Funds to liquidate their positions and would thereby expose them to losses. In addition, some of the securities in which the Funds may invest may be thinly traded, potentially making it difficult for the Funds to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities that ordinarily are liquid may widen, making it difficult or undesirable to sell the securities. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions at any time there is a need to do so. There may be a variety of other reasons why a security in which the Funds may invest may be illiquid, and, in such event, the Funds may have similar issues with realizing such security.

*Company Capitalization.* The Funds may invest in securities of companies with various capitalizations where such companies meet the investment criteria described herein. While such companies may provide significant potential for appreciation, such investments, particularly small-capitalization securities, involve higher risks in some respects than do investments in securities of larger companies. The prices of small capitalization and even medium-capitalization and mid-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to long investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-, mid- and medium-capitalization securities, an investment in those securities may be illiquid. The small-, mid- and medium-capitalization securities may, at times, significantly underperform the large capitalization securities and may do so in the future. A related concern for short sale risk is that smaller companies tend to be more readily acquired.

*Institutional Risks.* Institutions will have custody of the assets of the Funds. Certain assets of the Funds will be exposed to the credit risk of the dealers, brokers and exchanges through which we deal, whether we engage in exchange-traded or off-exchange transactions. These firms and/or financial institutions, regardless of how large or well-capitalized, may encounter financial difficulties that impair the operating capabilities or the capital position of the Funds. If any broker-dealer or other financial institution holding the Funds’ assets were to become bankrupt or insolvent, it is possible that the Funds would be able to recover only a portion, or in certain circumstances, none of their assets held by such bankrupt or insolvent entity.

*Counterparty Risk.* Brokers may trade with an exchange as principals on behalf of the Funds, in a “debtor-creditor” relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of the Funds (for example, the transactions that the broker has entered into on behalf of the Funds as principal as well as the margin payments that the Funds provide). In the event of such broker’s insolvency, the transactions into which the broker has entered as principal could default, and the Funds’ assets could become part of the insolvent broker’s estate, to the detriment of the Funds. The Funds’ assets may be held in “street name,” in which case, a default by the broker could cause the Funds’ rights to be limited to that of an unsecured creditor.

To the extent that the Funds invest in swaps, derivative or synthetic instruments, or other over-the-counter transactions, including forward contracts, or, in certain circumstances, non-U.S. securities, the Funds may also take a credit risk with respect to the parties with whom they trade and may bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

In addition, the Funds’ prime broker and trading agreements may contain certain provisions that allow a counterparty to either terminate the relevant agreement or require additional levels of collateral, as applicable, for various reasons. The termination of the relevant agreement may result in immediate payment by the Funds of the mark-to-market amount, or net liability, due under the agreement, and, if not immediately replaced, a loss of the previously held investment and/or hedging exposure.

*Use of Alternative Data.* We may purchase and use in our investment process alternative data, consisting of datasets culled from a variety of sources (including, among others, credit card panels, satellite imagery, geolocation and mobility data, app usage, social media sentiment, internet usage, transaction and payment records, and government and other public records databases), including through its incorporation in our research of target companies. The purchase, onboarding, analysis and interpretation of alternative data involves a high degree of uncertainty, and no assurance can be given that the use of alternative data by us

will prove beneficial to the Funds. The use of alternative data involves an inherent risk that we may rely on data outputs that reflect faulty system logic or that are based on inaccurate or incomplete data inputs. Moreover, the use of alternative data for investment purposes has been subject to increased scrutiny from regulators, and its use or misuse under current or future laws and regulations, whether related to securities or privacy laws and regulations or otherwise, could create liability for us and for the Funds in various jurisdictions. We cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any regulatory investigations or formal actions could cause reputational, financial, or other harm to us, and/or the Funds. In addition, the use of alternative data may entail significant expense, which is expected to be borne, in whole or in part, by the Funds.

*Discretion and Changes in Investment Strategy.* We have considerable discretion in choosing the securities that may be acquired, and, subject to our fiduciary duties, we have the right to modify the investment strategy, selection criteria or hedging techniques used by the Funds without the consent of the investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Funds. In addition, any new investment strategy or technique developed by us may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Funds.

*Financial Crises and Effects on Global Financial Markets.* World financial markets have in the past experienced and may in the future experience extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. In reaction to these events, regulators in the U.S. and several other countries previously have taken and may in the future take regulatory actions. However, global financial markets may remain volatile, and it is uncertain whether regulatory actions will be able to prevent losses and volatility in securities markets. It is possible that regulatory actions might increase the possibility of future volatility. Regulations may increase market fragmentation and decrease the global flow of capital as it may be too difficult for the Funds and other market participants to comply with multiple regulatory regimes. There may be significant new regulations that could limit the Funds' activities and investment opportunities or change the functioning of capital markets, and there is the possibility of regional and/or worldwide economic downturn. Consequently, the Funds may not be capable of, or successful at, preserving the value of their assets, generating positive investment returns or effectively managing their risks.

*Cyber Security Breaches and Identity Theft.* The information and technology systems of us, our affiliates, the Funds and our respective service providers and their portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and/or usage errors by their respective professionals. 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.

Although we and/or our affiliates have implemented, or expect to implement, measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we, our affiliates, one or more Funds, their service providers and/or their portfolio companies may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in such parties' operations and/or a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the reputation of us, our affiliates, the Funds and/or their portfolio companies, subject any such entity and its

respective affiliates to legal claims and/or otherwise affect their business and financial performance. Specifically, cyberattacks and the failure of such systems may interfere with the processing of investor subscriptions or withdrawals, impact the Funds' ability to value their assets, cause the release of confidential information and/or subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. The Funds also may incur substantial costs for cyber-security risk management to prevent any cyber incidents in the future. The Funds and the investors could be negatively impacted as a result.

*Effects of Health Crises and Other Catastrophic Events.* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbances, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on the Funds' investments and our operations and employees. For example, any preventative or protective actions that governments may take in respect to such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for certain Fund investments. In addition, under such circumstances our operations, including functions such as trading and valuation, and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

*Risk Management.* The Funds' investment program is speculative and entails substantial risks. There can be no assurance that the investment objectives of the Funds will be achieved or that the Funds will be profitable, and results may vary substantially over time. We will focus on managing risk through the quality of our investment process and monitoring of investments. We may not broadly diversify the portfolio and, in such event, the Funds will bear greater risk with respect to each investment than would be the case with respect to a diversified portfolio.

There can be no assurance that the investment objectives of the Funds will be achieved. In fact, many of the investment techniques utilized by the Funds may, in certain circumstances, exacerbate the adverse impact of particular transactions or conditions on the investment program of the Funds.

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

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

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

##### *Services by our Related Person*

As noted above, the VesperMare Fund GP serve as the general partner to certain Funds. Seed investors are entitled to share in a percentage of the revenues generated by us and the VesperMare Fund GP. The seed investors have no say on our day-to-day operational, investment or trading decisions.

##### *CFTC/NFA Registration*

We are registered as a commodity pool operator with the CFTC and a member of the National Futures Association. John Early, our President, is an Associated Person with the CFTC.

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

We have adopted a Code of Ethics, which is designed to help ensure that we conduct our business in accordance with all applicable laws and regulations and in an ethical and professional manner. In addition, our Code of Ethics sets forth standards of conduct for our employees to ensure that they conduct their business on our behalf in a manner that enables us to fulfill our fiduciary duty to our clients.

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

*Personal Trading Policy*

Employees are generally restricted from engaging in any transactions in Emerging Market Sovereign Debt securities or any other securities in the Funds investible universe. Employees are required to obtain pre-approval from our Chief Compliance Officer (the “CCO”) before engaging in personal transactions involving private investments and initial public offerings. Additionally, employees are required to provide our CCO with periodic reporting relating to their trading activity and personal accounts. Our policies relating to personal trading also generally apply to an employee’s spouse or minor child, or an immediate family member of an employee living in the same household as such employee.

*Participation or Interest in Client Transactions*

We will make available to qualified prospective investors the opportunity to invest in the Funds. Our Principal has significant personal investments in the Funds. In addition, the VesperMare Fund GP, our affiliate, is entitled to receive performance-based allocations from the Funds.

We will not engage in any principal transaction unless we have determined that the transaction is in the relevant clients’ best interests and have obtained client consent in accordance with our written procedures and applicable law.

**Item 12. Brokerage Practices***Selection of Brokers*

We have an obligation to seek to obtain “best execution” for the Funds with respect to their trading activity. While not defined by statute or regulation, best execution generally means the execution of client trades at the best net price considering all relevant circumstances. We seek best execution with respect to all types of Fund transactions, taking into account various factors. Such factors include, among others: the ability to achieve prompt and reliable executions; the ability to obtain access to a security; the financial stability and reputation of the particular broker-dealer; the quality, comprehensiveness and frequency of available research and related services considered to be of value to the Funds; and the competitiveness of commission rates in comparison with other Broker-Dealers. In selecting brokers to execute transactions (or series of transactions) and determining the reasonableness of the brokers’ compensation, we need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

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

We established a Brokerage Committee which meets on a quarterly basis to evaluate, among other things, the execution that we are receiving from brokers. In conducting our analysis, we may consider the factors listed above, among others, and will review gifts and entertainment received, and any known conflicts of interests (*e.g.*, directing commissions to a broker that employs a family member of one of our employees).

#### *Research and Other Soft Dollar Benefits*

We do not currently have any formal soft dollar arrangements, but we may enter into such arrangements in the future. Nonetheless, we execute transactions on behalf of our clients with brokers that provide us with access to bundled services, including access to proprietary research reports (such as standard investment research and credit reports). To the best of our knowledge, these services are generally made available to all institutional investors doing business with such broker. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such brokers. If we engage in soft dollar transactions in the future, we intend to comply with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

During our last fiscal year, we did not acquire any products or services with client brokerage commissions (or markups or markdowns).

#### *Brokerage for Client Referrals*

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

#### *Trade Errors*

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

#### *Aggregation of Orders*

We do not aggregate trades as the Funds are our only clients, and they operate through a single master-feeder structure.

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

The Funds' portfolios are reviewed, and their performance analyzed, by our Principal on a regular basis. In addition, other members of our team and our CCO regularly review the Funds' portfolios to confirm that the securities held by them remain consistent with their investment strategies, objectives and guidelines.

*Reporting*

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

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

In addition, investors may be provided with certain information about us and the Funds in response to questions and requests. This information may not be distributed to other investors or prospective investors. Each investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions and must decide for itself whether the limited information provided by us is sufficient for its needs.

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

Other than the products and services that we receive from broker-dealers (described above in *Item 12*), we don't receive any economic benefits from third parties in connection with the provision of investment advice to the Funds.

We do not compensate any third-party marketers for introductions to potential investors or clients.

**Item 15. Custody**

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

**Item 16. Investment Discretion**

We have discretionary authority to manage securities and other investments on behalf of the Funds. The investors in the Funds generally will not be able to place any limits on our authority beyond the limitations set forth in their respective Governing Documents. Under certain circumstances, we may contract with an SMA client to adhere to limited risk and/or operating guidelines imposed by the client. We would negotiate such arrangements on a case-by-case basis.

**Item 17. Voting Client Securities**

We generally have voting discretion over client securities, but do not anticipate investing in securities that issue proxies. Nevertheless, if we invest in securities that issue proxies in the future, we will adopt and follow procedures designed and implemented to ensure that proxies are voted in the best interest of the Funds.

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

**Item 18. Financial Information**

We are not required to include our balance sheet for our most recent fiscal year with this Brochure.

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

We are not a state-registered adviser.