

Argosy-Lionbridge Management, LLC  
800 Third Avenue, 8<sup>th</sup> Floor  
New York, NY 10022

Tel: (646) 440-3583  
<https://argosylbm.com/>

**Part 2A of Form ADV  
(The “Brochure”)**

October 26, 2023

This Brochure provides information about the qualifications and business practices of Argosy-Lionbridge Management, LLC (collectively, “Argosy-Lionbridge”, the “Adviser”, or the “Firm”). If you have any questions about the contents of this Brochure, or to request a current copy of it, please contact us at (646) 440-3583. 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.

Additional information about Argosy-Lionbridge is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

The Adviser is filing its initial Brochure as a registered investment adviser with the SEC. Our current and future investors are encouraged to read this Brochure, as well as all governing documents applicable to their current or prospective investment, in their entirety.

To receive a current copy of this Brochure, please contact the us by telephone at (646) 440-3583.

### Item 3. Table of Contents

Item 1.	Cover Page .....	1
Item 2.	Material Changes .....	2
Item 3.	Table of Contents.....	3
Item 4.	Advisory Business.....	4
Item 5.	Fees and Compensation.....	4
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 .....	22
Item 10.	Other Financial Industry Activities and Affiliations .....	22
Item 11.	Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	23
Item 12.	Brokerage Practices .....	24
Item 13.	Review of Accounts.....	25
Item 14.	Client Referrals and Other Compensation.....	25
Item 15.	Custody .....	25
Item 16.	Investment Discretion.....	26
Item 17.	Voting Client Securities.....	26
Item 18.	Financial Information.....	26

#### **Item 4. Advisory Business**

Argosy-Lionbridge Management, LLC (“Argosy-Lionbridge”, the “Adviser”, or the “Firm”) is an investment management company which has been providing investment management and advisory services to private funds (each a “Fund” or a “Client,” and, collectively, “Funds,” or “Clients”) since 2023.

The Firm’s principal owners are Gregory Morillo and Argosy Real Estate Management, LP, which is owned by David Butler, Andrew Stewart, and Odyssey Capital Group L.P., an affiliate of Argosy Capital Group, Inc. (“Argosy Capital”).

Argosy-Lionbridge follows the investment objectives, strategies, and guidelines of each Fund as specified in the applicable Fund’s offering documents (the “Offering Documents”).

The Funds’ purpose is investing in a wide variety of securities and financial instruments, domestic and foreign, primarily focused on making long and short investments in equity, preferred equity and debt securities of public U.S. and non-U.S. Real Estate Investment Trusts (“REITs”), Real Estate Operating Companies (“REOCs”) and other real estate-related companies. The Firm does not tailor its services and advice to the objectives and strategies of Fund investors. Clients may be subject to restrictions on investing in certain securities or types of securities as set forth in the Offering Documents. The Firm provides discretionary investment advisory services to all fee-paying Clients’ accounts.

As of July 31, 2023, the Firm manages approximately \$28,383,012 of Client assets, all on a discretionary basis.

#### **Item 5. Fees and Compensation**

The Firm generally receives management fees of up to 1.5%, calculated based on a percentage of the value of the assets under management, for advisory services provided to Clients (the “Management Fee”). Management Fees generally are billed quarterly, in advance, as specified in the relevant Client’s Offering Documents.

In addition, the Firm, or one of its affiliates serving as a general partner of a Client, collects incentive allocations/fees (the “Performance Fee”) based on the performance of the Client. Please refer to Item 6 below, for a more detailed description of incentive allocations/fees, and related conflicts of interest. The Performance Fee is calculated based on a percentage of the capital appreciation as evaluated at the end of each calendar year. The Performance Fee will be payable annually, in arrears.

The fees of each Client are stated in the Offering Documents of that Client. Fees and fee terms may vary from Client to Client.

Generally, the Clients bear all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, research expenses (including related travel expenses), legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and variation margin, interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax

preparation expenses, accounting fees, the Funds administration expenses (including, but not limited to, fees and expenses of any administrator), the direct and related costs of portfolio accounting software, fees and expenses for risk management services, insurance expenses including costs of any liability insurance obtained on behalf of the Funds, indemnification expenses, the Management Fee, regulatory and compliance costs and expenses (including, but not limited to, filing and license fees and form PF), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, costs of reporting and providing information to partners/investors, and costs of litigation or investigation involving Funds activities, and any extraordinary expenses.

Generally, organizational costs of the Funds and the costs incurred in connection with the initial issuance of interests, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses, have been paid for by the Funds. Such expenses are being amortized by the Funds, for financial reporting purposes over a period of five years.

The allocation of expenses by the Firm between it and a Client represents a conflict of interest for the Firm. The Firm has adopted an expense allocation policy that is designed to address this conflict. The Firm allocates expenses to each Client in accordance with the Client's Offering Documents. The Firm will seek to allocate any shared expenses for products and services benefitting both the Adviser and a Client and not covered in the Client's Offering Documents, in a fair and reasonable manner.

Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Clients pay brokerage commissions and/or transaction ticket fees charged by the custodian.

If a contract with a Client is terminated before the end of a billing period, the Firm typically refunds any overpayment of fees pro rata based on the number of days remaining in the billing period.

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

In addition to the Management Fee, the Firm is compensated for its investment management services through a Performance Fee. Under this arrangement, an investor will be charged a fee contingent upon the performance within the Fund investor's account. The Performance Fee will be tied to the capital appreciation within the account as evaluated at the end of each applicable period. The Performance Fee will be payable annually, in arrears. The Firm shall also receive the Performance Fee upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of a Fund. Generally, the Performance Fee will be calculated at up to 15% of net capital appreciation attained within the investor's account (net of all expenses, including any commissions, etc.). The Firm, in its sole discretion, may waive or reduce the Performance Fee with respect to any investor for any period of time, or agree to modify the Performance Fee for that investor. The Firm may, in its discretion, reallocate a portion of the Performance Fee to certain investors.

For certain Clients, in order for the Firm to receive a Performance Fee, the Firm must achieve capital appreciation within the account. The Firm will charge Performance Fees in adherence to a high-water mark, which means that no Performance Fee will be earned unless the performance exceeds the previously achieved high-water mark where Performance Fees were charged. The high-water mark will be used in order to prevent a scenario whereby the Firm could receive a Performance Fee merely for recouping prior losses. A full description of the entire fee arrangement is disclosed to the Client in such

Client's investment management agreement or in the Funds' Offering Documents. Fees generally are deducted directly from the Client's account, as specified in the relevant investment management agreement or Offering Documents. The Firm's receipt of Performance Fees is intended to align the Firm's interests with those of the Firm's Clients and to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Fee, however, creates a potential conflict of interest among the Firm, its associated persons, and its Clients.

Such fees will be structured and charged in a manner consistent with the requirements of applicable law, including the Advisers Act and ERISA. An incentive fee arrangement may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of a Performance Fee. Where any part of the Firm's compensation is based in part on the unrealized appreciation of securities or instruments for which market quotations are not readily available, the Firm shall disclose how such securities or instruments will be valued and the extent to which the valuation will be determined independently. To the extent the Firm values any such securities or instruments independently, it has a conflict of interest as the Firm will receive higher Management Fees and Performance Fees if it gives such securities and instruments higher valuations. The Firm does not represent that the amount of the Performance Fees or the manner of calculating the Performance Fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The Performance Fees charged by the Firm may be higher or lower than the Performance Fees charged by other investment advisers for the same or similar services.

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

The Clients consist of pooled investment vehicles. Any initial and additional subscription minimums with respect to investment in a Client are disclosed in the Offering Documents for each Client.

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

The Funds' investment objective is to seek to generate attractive risk-adjusted returns by making long and short investments in the equity, preferred equity and debt securities of issuers participating in any aspect related to the real estate industry. The Firm's investment strategy is opportunistic and follows a fundamental, value-oriented approach. The Firm executes this strategy by investing in a concentrated manner and with a net long bias. No assurance can be given, however, that a Fund will achieve its objective, and investment results may vary substantially from period to period.

The Firm employs a bottom-up fundamental research process to attempt to capitalize on inefficiencies between the values of individual assets, portfolios, and operating companies in the public markets, as reflected by security prices, and where similar assets are bought and sold in the much larger private marketplace. The Firm seeks to invest in situations when a security's trading value has meaningfully diverged from conservative estimates of its private market value, and where a substantial increase in value is anticipated due to the improved financial performance of the underlying assets and/or business, a change in investor perception, or other idiosyncratic events. The Firm will also look for catalysts, often including constructive interaction with the company's management and Board of Directors, that could result in the security's public market price more accurately reflecting its intrinsic or private market value.

***Investing in securities involves risk of loss that Clients should be prepared to bear.***

**Risks Associated with the Firm's Investment Strategies:**

**General Economic and Market Risk**

Most trading strategies utilized by the Funds involve some, and occasionally a significant degree of, market risk. The profitability of the Funds, and, consequently, the Funds, depends, in significant part, upon the Adviser's correctly assessing future price movements of securities and other financial instruments. The Funds cannot assure any investor in the Funds that the Adviser will accurately predict these price movements. Additionally, unanticipated illiquidity in a market could lead to substantial losses or mean that The Funds are unable to close out certain positions when it wishes.

The success of the Funds' activities also 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) or regulations (or their interpretation), trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors will affect the level and volatility of the prices of securities, commodities and other financial instruments and the liquidity of the Funds' investments. Illiquidity or significant changes in volatility could impair The Funds' profitability or result in losses.

The Funds invest in the U.S. and a number of other countries. The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, relative currency appreciation or depreciation, asset reinvestment opportunities, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation than others.

**Risk of Loss**

No guarantee or representation is made that the Funds' investment program, including, without limitation, the Funds' investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investments otherwise made by the investment professionals of the Adviser, are not necessarily indicative of the Funds' or the Adviser's future performance.

**Investment and Trading Risks in General**

Inherent in any investment in securities is the risk of losing the invested capital. The Adviser believes that the Funds' investment program and the Adviser's research techniques moderate this risk through a careful selection of securities and investment opportunities, as well as through the application of the Adviser's

ongoing qualitative and quantitative risk assessment and management program. However, no guarantee or representation is made that the Funds' investment program will be successful or profitable, and investment results may vary substantially over time. the Funds' investment program may utilize investment techniques such as option and derivative transactions, margin transactions, short sales, and futures and forward contracts, which can, in certain circumstances, exacerbate the adverse impact of any loss or adverse event to which The Funds may be subject.

The Adviser will not, in general, attempt to measure or hedge all market or other risks inherent in the Funds' portfolio and will seek to measure and hedge certain risks, if at all, only partially. Specifically, the Adviser may choose not, or may determine that it is economically unattractive, to hedge certain risks, instead relying on diversification in an attempt to mitigate the risks. Additionally, the Adviser's direct trading activities may increase the Funds' exposure to certain strategies or positions, which may exacerbate any losses associated with such strategies or positions. As discussed below, while the Adviser generally expects that the Funds will maintain a diverse investment portfolio, the Funds is not limited to any specific policies or requirements for diversification or risk mitigation.

#### Systemic Risk

Credit risk may arise through a default by or because of one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by or because of one institution may cause a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Funds interacts. A systemic failure could have material adverse consequences on the Funds and on the markets for the securities in which the Funds seeks to invest.

#### Assumption of Business, Terrorism and Catastrophe Risks

The Funds may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on The Funds and the investors' investment in the Funds.

#### Cash Management

The Funds may hold cash or money market instruments. The percentage of the Funds invested in and among such holdings varies and depends on various factors, including market conditions. The Funds may agree to certain restrictions on the liquidity of the underlying cash or money market instruments in exchange for a more favorable interest rate or increased capacity (e.g., "time deposits"). Furthermore, when instruments other than demand deposits of cash are held (e.g., money market instruments or short-term securities), there may be greater market risk, illiquidity risk or the risk of operational delays in converting the instrument into cash. Demand deposits in cash are generally not collateralized and would give rise to an unsecured claim in the event of the bankruptcy of the deposit-taking institution.

#### Market Disruptions



The Funds may incur major losses in the event of market disruptions and other extraordinary events in which historical pricing relationships (on which the Adviser bases a number of its trading and portfolio positions) become materially distorted. The risk of loss from pricing distortions 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. Certain of the management team's previous investments have benefited from favorable borrowing conditions in the debt markets, which historically have been cyclical. The financing available to the Funds from its banks, dealers and other counterparties is typically reduced during market disruptions. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Funds and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

#### Availability of Suitable Investments

While the Adviser believes that many attractive investments of the type in which the Funds invests are currently available, there can be no assurance that such investments will continue to be available or that available investments will continue to meet the Funds' investment criteria. Furthermore, the Funds may be unable to find a sufficient number of attractive investment opportunities to meet its investment objectives. Past performance is not necessarily indicative of future performance.

#### Competition

The markets for securities in the Funds' investment program are highly competitive. The Funds will be competing for investment opportunities with a significant number of financial institutions and other private Partnerships as well as various institutional investors. Some of these competitors are larger and have greater financial, human and other resources than the Funds and may in certain circumstances have a competitive advantage over the Funds. As a result of this competition, there may be fewer attractively priced investment opportunities than in the past, which could have an adverse impact on the ability of the Funds to meet its investment goals. There can be no assurance that the returns on the Funds' investments will be commensurate with the risk of investment in the Funds.

#### Systems and Operational Risks

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

### Location and Infrastructure

The Adviser maintains its office in New York. Loss of access to the office and/or loss of key personnel, whether through fire, terrorist action, earthquake, pandemic or some other catastrophic event, could affect the Adviser's operations and the investment returns of the Funds. A serious impairment to the infrastructure of such office buildings, such as extended loss of power or a prolonged restriction of physical access to the building, also could adversely affect the Adviser's operations and investment returns of the Funds. The Adviser has contracted for offsite data back-up and recovery and has a business continuity and disaster recovery plan for offsite operation, but the risk of disruption of operations cannot be eliminated completely. Similar risks may apply to the Funds' service providers or other counterparties (including administrators, lenders, brokers, attorneys, consultants and investment or commercial banking firms) and certain other businesses.

### Misconduct of Personnel of the Adviser and of Third-Party Service Providers

The Funds rely on the personnel of the Adviser, as well as on employees of service providers. The risk associated with errors or intentional misconduct by such personnel is inherent in the business and operations of the Funds. Misconduct by such personnel could cause significant losses to the Funds and may include unauthorized trades, unauthorized wire transfers, the concealment of unsuccessful trading activities or the intentional mis-valuing of assets. Personnel could also improperly use or disclose confidential or material non-public information in violation of confidentiality obligations or applicable laws. Losses could result from other deceptive or manipulative conduct. It is not always possible to deter such misconduct, and the precautions the Adviser or its affiliates take to detect and prevent such misconduct may not be effective in all cases. Such misconduct, or even unsubstantiated allegations of such misconduct, could result in direct financial harm both to the Adviser and the Funds as well as harm to the Adviser and its affiliates' reputation, which could have a material and adverse effect on the Funds.

### No Assurance of Investment Return

The Funds' task of identifying and evaluating investment opportunities, managing such investments and realizing a significant return for investors is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a profit on such investments successfully. The Adviser believes that its investment strategy and investment approach moderate this risk through a careful selection of securities and other financial instruments. However, there is no assurance that The Funds will be able to invest its capital on attractive terms or generate returns for its investors. Investors in the Funds could experience losses on their investment.

### Investment and Due Diligence Process

Before making investments, the Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Adviser may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Adviser will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Adviser at the time, may not be sufficient, accurate, complete or reliable.

Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

#### General Risks of Real Estate Ownership

The Funds may acquire, directly or indirectly, debt and/or equity interests in real estate and, therefore, may be subject to risks associated with the direct ownership of real estate, such as decreases in real estate values, overbuilding, and increased costs. The real estate investments of the Funds will be subject to the risks generally incident to the ownership of real property, including uncertainty of cash flow to meet fixed and other obligations; adverse changes in local market conditions, population trends, neighborhood values, community conditions, general economic conditions, local employment conditions, interest rates, and real estate tax rates; changes in fiscal policies; competition from other properties; and uninsured losses and other risks that are beyond the control of the Funds, such as the threat of terrorism and their consequences. There can be no assurance of profitable operations because the cost of owning the Funds' real estate investments may exceed the income produced, particularly since certain expenses related to real estate such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner.

#### Risks of Investing in REIT Securities and Real Estate Securities

The Funds may invest in REITs and in securities of non-REIT issuers which are primarily engaged in real estate activities, such as real estate development and management. As a result, some investments will be subject to the risks incident to investments in REITs and companies engaged in real estate activities, generally, including: (i) potential environmental liabilities, the risk of uninsured losses, the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owner to provide adequate management, maintenance and insurance, the expenses of periodically renovating, repairing and reletting spaces, and increasing operating costs (including mortgage payments, real estate taxes, insurance, maintenance costs and utilities) which may not be passed through to tenants; (ii) risks of owning properties through joint ventures or partnerships which may render a REIT or a company engaged in real estate activities unable to exercise sole decision-making authority and subject the REIT or other company to the risk that a joint venturer or partner will act in a manner contrary to its best interests; (iii) general real estate investment considerations, such as the effect of local economic and other conditions on property cash flows and values, the need to relet space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults, the ability of a property to generate revenue sufficient to meet debt service payments and other operating expenses, periodic excessive real estate development, and the illiquidity of real estate investments, all of which may affect the REIT's or other company's ability to make expected distributions to its stockholders; (iv) possible increases in interest rates, which may lead prospective purchasers of real estate equity securities, as well as other classes of equities, to demand higher annual yields, and which would adversely affect the market price of such securities; (v) borrowing risks; (vi) relative illiquidity of real estate investments which will tend to limit the ability of a REIT or non-REIT issuer to vary its holdings promptly in response to changes in local economic or other conditions; and (vii) risks associated with the management by REITs of properties owned by third parties, including the risk that management contracts (which are typically cancelable without notice) will be terminated by the entity controlling the property or in connection with the sale of such property, that contracts may not be renewed upon expiration or may not be renewed on terms consistent with current terms, and that the rental revenues upon which management fees are

based will decline as a result of general real estate market conditions or specific market factors.

Investments in REITs are also subject to special risks, including, without limitation: (i) restrictions on ownership (which may prohibit ownership of more than 9.9% of a REIT's shares by one investor), which are designed to ensure that the REIT does not violate certain share accumulation restrictions imposed by U.S. federal income tax laws on REITs; and which may also deter possible acquisitions of, or changes in control of, a REIT; (ii) many REITs have small-to-medium sized market capitalizations which may be more volatile than prices of large-capitalization securities and an investment in such securities may be less liquid; and (iii) tax risks, including risk of changes in the U.S. federal income tax laws that may cause a REIT to fail to qualify as a REIT or cause REITs, generally, to be subject to corporate taxation, and limitations on a REIT's ability to sell properties at a time when it is otherwise economically advantageous to do so, thereby adversely affecting returns to its stockholders.

#### Risks of Real Estate Ownership

The Funds will be, at least indirectly, subject to the general risks incidental to the ownership and operation of real estate, including (i) the domestic and international general economic climate (for example, market fluctuations that cause plant closings, military base closings, industry slowdowns and unemployment rates to rise); (ii) demographic factors; (iii) changes in interest rates and foreign exchange rates; (iv) changes in the availability of debt financing and/or mortgage funds which may render the sale or refinancing of properties difficult or impracticable; (v) increased mortgage defaults; (vi) increases in borrowing rates; (vii) dependence on cash flow; (viii) the financial resources of issuers and borrowers; (ix) local real estate conditions (such as, decreases in property values, changes in supply and demand for competing properties in an area (as a result, for instance, of overbuilding)) and fluctuations in real estate fundamentals (such as average occupancy and room rates for hotel properties); (x) real estate development and construction risks, including operating costs and time projection; (xi) the ability of a borrower to manage, maintain and operate the real properties (for example, problems arising out of energy and supply shortages); (xii) the financial condition of tenants, buyers and sellers of properties; (xiii) regulatory limitations on rents; (xiv) changes in certain regulations and laws (such as zoning, environmental and building laws); (xv) changes in real property tax rates and/or tax credits; (xvi) various uninsured or uninsurable risks; and (xvii) natural disasters.

If the real estate investments held by the Funds do not generate sufficient revenues to meet their operating expenses, including debt service and capital expenditures, the Funds' cash flow and ability to pay distributions to the investor will be adversely affected. Certain significant expenditures associated with investments in real estate (such as mortgage payments, real estate taxes, insurance and maintenance costs) are generally not reduced when circumstances cause a reduction in rental revenues from properties.

In addition, real estate historically has experienced significant fluctuations and cycles in value and the real estate investments of the Funds may be bought or sold at less than optimal times. Real estate values and income from properties are also affected by such factors as compliance with applicable laws, including regarding zoning and usage, environmental and tax laws, interest rate levels and the availability of financing. The amount of available rentable square feet of commercial property is often affected by market conditions and may, therefore, also fluctuate over time. The marketability and value of any real estate will, therefore, depend on many factors beyond the control of the Funds, and there is no assurance

that there will be either a ready market for any of such properties or that such properties will be sold at a profit or will yield a positive cash flow.

The underlying real estate investments will generally be highly illiquid compared to other asset classes. Given the nature of real estate investments, the underlying investment may be unable to realize its investment objectives by sale or other disposition at attractive prices within any given period of time, or may otherwise be unable to complete any exit strategy for its investments. In some cases the underlying investment may be prohibited by contract from selling investments for a period of time, or there may be contractual rights or obligations that may otherwise significantly affect price or liquidity. In addition, real estate investments are typically not sold until a number of years after they are made. The types of investments held by the Funds may be such that they require a substantial length of time to liquidate. In the event a loan repayment or other funding obligation arises at a time in which the Funds does not have sufficient cash assets to cover such payment, the Funds may have to liquidate certain investments at less than their expected returns to satisfy the obligation, thereby resulting in lower realized proceeds to the Funds than might otherwise be the case.

With respect to investments in equity securities, debt securities or other financial instruments, including REITs, the securities generally will be subject to the risks incident to the ownership and operation of real estate and/or risks incident to the making of non-recourse mortgage loans secured by real estate. The Funds will also in large part be dependent on the ability of third parties to successfully operate the underlying real estate assets. The possibility of partial or total loss of capital exists.

#### Investments in Real Estate Debt

Investments in real estate debt have certain inherent risks relative to collateral value. In some circumstances, a loan in which the Funds invests may not be secured by a mortgage, but by partnership interests or other collateral that may provide weaker rights than a mortgage. In the event of a default, the source of repayment is limited to the value of the collateral and may be subordinate to other lien holders (and the collateral value of the property may be less than the outstanding amount of the investment). Returns on an investment of this type depend on the borrower's ability to make required payments and, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan. In addition to the risks of borrower default (including loss of principal and non-payment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments.

#### General Leverage Risks

The use of leverage exposes the Funds to a higher degree of additional risks, including: (i) greater losses from investments than would otherwise have been the case had the Funds not used leverage; (ii) collateral requirements that may force premature liquidations of investment positions at disadvantageous prices and at times and in a manner that may exacerbate losses; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of leverage. The use of leverage may expose the Funds to larger losses (including the loss of value of an entire investment) as the result of

relatively small adverse market movements. In the event of a sudden, precipitous drops in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Funds. Additionally, there can be no guarantee that leverage will be obtained on favorable terms (or at all).

#### Short Selling

The Funds' investment program may include short selling, including short selling in market indexes or baskets of securities. Short selling involves selling securities which may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to return the borrowed securities to the lender at a later date. Short selling allows the seller to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities and may be an important aspect of certain of the investment strategies of the Funds. The extent to which the Funds engages in short sales will depend upon its investment strategy and perception of market direction. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase at the time the Funds desires to close out such short position. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, limitations on the short selling of securities could interfere with the ability of the Funds to execute certain aspects of its investment strategies, including its ability to hedge certain exposures and execute transactions to implement its risk management guidelines, and any such limitations may adversely affect the performance of the Funds.

#### Stock Index and Market Options

The Funds may also purchase and sell call and put options on stock indices and exchange traded funds ("ETFs") listed on national securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objective or for the purpose of hedging its portfolio. A stock index or ETF fluctuates with changes in the market values of the stocks included in the index or ETF. The effectiveness of purchasing or writing stock index or ETF options for hedging purposes will depend upon the extent to which price movements in The Funds' portfolio correlate with price movements of the stock indices or ETFs selected. Because the value of an index or ETF option depends upon movements in the level of the index or ETF rather than the price of a particular stock, whether the Funds will realize gains or losses from the purchase or writing of options on indices or ETFs depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices or ETFs, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by The Funds of options on stock indices or ETFs will be subject to the ability of the Adviser to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

#### Litigation

The general partners, the Adviser and/or the Funds may be named as defendants in civil proceedings during the term of The Funds. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the Funds and would reduce



net assets.

### Liquidity and Valuation

The Funds may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Because the markets for such securities are still evolving, liquidity in these securities is limited and liquidity with respect to lower-rated and unrated subordinated classes may be even more limited. The Funds may be unable to liquidate all or a portion of its position in such securities. In addition, the market prices, if any, for such securities tend to be more volatile and the Funds may not be able to realize what it perceives to be their fair value in the event of a sale. The high yield securities markets have suffered periods of extreme illiquidity for certain types of instruments in the past. For these reasons, among others, calculating the fair market value of the Funds' holdings may be difficult. The Funds may, in its discretion, utilize the assistance of internal or external pricing services or valuation sources in calculating such fair market values when and if available.

If market quotations for the Funds' investments are not readily available, the Funds may seek to value the Funds' investments by testing possible sales prices for such investments with at least one potential investor or, if there are market makers, by obtaining quotations and may sell investments through such pricing mechanism. Should no quotes be available for a particular investment, the Funds will determine the fair market value of such investment in good faith. Illiquid securities are subject to wide spreads. Fair valuation is not exact and prices can vary significantly from one period to the next.

### Debt Instruments

The Funds may invest in debt instruments, which may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The Funds may invest in non-investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. The Funds' investments in debt instruments may experience substantial losses due to adverse changes in interest rates and the market's perception of any particular issuer's creditworthiness, which may inhibit such issuer's ability to refinance, restructure or otherwise experience recovery. The Funds also will invest in certain hybrid debt arrangements, which are subject to risks in addition to the conventional risks of general interest-rate movements and the issuer's ability to pay the debt in accordance with its terms.

### Convertible Securities

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer

within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

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

#### High Yield Securities

The Funds may invest in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration or general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

#### Risks Associated with Commercial Mortgage-Backed Securities (“CMBS”)



The value of CMBS will be influenced by factors affecting the value of the underlying real estate portfolio and by the terms and payment histories of such CMBS. The value of CMBS in which the Funds may be indirectly exposed to generally will have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will decline. In addition, to the extent that the mortgage loans which underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. Typically, commercial mortgage loans are not prepayable or are subject to prepayment penalties or interest rate adjustments, while the principal on most residential mortgage loans generally may be prepaid at any time without penalty.

#### Other Investments

As it considers appropriate, and to the extent consistent with the Funds' investment strategy, the general partners may invest a portion of the Funds' assets in one or more money market funds, collective investment trusts, mutual funds and/or exchange-traded funds. When any such investments are made, an investor will effectively be paying, in addition to the compensation payable to the Adviser, such investor's proportionate share of any management fees, or other compensation, charged by the manager of such money market fund, collective investment trust, mutual fund or exchange fund, as well as a pro rata portion of the expenses incurred by such entity.

#### Concentration of Investments

A substantial portion of the Funds' portfolio will be invested in real estate companies. Accordingly, The Funds' assets may be subject to greater risk of loss than if they were more widely diversified since the failure of one or a limited number of investments could have a material adverse effect on the Funds.

#### Counterparty Risk

The Funds expect to establish relationships to obtain prime brokerage, derivative intermediation and financing services that permit the Funds to trade in any variety of markets or asset classes over time as well as custody its cash and investments. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the prime brokerage, derivative intermediation and financing services provided by any such relationships could have a significant impact on the Funds' business and operations due to the Funds' reliance on such counterparties.

The assets of the Funds will generally be held in accounts maintained for it by its prime brokers or in accounts with other market participants, including non-U.S. sub-custodians selected by the prime brokers. The accounts generally will not be segregated, bankruptcy-remote accounts titled in the owner's name and, therefore, a failure of any broker or market participant is likely to have a greater adverse impact than if the assets, or the accounts in which they are held, were registered in the name of the Funds. In addition, because the Funds' securities generally will be held in margin accounts, but the prime brokers will have the ability to loan those securities to other persons, the Funds' ability to recover all of its assets in the

context of a bankruptcy or other failure of a prime broker may be further limited.

Some of the markets in which the Funds will effect transactions are not “exchange-based,” such as over the counter (“OTC”) or “interdealer” markets. The stability and liquidity of OTC transactions depends in large part on the creditworthiness of the parties to the transactions. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. The lack of evaluation and oversight of OTC markets exposes The Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing The Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where The Funds has concentrated its transactions with a single or small group of counterparties. Generally, The Funds will not be restricted from dealing with any particular counterparties. The Adviser’s evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and “foolproof” evaluation of the financial capabilities of The Funds’ counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

If there is a default by a counterparty, the Funds under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds’ securities from such counterparty or the payment of claims therefor may be significantly delayed and the Funds may recover substantially less than the full value of the securities entrusted to such counterparty.

In addition, the Funds may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in foreign jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds’ assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Funds and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Funds’ securities from or the payment of claims therefor by such counterparty and a loss to the Funds, which could be material.

#### Currency Risks

The Funds may invest a portion of its assets in securities denominated in non-U.S. currency and in other financial instruments, the price of which will be determined by reference to those currencies, whereas the Interests are denominated and valued in U.S. dollars. Investments that are denominated in non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Dramatic fluctuations in the value of a country’s currency could have an adverse impact on the profitability of the Funds. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

To the extent that the U.S. dollar appreciates relative to these currencies, the U.S. dollar value of these investments is likely to be adversely affected. In addition, if the currency in which the Funds receives dividends, interest or other types of payments (such as liquidating payments) declines in value against the U.S. dollar before such payments are distributed, the U.S. dollar value of these payments could be adversely affected if not sufficiently hedged. Furthermore, the ability of the Funds and companies in which it invests to convert freely between the U.S. dollar and other currencies may be restricted or limited and, in a number of instances, exchange rates and currency conversion are controlled directly or indirectly by governments or related entities. Inflation in the countries where the Funds makes investments may adversely affect the Funds' results and value.

The Adviser intends, but is under no obligation, to employ hedging techniques to minimize these risks, but there can be no assurance that such strategies will be effective. In particular, the Funds may seek to offset the risks associated with such exposure, in part, through foreign exchange transactions. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.

#### Swap Agreements

The Adviser may enter into swap agreements on behalf of the Funds. 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 Funds' exposure 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 securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Funds is not limited to any particular form of swap agreement if the Adviser determines that other forms are consistent with the Funds' investment objectives and policies.

Swap agreements will tend to shift the Funds' investment exposure from one type of investment to another. For example, if the Funds agrees to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the Funds' exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' portfolio. 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 Funds. If a swap agreement calls for payments by the Funds, then the Funds must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declined, the value of a swap agreement would be likely to decline, potentially resulting in losses by the Funds.

#### Credit Default Swap Agreements

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 the buyer or seller in the transaction. If the Funds is a buyer and no credit event occurs, the Funds may lose its investment 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 a seller, the Funds receives a fixed rate of income throughout the term of the contract, which typically is between one month and five 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.

#### Derivative Instruments, Generally

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available.

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

*Put Options.* The seller (writer) of a put option which is covered (i.e., the writer 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 if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes

the risk of losing its entire investment in the put option.

*Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether The Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

*Index Futures.* The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by The Funds also is subject to the Adviser's ability to correctly predict movements in the direction of the market.

*Swaps.* Whether the Funds' use of swap agreements or swaptions will be successful will depend on the Adviser's ability to select appropriate transactions for The Funds. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of The Funds' portfolio. Moreover, The Funds bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of The Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect The Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions.

*Futures Contracts.* The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which The Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within

the limit. This could prevent The Funds from promptly liquidating unfavorable positions and subject The Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

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

#### Hedging Transactions

The Funds utilize financial instruments both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vii) protect against any increase in the price of any securities the Funds anticipates purchasing at a later date or (viii) satisfy any other purpose that the Adviser deems appropriate.

Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses, although hedging does typically reduce the risk of loss. On the other hand, the hedging transactions also limit the opportunity for gain if the value of a portfolio position should increase. Moreover, it should be noted that (i) the Adviser may determine not to hedge against, or may not anticipate, certain risks, (ii) the portfolio will always be exposed to certain risks that cannot be hedged and (iii) there is no guarantee that a hedge will be properly implemented, will function in the manner anticipated or will not be adversely effected by changes in the applicable law or regulation.

The success of the Funds' hedging transactions to a significant degree will be subject to the ability of the Adviser to correctly assess the relationships between groupings of securities within the Funds' portfolio. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Since the characteristics of many securities change as markets change or time passes, the success of any hedging strategy will also



be subject to the ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent The Funds from achieving the intended hedge or expose the Funds to risk of loss. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolios generally. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

Currency hedging activities that the Funds engage in may require the use of a portion of the Funds' assets for margin or settlement payments or other purposes. For example, the Funds may from time to time be required to make margin, settlement or other payments, including intra-month, in connection with the use of certain hedging instruments. Counterparties to any currency hedging activities may demand payments on short notice, including intra-day. As a result, the Funds may liquidate assets sooner than it otherwise would have in order to have available cash to meet current or future margin calls, settlement or other payments or for other purposes. Moreover, due to volatility in the currency markets and changing market circumstances, the Adviser may not be able to accurately predict future margin requirements, which may result in the Funds holding excess or insufficient cash and liquid securities for such purposes. Where the Funds does not have cash or assets available for such purposes, the Funds may be required to dispose of assets at disadvantageous prices or might fail to comply with certain of its contractual obligations. Such failures could, without limitation, include failing to meet margin calls or settlement or other payment obligations. If the Funds were to default on any of its material contractual obligations, the Funds would likely be materially adversely affected.

#### Highly Volatile Markets

The prices of the Funds' investments, including, without limitation, all derivative instruments (including option prices), government bonds and commodities contracts, can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' assets may be invested are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments and options. Such intervention often is 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 Funds are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

#### Non-U.S. Exchanges

The Funds may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities, futures, commodities and

other securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

#### Non-U.S. Investments

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

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

This item is not applicable.

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

David Butler and Andrew Stewart serve as Co-Chief Executive Officers to the Adviser and are also the Co-Chief Executive Officers and Managing Partners of Argosy Real Estate Management, LP, a related adviser of Argosy Capital, a registered investment adviser with the SEC. The Adviser does not believe that this relationship creates a material conflict of interest with Clients. Notwithstanding the foregoing, the Adviser has implemented policies and procedures to guard against risks that may be enhanced by having certain persons associated with two advisers at one time, including but not limited to policies and procedures related to conflicts of interest, material nonpublic information and the misappropriation of proprietary or private information.

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

A copy of the code of ethics ("Code of Ethics") is available upon request to Clients or prospective Clients by contacting the Chief Compliance Officer.



The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe Firm's personal trading policies so as to avoid "front-running" and other conflicts of interests between the Firm and its Clients; and (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm's Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by Firm, up to and including termination.

Participation or Interest in Client Transactions: Conflicts of interest may occur when the Firm or its related persons, invest in the same securities, trade in the same securities at or about the same time, or have a material financial interest in the same securities that the Firm recommends to its Clients. The Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and the Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. The Firm and its related persons may invest their personal funds in the Funds and, therefore, such persons may hold an indirect interest in the same securities as other investors in the Funds. Further, a related entity of the Firm is the general partner of certain of the Funds. Therefore, in order to address conflicts of interest, Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors and employees (hereafter in this section, "Employees") for their personal accounts. In order to monitor compliance with its personal trading policy, Firm has adopted a securities transaction reporting system for all of its Employees.

Associated persons of the Firm may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation. Records will be maintained of all securities bought and sold by associated persons and related persons.

Additionally, the Code of Ethics sets forth the Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Employees has to each of its Clients. The Code of Ethics is circulated to all Employees, and each Employee, upon hire, must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

## **Item 12. Brokerage Practices**

The factors that the Firm considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation are described below.

Securities transactions for Clients are executed through brokers selected by the Firm in its sole discretion and without the consent of the Clients. In placing portfolio transactions, the Firm will seek to obtain the best execution for the Clients, taking into factors which may include, but are not limited to: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of

error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; order of call; on-line access to computerized data regarding Clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

The Firm does not receive client referrals from broker-dealers, nor does it receive any "soft dollar" benefits. Additionally, Argosy does not have any directed brokerage practices.

Aggregation of Orders: The Firm may aggregate purchase and sale orders of investments held by a Client's account with similar orders being made simultaneously for other accounts or entities if, in the Firm's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to such Client based on an evaluation that the Client will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for a Client's account will be effected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at the Firm's sole discretion, and the Client's account may be charged or credited, as the case may be, with the average transaction price.

Allocation of Trades: The Firm may at times determine that certain investments will be suitable for acquisition by Clients and by other accounts managed by the Firm, possibly including the Firm's own accounts or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which the Firm considers them to be suitable. The Firm may make such allocations among the accounts in any manner which it considers to be fair under the circumstances, including but not limited to allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved. It is the Firm's policy to ensure that investment allocations are made among Clients in a manner that is fair and equitable over time.

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

All accounts managed by the Firm are reviewed on a regular basis by Greg Morillo. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each Client account. Client accounts are responsible for keeping the Firm informed as to any changes in their personal financial condition or risk tolerance and/or changes to restrictions.

The daily review of the portfolio is the main triggering factor of a review of an account, but reviews may also be triggered by changes in a Client's circumstances, Client request, or unusual market activity. Clients

may be contacted periodically by the Firm to discuss the management and performance of their Firm account.

Reports showing performance are sent to Fund investors as set forth in each respective Fund's offering documents. Each investor in the Fund also receives the following: (i) annual financial statements of the Fund, audited by an independent certified public accounting firm; (ii) copies of such investor's Schedule K-1 to the Funds' tax returns, as applicable; and (iii) other reports as determined by the Firm or an affiliate of the Firm in its sole discretion. Within 120 days of the calendar year-end, Fund investors shall receive GAAP-compliant written audited financial statements.

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

The Firm effects securities transactions through broker-dealers. By virtue of it conducting business with broker-dealers, the Firm may receive certain economic benefits from such broker-dealers which would not be received if it did not transact through the broker-dealers. These benefits may include but are not limited to: access to an electronic communication network for order entry and account information; receipt of proprietary research; and participation in broker-dealer sponsored research and capital introduction services.

The Firm in the future may utilize broker-dealers, placement agents and other persons to refer Clients and investors and pay a marketing fee or commission in connection with such activities, including ongoing payments, at the Firm's own expense. In certain cases, the Firm reserves the right to deduct a percentage of the amount invested by a Client or investor to pay sales fees or charges, on a fully disclosed basis, to a broker-dealer, placement agent or other person based upon the investment of the Client or investor introduced to the Firm by such broker-dealer, placement agent or other person. Any such sales fees or charges shall be assessed against the referred Client or investor and shall reduce the amount actually invested by the Client or investor with the Firm.

#### **Item 15. Custody**

The Firm maintains custody over the assets of the Funds. Client funds and securities are held at a qualified custodian in accordance with Rule 206(4)-2 of the Advisers Act.

As stated above in Item 13, Review of Accounts, reports and statements detailing holdings and activity will be provided by the administrator. These reports will typically identify the account holdings and a current valuation of such holdings.

The Firm urges the Clients' investors to carefully review all statements and reports they receive and whenever possible to compare the same or similar information on different reports. The Firm also urges the Clients' investors to compare any reports received from the Firm with reports received from third-party administrators, custodians or valuation services. Firm personnel will be available to assist the account holder in reviewing and understanding such reports.

#### **Item 16. Investment Discretion**

The Firm has discretionary investment authority over Client assets that are managed by the Firm. This authority is established through the investment management agreement or other agreement that sets forth the Firm's discretion. Please refer to Item 4 for additional information related to the Firm's investment guidelines.

#### **Item 17. Voting Client Securities**

The Firm votes Client proxies when it has discretionary authority to do so. It is the Firm's policy to vote in a manner which it believes is in the best interest of the Clients, whether that is to increase shareholder value the most, decrease shareholder value the least, or with another objective in mind. Consideration is given to both the short and long-term implications of the proposal when voting. The Firm may abstain from voting for a variety of different reasons including but not limited to: (i) if it deems that abstinence is in its Client's best interests, (ii) when it has determined that the vote is immaterial to the value of the securities held, (iii) if the costs related to the vote are disproportionate to the expected value of the vote, or (iv) if the Firm has sold the related security since the record date. Unless otherwise agreed to with a Client, the Firm has discretion to vote proxies and does not take direction from its Clients.

The Firm monitors for potential conflicts of interest between its Client's interest and its own within the proxy voting process. In addition, if the Firm receives proxies for the same security held by more than one Client, the Firm will vote the securities in the best interest of all of the Clients. The Firm will monitor for any conflict of interests between such Clients. In addition, certain Client investments may not have any proxies to vote due to the nature of the asset.

Investors in the Fund can obtain information on how the proxies were voted and a description of Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer.

#### **Item 18. Financial Information**

This Item is not applicable.