WELLS FARGO ADVISORS

A guide to investing in hedge funds

What you should know before you invest

Before you make an investment decision, it is important to review your financial situation, investment objectives, risk tolerance, time horizon, diversification needs, and need for liquidity with your Financial Advisor. This guide will help you better understand the features and costs associated with hedge funds and fund of hedge funds investments, as well as how your Financial Advisor and Wells Fargo Advisors are compensated when you invest in these products. This guide is not an invitation to subscribe for interests in any fund and is intended for education and informational purposes only.

What is a single manager hedge fund?

There is no exact definition of the term "hedge fund" in federal or state securities laws. Hedge funds are basically private investment pools for wealthy, financially sophisticated investors. Traditionally, they have been organized as partnerships, with the general partner (or managing member) managing the fund's portfolio, making investment decisions and, typically, investing personally in the fund.

Hedge fund managers generally seek to generate a specific range of performance and attempt to produce positive returns regardless of the underlying trends in the financial markets. In an attempt to achieve this performance, hedge fund managers typically use sophisticated investment strategies and techniques that are described in detail below.

Because private hedge funds are usually only open to a limited number of wealthy, financially sophisticated investors and generally may not advertise or publicly offer their securities, they are usually not required to register with the U.S. Securities and Exchange Commission (SEC). As a result, unregistered private hedge funds do not provide many of the investor protections that apply to registered investment products. In addition, because they invest in only one manager, the use of single manager hedge funds could lead to lower diversification, greater volatility, and greater firm-specific risk.

Investors should keep in mind that privately offered alternative investments such as hedge funds are only available to persons who are "accredited investors" or "qualified purchasers" within the meaning of U.S. securities laws, are speculative, involve a high degree of risk, may have substantial charges, and are suitable only for the investment of the less liquid capital portion of an investor's portfolio.

What is a fund of hedge funds?

Funds of hedge funds, also known as "funds of funds," are investment vehicles whose portfolios invest in several underlying hedge funds to provide investors access to different fund managers and their investment strategies. Unlike the underlying private hedge fund, in which a fund of hedge funds invests, the hedge fund of funds can register with the SEC under the Investment Company Act of 1940. In addition, the fund of funds' securities also can be registered for sale to the public under the Securities Act of 1933. Registered funds of funds can have lower minimum investments than private hedge funds (some as low as $25,000). A registered fund of hedge funds can be offered to an unlimited number of investors. However, there is no investor right of redemption — shares cannot be redeemed directly with the fund unless the fund offers to redeem them, nor are the shares usually listed on a securities exchange. With very limited exceptions, there is no “secondary market” (a market where investors purchase securities from other investors rather than from the issuers) available, so you won’t be able to sell your investment readily. Although funds of hedge funds have been made available to more investors due to the lower minimum investments, it is important to note that these investment vehicles are not suitable for all investors.

An investment in a fund of hedge funds does have some potential advantages over a direct investment in a private hedge fund. For example, a fund of funds may diversify between a number of different investment styles, strategies and hedge fund managers, in an effort to more effectively manage risk.

What are concentrated hedge funds?

Concentrated hedge funds are a type of fund of hedge funds with a very limited number of underlying managers, generally less than five. Concentrated hedge funds provide investors with the “feel” of a single manager strategy with a slightly more diversified approach. These funds can be used to employ a core-satellite strategy when combined with fund of fund offerings that are diversified among a larger number of managers.

Core strategies provide exposure to the general market through investments in traditional asset classes such as stocks and bonds. Satellite strategies are potentially alpha generating and use active management to seek to deliver higher returns through investments in real estate, commodities, emerging markets, currencies, high yield fixed income, and other investments that typically are uncorrelated to traditional asset classes.

What is an offshore hedge fund?

Hedge funds not organized under U.S. law and domiciled outside the United States are designated as “offshore hedge funds.” These funds are not registered with the SEC and, like other offshore products, offshore hedge funds cannot generally be sold to U.S. residents or offered to any persons while they are in the United States. Please note, however, that in certain, limited circumstances, offshore funds may be purchased by people or entities that qualify as “U.S. tax-exempt entities or persons” under the U.S. Internal Revenue Code. Tax-exempt entities or persons are urged to consult their tax advisors about their ability to invest in an offshore fund and any potential tax consequences that may result. Additionally, not all funds are authorized for sale in all countries. Offshore hedge funds may be structured as an individual fund or a fund of funds and generally involve similar risks, trading strategies, and characteristics as their domestic counterparts.

Offshore hedge funds are not subject to U.S. income taxes on distributions received from the fund or to U.S. estate taxes on fund shares. Generally, offshore hedge funds are exempt from withholding taxes as well, because the funds are located outside the United States. Because of the nature of the U.S. tax and securities laws, non-U.S. investors may not want to invest in hedge funds that are based in the United States if offshore hedge funds are available to them.

Features and characteristics

Hedge funds and funds of hedge funds may offer investors the following features and characteristics:

"Absolute" returns — Most hedge funds and funds of hedge funds seek to achieve positive or "absolute" returns in any market, rather than strive to merely "beat" (or outperform) a market index. It is important to note that, in seeking absolute returns, hedge funds and funds of hedge funds may use advanced and high-risk investment strategies such as "arbitrage" (the simultaneous purchase and sale of an asset to profit from the difference in price), or investing in volatile international markets or single issuer securities.

Historically low correlation* to traditional asset classes — Hedge funds and funds of hedge funds also seek to use these complex, high-risk investment strategies in an attempt to provide returns that are independent of (that is, not correlated to) traditional asset classes.

Hedge risk of overall portfolio — Many hedge funds actually strive to "hedge" (i.e., diversify) risk. Because hedge funds generally have low correlations to traditional investments, such as stocks and bonds, they may potentially reduce the overall volatility of a portfolio that includes traditional investments.

* *Correlation is the tendency for the returns of two assets to move together relative to their average. The measurement can range from –1 (perfect negative correlation, one goes up while the other goes down) to 1 (perfect positive correlation, both moving in the same direction). A correlation of 0 means no relationship can be found between the movements in the assets' performance. Keep in mind that there is no guarantee that future correlations between asset classes will remain the same.*

Risks of investing in hedge funds and funds of hedge funds

Following are some of the most significant risks associated with investing in hedge funds and funds of hedge funds. The list is not exhaustive. Particular hedge funds may involve other risks that will be disclosed in the fund's official offering documents or in any supplement to those documents for the individual products.

Unregistered investments — While many hedge fund managers register with the SEC, other managers of hedge funds and funds of hedge funds are not registered, and so are subject to less regulatory oversight. In addition, funds of hedge funds may invest in several private hedge funds that are not subject to the SEC's registration and disclosure requirements. Consequently, unregistered investments have less regulatory oversight, and may offer less investor protection. This lack of SEC regulation makes it difficult for both you and the fund of funds manager to assess the performance of the underlying hedge funds or to independently verify information that is reported. Because of how hedge funds are structured, a fund manager can pose other risks related to your investment, as explained below.

Lack of transparency — Hedge funds and funds of hedge funds are not required to provide investors with information about their underlying holdings. As a result, you are often putting your complete trust in the manager's ability to meet the fund's objectives, without the benefit of knowing his or her investment selections.

Risky investment strategies — Hedge funds very often use speculative investment and trading strategies that may involve a high degree of risk. Historically, some hedge funds or funds of hedge funds have low volatility compared to the stock markets or, in some cases, the bond markets. This low volatility may lead some investors to believe hedge funds have less risk than the stock and bond markets. However, investing in hedge funds or funds of hedge funds involves inherent risk, and performance can be highly volatile.

To achieve positive investment performance, hedge fund managers use sophisticated investment strategies and techniques such as short selling, arbitrage, hedging, and leverage. Furthermore, managers may invest heavily in concentrated positions of a single issuer or market, distressed or bankrupt companies, derivatives such as options and futures contracts, volatile international markets, and privately issued securities. Many hedge funds balance a high risk of capital loss with a high potential for capital growth.

All investing involves risk, including the possible loss of principal. Due to the strategies (and inherent risks) hedge funds may employ, you may lose your entire investment. If you can't afford to lose your entire investment, hedge funds and funds of hedge funds are not suitable for you.

Lack of liquidity — Hedge funds, whether registered or unregistered, are "illiquid" investments (investments that can't be sold or exchanged for cash quickly or easily), and are subject to restrictions on transferability and resale. Almost all hedge funds and funds of hedge funds restrict liquidity to monthly, quarterly, semiannual, or annual intervals.

Funds of funds also typically require a "redemption notice" (notice that you want to redeem [cash in] your investment), often as much as six to eight weeks in advance of the desired redemption date. Registered hedge fund units may not be redeemable at the investor's option. This is because no secondary market exists for the sale of hedge fund units, and none is expected to develop. Moreover, hedge funds typically limit opportunities to redeem, or cash in, units to four times a year or less, and often impose a "lock-up" period of one year or more, during which an investor cannot cash in units.

Manager risk — The hedge fund manager has total trading authority over the fund. The use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. Furthermore, most single hedge funds are founded by an individual or partners. It is solely the manager's skill that is responsible for the returns on these funds. If the founder or key person departs, the hedge fund returns may be impacted.

As with any fund before, neither you nor your Financial Advisor has control or power in the management of the fund, although you will receive periodic reports from the fund manager. The fund may not always provide all the information that you request, because certain information may be considered proprietary or otherwise confidential. This lack of information may make it more difficult for you to evaluate the risk of the fund.

Risks specific to concentrated and single manager hedge funds

In addition to the risks listed above related to hedge funds and funds of hedge funds, the following risks apply specifically to single manager and concentrated hedge funds.

Lower diversification: Concentrated hedge funds will have less diversification because they are not allocating to as many underlying funds and/or investment managers. This risk is even greater for single manager hedge funds.

Greater Volatility: Concentrated hedge funds will typically have a higher level of return volatility due to their concentration in a smaller number of managers. This risk is even greater for single manager hedge funds.

Greater Firm-Specific Risk: Concentrated hedge funds will allocate to a smaller number of investment managers which will increase the amount of risk associated with each firm. This risk is even greater for single manager hedge funds.

Tax treatment

Generally, hedge fund investors are subject to income taxes on the interest, dividends, and/or capital gains distributed to them from the fund. However, in retirement accounts such as individual retirement accounts (IRAs), taxes are deferred until distributions are taken from the account.

Hedge funds may produce unrelated business taxable income (UBTI), as defined by the Internal Revenue Service (IRS). For most organizations, UBTI is income from a trade or business that is not substantially related to the basis of the organization's exemption. This may subject a tax-deferred account (such as a retirement plan or IRA or a tax-exempt entity such as a foundation or endowment) to taxation. In instances where tax-sensitive funds are available for tax-deferred accounts or tax-exempt entities, you are encouraged to consider the potential advantages of utilizing such a fund for a hedge fund allocation. Please consult your tax advisor to consider the potential impact of UBTI on your investment.

Hedge funds and funds of hedge funds can be tax-inefficient vehicles, and you should analyze the tax consequences before making an investment. There are a number of adverse tax consequences that should be taken into account when considering an investment in hedge funds or funds of hedge funds.

Most hedge funds and funds of hedge funds are organized as limited partnerships (LPs) or limited liability companies (LLCs). Because of their structures, a "pass-through taxation" strategy is achieved (taxes are "passed through" to the owners, who then report loss or income on their personal income tax returns). Rather than a 1099, most domestic hedge funds and funds of funds produce annual tax information on Schedule K-1s that are typically issued *later* than 1099s. For this reason, investors may need to file a tax extension for every year of involvement with the fund.

As a result of complex tax reporting requirements, and because neither Wells Fargo Advisors nor its affiliates are tax or legal advisors, you should consult with your tax or legal advisor to fully understand the tax implications associated with an investment in hedge funds.

Costs of investing in hedge funds

The expenses associated with investing in hedge funds are significantly higher than many other traditional investment vehicles. There are no limits on the fees a hedge fund can charge its investors, and several types of fees and charges are associated with investing in hedge funds *and* funds of hedge funds. You need to understand these expenses before investing. These fees will reduce the value of your total investment and your return. All expenses are disclosed in the hedge fund "offering documents" (documents provided by a fund that explains its objectives, strategies, risks, terms, fees, and other information), and you should be aware of all of them. The expenses generally include, but are not limited to, the following:

Performance fee — Most hedge funds charge a performance-based fee. This fee is usually a fixed percentage of the performance results. Here is an example: If the hedge fund manager returned 10% (net of management fee) in the first year, and the performance fee is 20% of new profits, the performance fee would be 2% (20% of the 10% return above the high water mark, which is the previous point of performance measurement), resulting in a net return of 8%. It should be noted that no performance fees are charged while a fund's performance remains below a past high water mark. A performance fee could motivate a hedge fund manager to take greater risks in the hope of generating a larger return to receive a higher fee.

Placement fee — The placement fee is a "front-end sales charge" (a sales charge that must be paid immediately upon purchase) paid to the placement agent. The agent, in turn, may pay a portion of those fees to affiliated or unaffiliated registered broker-dealers or other entities involved in the offer and sale of the hedge fund interests. Wells Fargo Advisors receives a portion of the placement fee to compensate its Financial Advisors.

Management fee — Investors are charged an annual management fee on the value of their investment. This fee is the cost of having a hedge fund manager make the investment decisions for them. Typically, the hedge fund manager receives a fee of 1% or 2% of the net assets.

Trail fees — Some registered hedge funds or fund of funds may charge trail fees. Trail fees, while generally considered operating expenses, are not paid directly as a fee. Instead they are deducted from the fund's assets, and will reduce investment returns. These fees are used for marketing and distribution expenses, which may include compensating Financial Advisors or other investment professionals.

Transaction and administrative expenses — As a limited partner, investors are charged a pro-rated percentage (based on the investment) of all transaction and administrative expenses incurred by the fund.

In addition to the fees outlined in the offering documents, Wells Fargo Advisors may charge a nominal transaction fee.

Costs of investing in funds of hedge funds

In addition to the expenses incurred by the underlying hedge funds, investors in funds of hedge funds also pay an additional layer of fees, including an advisory fee, a performance fee and a pro rata share of the fund's expenses. These two layers of fees can be expensive, and you should analyze the added cost against the benefit of diversification obtained by investing in funds of hedge funds.

Investor characteristics

Suitability — Hedge funds are not suitable for all investors. Prospective investors are required to meet minimum financial eligibility guidelines to invest in privately offered hedge funds or funds of hedge funds. You should evaluate your individual financial condition and your ability to tolerate risk before you invest in hedge funds.

If the hedge fund is not registered with the SEC, it can offer or sell securities to only certain types of individuals. These individuals are known as "accredited U.S. individual investors," which is defined as an individual with a net worth of at least $1 million (exclusive of the value of the primary residence) individually or jointly with his or her spouse, or earns an individual annual income of at least $200,000, or a joint annual income of at least $300,000 for the past two calendar years, with the reasonable expectation that the income will continue in the current calendar year. Sales are also allowed to an "accredited U.S. institutional investor," which is defined as someone who has at least $5 million in investable assets.

In calculating net worth for purposes of this representation, generally an investor's equity in his or her primary residence is excluded. Investors must also reduce their net worth by: (i) any mortgage debt assumed on their primary residence in excess of the primary residence's fair market value (i.e., an under-water mortgage); and (ii) the total amount of any loan or additional indebtedness secured against their primary residence (i.e., a home equity loan or line of credit) incurred 60 days prior to purchasing a hedge fund or hedge fund of funds.

Finally, unregistered companies are allowed to sell securities to a "qualified investor," which is an individual with at least $5 million in investable assets and other entities (corporations, foundations, etc.) with at least $25 million in investable assets.

In the case of offshore hedge funds and other unregistered funds, the financial eligibility requirements may be lower than those listed above. However, investors still must be capable of tolerating the risk involved with the investment — including the potential loss of their entire investment.

Diversification — Wells Fargo Advisors believes that investors should diversify their investments. It is recommended that investors observe an asset allocation strategy and not overweight their overall portfolio in any one class of securities, particularly hedge funds. Asset allocation is an investment method used to help manage risk. It does not ensure a profit or protect against an investment loss.

How your Financial Advisor and Wells Fargo Advisors are compensated on hedge funds and funds of hedge funds

Wells Fargo Advisors and your Financial Advisor receive payments depending on the fund, amount invested, and class you select. For helping you invest in these funds, Wells Fargo Advisors and your Financial Advisor are compensated in ways that vary depending on the selected investment. Funds pay Wells Fargo Advisors from the fees paid by you. Part of that payment then goes to your Financial Advisor, and the remainder is retained by Wells Fargo Advisors.

For most purchases, a Financial Advisor's compensation is based on the sales concession that is set by the funds and described in the offering documents. In certain fee-based accounts, a Financial Advisor's compensation is based on a percentage of the assets in the account rather than on the concession, which is described above.

Wells Fargo Advisors is paid by the fund family from the fees you pay. Part of that payment then goes to your Financial Advisor.

- Financial Advisors receive ongoing payments (known as "residuals" or "trails") on Hedge Fund units, as set by the Subscription Agreement and generally paid (excluding advisory programs).
- In certain fee-based accounts, Financial Advisors' compensation is based on a percentage of the assets in the account rather than on concessions or trails, as mentioned above.

The compensation formula that determines the amount of payment to your Financial Advisor is generally the same for all funds. Some funds, however, may carry higher sales charges than others, which may create an incentive for the Financial Advisor to recommend those funds. Typically, registered funds have higher upfront sales charges and lower investment minimums than unregistered funds due to the costs associated with filing the registration statement.

Intra-company compensation arrangements

Wells Fargo Advisors also receives compensation from other Wells Fargo & Company subsidiaries including Global Alternative Investments ("GAI"), a division of Wells Fargo Investment Institute (WFII), is a registered investment adviser and wholly-owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

- Wells Fargo Advisors may also receive direct compensation or indirect accounting credits in connection with the referral of certain business among Wells Fargo & Company subsidiaries.
- These intra-company arrangements include payments or credits to Wells Fargo Advisors for financial, distribution, administrative, and operational services that it provides to affiliated funds, their investment advisers, or distributors.
- Wells Fargo Advisors has compensation arrangements in place for assets under management with GAI Platform funds. As a result, Wells Fargo Advisors may benefit from increased sales of affiliated funds and products to a greater extent than from those provided by other firms without similar economic interest.

Additionally, within the division that operates in Wells Fargo Bank financial centers and some Wells Fargo branches, both Financial Advisors and Licensed Bankers can assist you with your mutual fund investment needs. A Licensed Banker is a Wells Fargo Bank associate who is registered with Wells Fargo Advisors. Licensed Bankers may also refer you to a Financial Advisor. In these instances, both the Financial Advisor and the Licensed Banker may be compensated for the sale of a mutual fund, but the Licensed Banker may receive less through this referral arrangement than from a direct sale. Referrals and recommendations are made independent of compensation arrangements and based solely on the client's needs and objectives.

Additional compensation received by Wells Fargo Advisors from hedge fund sponsors and other hedge fund relationships

In addition to transaction-based commissions received by Wells Fargo Advisors and your Financial Advisor, Wells Fargo Advisors may receive compensation paid by the fund companies, not related to individual transactions, for marketing support, educational, and training services performed by Wells Fargo Advisors in support of hedge fund sales. This "non-commission" compensation received by Wells Fargo Advisors from hedge fund companies can be broken down into four general categories:

- Revenue sharing
- Intra-company compensation arrangements
- Training and education support
- Additional compensation for general services provided to funds

Revenue sharing

Revenue sharing may be paid by a hedge fund's investment advisor, distributor, or other fund affiliate to Wells Fargo Advisors for providing continuing due diligence, training, operations and systems support, and marketing to Financial Advisors and clients with respect to hedge funds. Wells Fargo Advisors may receive revenue sharing payments from hedge funds available in both transaction-based and/or investment advisory programs.

- The fees are paid from the fund affiliates' or distributors' revenues and profits, not from fund assets. However, fund affiliates' or distributor revenues or profits may in part be derived from fees earned from services provided to the fund.
- Wells Fargo Advisors may receive revenue sharing payments from hedge fund companies available in both transaction-based and/or investment advisory programs. Revenue sharing fees are usually paid as a percentage of Wells Fargo Advisors' aggregate value of client assets invested in the funds. In certain instances, revenue sharing may be paid as a percentage of annual new sales to clients or as a combination of a percentage of new sales and a percentage of aggregate client assets.

Revenue sharing fees are usually paid by the fund's investment advisor, or an affiliate, as a percentage of Wells Fargo Advisors' aggregate value of client assets invested in the fund. In certain instances, revenue sharing may be paid as a percentage of annual new sales to clients, or as a combination of a percentage of new sales and a percentage of aggregate client assets. The percentage amounts are typically established in terms of basis points, which are equal to one one-hundredth of 1%. For example, if Wells Fargo Advisors receives 10 basis points in revenue sharing for a given fund, it would receive $10 for each $10,000 of total assets in client accounts in the fund.

Wells Fargo Advisors may receive different revenue sharing rates from each hedge fund. However, certain hedge funds may pay Wells Fargo Advisors a negotiated, fixed annual amount for revenue sharing, regardless of the amount of assets held in client accounts or in new sales to clients.

These amounts are not part of the compensation formula for your Financial Advisor. We believe that these financial arrangements do not compromise the advice your Financial Advisor offers you. Additionally, these arrangements do not affect your sales charge.

In addition to the transaction-based compensation received by your Financial Advisor and broker-dealer, for clients whose broker-dealers clear and execute through Wells Fargo Clearing Services, LLC, and/or your broker-dealer receive compensation paid by hedge fund companies and/or their affiliates, not related to individual transactions, for the ongoing account maintenance, marketing support, educational, and training services in support of mutual fund sales conducted by your broker-dealer.

Revenue sharing may be paid to Wells Fargo Advisors for providing continuing due diligence, training, operations and systems support, and marketing to Financial Advisors and clients with respect to hedge funds. Wells Fargo Advisors may receive revenue sharing payments from hedge funds available in both transaction-based and/or investment advisory programs.

Hedge fund policies can be found in a fund's offering document, which is available to accredited/qualified investors on request from the hedge fund company. Certain hedge fund sponsors paid GAI, who in turn paid Wells Fargo Advisors and/or Wells Fargo & Company in 2017 for marketing and/or other service fees. If you have any questions about these practices, please contact your Financial Advisor.

Other hedge fund relationships

Wells Fargo & Company (Wells Fargo), one of the largest financial holding companies in the United States, provides a wide range of financial services to various hedge fund companies through their subsidiaries and affiliates, including Wells Fargo Advisors. These other relationships provide financial and other benefits to Wells Fargo as well as Wells Fargo Advisors. As part of these relationships:

The WFII family of alternative investments is distributed through Wells Fargo Advisors and other subsidiaries or affiliates of Wells Fargo.

Your relationship with Wells Fargo & Company

In the course of establishing annual sales targets for business planning purposes, sales with Wells Fargo affiliates are included in our goals. We intend, however, to make all recommendations independent of such sales goals and based solely on our obligations to consider each client's individual objectives and needs.

Wells Fargo appreciates your confidence and wants to make your brokerage and banking relationships clear and convenient for you. Your Wells Fargo Advisors Financial Advisor may serve as your Relationship Manager not only for your brokerage accounts and services with Wells Fargo Advisors, but also for products and services with Wells Fargo Bank, N.A, including trust accounts of which you may be a beneficiary or agency accounts in which you may have an interest.

The responsibilities of Wells Fargo Advisors and your Financial Advisor, when acting in a brokerage or investment advisory capacity or in introducing you to a banking product or service, are different from the responsibilities of Wells Fargo Bank and your Financial Advisor when acting in a role as Relationship Manager for a Wells Fargo Bank trust or agency account. Your Financial Advisor, in a brokerage or investment advisory capacity, may recommend or assist you with a transaction that does not concern the Wells Fargo Bank trust or agency account for which he or she will be compensated. If you decide to enter into such a transaction, you will receive specific disclosures in connection with the transaction, including all relevant information and a description of the compensation that your Financial Advisor will receive. You will have the opportunity to ask for more information about the compensation to your Financial Advisor on such a transaction.

If you have questions about any product or service offered or what role your Financial Advisor or any other Wells Fargo team member is serving, or what compensation is being paid with respect to any product or service, please ask your Relationship Manager or Financial Advisor.

Additional information

To learn more about hedge funds and/or funds of hedge funds, ask your Financial Advisor or visit the following websites:

Wells Fargo Advisors
wellsfargoadvisors.com

Financial Industry Regulatory Authority (FINRA)
finra.org

U.S. Securities and Exchange Commission (SEC)
sec.gov

Securities Industry and Financial Markets Association (SIFMA)
sifma.org

Talk to your Financial Advisor

Determining whether hedge funds and/or funds of hedge funds are an appropriate investment strategy for you requires an in-depth evaluation of your individual financial situation and the objectives you want to achieve. Talk to your Financial Advisor today about how hedge funds and/or funds of hedge funds may help you work toward your investment goals.

Hedge funds and funds of hedge funds, are not suitable for all investors and are only open to "accredited" or "qualified" investors within the meaning of U.S. securities laws. They are speculative, highly illiquid, and are designed for long-term investment, and not as trading vehicles. There is no assurance that any investment strategy pursued by a fund will be successful or that a fund will achieve its intended objective. Investments in these funds entail significant risks, volatility and capital loss including the loss of the entire amount invested. An investment in a fund of funds carries additional risks including asset-based fees and expenses at the fund level and indirect fees, expenses, and asset-based compensation of investment funds in which these funds invest. A fund is subject to the risk of being an underlying fund to the extent that a fund of funds invests in the fund. An underlying fund of a fund of funds may experience relatively large redemptions or investments as the fund of funds periodically reallocates or rebalances its assets. These transactions may cause the underlying fund to sell portfolio securities to meet such redemptions, or to invest cash from such investments at times it would not otherwise do so, which may as a result increase transaction costs and adversely affect underlying fund performance. With limited exception, there is no secondary market for hedge funds and none is expected to develop. Hedge funds and funds of hedge funds are not required to provide investors with information about their underlying holdings. As a result, the investor will be unable to monitor the fund's underlying holdings and to discern whether sub-fund investments are consistent with the hedge fund's investment strategy or risk parameters. Other risks can include those associated with potential lack of diversification, restrictions on transferring interests, no available secondary market, complex tax structures, delays in tax reporting, valuation of securities and pricing. An investor should review the private placement memorandum, subscription agreement and other related offering materials for complete information regarding terms, including all applicable fees, as well as the specific risks associated with a fund before investing.