



## October 2019 Investor Letter

### REVIEW OF 3<sup>RD</sup> QUARTER PERFORMANCE

The Fund gained 3.45% in this quarter. Ambac, Fannie Mae preferred stock, Blackstone, OneMain Financial, and SunTrust were top contributors to our performance.

### RESEARCH SPOTLIGHT – GROWTH BANKS

In this new era of the stock market being driven by exchange-traded funds (or “ETFs”) and momentum, we think stocks with individually good investment cases get driven to levels where they are mispriced when they are included in a sector or industry that is out-of-favor with stock market investors.

Dear Gator Financial Partner:

We are providing you with Gator Financial Partners, LLC’s (the “Fund” or “GFP”) Q3 2019 investor letter. This letter reviews the Fund’s investment performance for the third quarter of 2019, discusses the opportunity we see in regional banks, analyses our investment in Western Alliance Bancorporation, and discusses the Fund’s current net exposure and positioning by sub-sector.

### REVIEW OF Q3 2019 PERFORMANCE

For the third quarter of 2019, we outperformed the Financials sector benchmark and the overall market. The Fund gained 3.45% in this quarter. Ambac, Fannie Mae preferred stock, Blackstone, OneMain Financial, and SunTrust were top contributors to our performance. The largest detractors were Sallie Mae, UBS, Zions Bancorporation, Syncora, and NMI Holdings. Western Alliance Bancorporation was added as a new position to our portfolio (read our analysis later in this letter). We sold our position in The Carlyle Group and sold half of our position in Blackstone.

	Q3 2019	YTD 2019	Total Return Since Inception <sup>1</sup>	Annualized Return Since Gator’s Inception <sup>1</sup>
Gator Financial Partners, LLC <sup>2</sup>	3.45%	28.68%	790.68%	21.46%
S&P 500 Total Return Index <sup>3</sup>	1.70%	20.55%	195.78%	10.12%
S&P 1500 Financials Index <sup>3</sup>	1.85%	19.35%	124.25%	7.44%

Source: Gator Capital Management & Bloomberg

To us, we felt like each month of the third quarter presented a different type of market environment. In July, investors seemed focused on earnings season and individual company performance. In August, investors were immediately confronted with an escalation of the trade war and rising stock volatility and correlations. Finally, in September, we saw a violent rotation out of momentum stocks to value stocks. In our July letter, we highlighted how we thought our portfolio was well-positioned because of the inexpensive valuation of almost all of our holdings. This positioning provided strong September returns to our portfolio. We continue to believe that our companies have strong businesses, solid growth prospects, and inexpensive valuations.

<sup>1</sup>The Fund’s inception date was July 1, 2008. <sup>2</sup>Performance presented assumes reinvestment of dividends, is net of fees, brokerage and other commissions, and other expenses an investor in the Fund would have paid. Past performance is not indicative of future results. Please see General Disclaimer on page 9.

<sup>3</sup>Performance presented assumes reinvestment of dividends. No fees or other expenses have been deducted.

**OPPORTUNITY IN GROWTH BANKS**

Regional bank stocks have had a challenging period over the last 16 months. Since June 2018, the S&P Regional Banks Select Industry Index declined by 18% and trailed the S&P 500 Index by 27%.



During this time, the median bank in this index increased earnings by 10%. Banks are expected to continue to grow earnings going forward. Using Regions Financial (or “RF”) as an example of a generic regional bank, RF’s forward price-to-earnings (“P/E”) multiple has declined from 13.6x to 9.5x. On a price-to-tangible book (“P/TB”) basis, RF’s multiple has declined from 2.1x to 1.4x. This type of decline in valuation is consistent across RF’s peers.

We believe there are three main drivers for the poor performance of regional banks:

- 1) Change in the outlook for future interest rates,
- 2) Negative sentiment regarding the economy leading to credit risk fears, and
- 3) Poor relative strength in a stock market driven increasingly by momentum.

While we see the merits of each of these issues, we also believe there are several positive factors that offset these negatives such as continued easing of regulatory environment, strong capital discipline within the industry, and a prolonged economic cycle due to the lack of imbalances in the banking industry. Also, we believe market sentiment around regional bank stocks will change when the Fed signals it is done cutting rates.

We like sifting through industries that have gone through tough periods in the stock market, especially ones with which we are familiar. We like to look at companies that had the worst stock price performance to see if there are fundamental reasons for the declines or whether the stock prices are down in sympathy with the rest of the group.

In this new era of the stock market being driven by exchange-traded funds (or “ETFs”) and momentum, we think stocks with individually good investment cases get driven to levels where they are mispriced when they are included in a sector or industry that is out-of-favor with stock market investors. One area that we currently think is mispriced is a group of banks that had high levels of organic growth over the past 5 to 10 years. We call this group of banks “Growth Banks”.

Company	Symbol	Price	Market Cap	YTD Price Change	Dividend Yield	2010-18 Median Fwd P/E	Current 2020 P/E	Discount from Median	5-Year Annualized Deposit Growth per Share	Price/Tangible Book	Est 2020 ROTE
AXOS FINANCIAL INC	AX	29.45	1,804	16.96	0.00	11.7	8.8	25%	23%	1.94	19.1%
BANK OZK	OZK	28.97	3,736	26.89	3.11	16.6	8.8	47%	23%	1.10	12.6%
LEGACYTEXAS FINANCIAL GROUP	LTXB	43.62	2,144	35.93	2.02	20.0	12.8	36%	20%	2.21	14.7%
BANKUNITED INC	BKU	33.75	3,209	12.73	2.49	15.3	10.7	30%	18%	1.15	9.9%
WESTERN ALLIANCE BANCORP	WAL	48.01	4,928	21.58	0.52	16.1	9.2	43%	15%	1.88	18.5%
SVB FINANCIAL GROUP	SIVB	204.72	10,551	7.79	0.00	20.8	10.4	50%	14%	1.97	20.3%
SERVISFIRST BANCSHARES INC	SFBS	33.50	1,793	5.11	1.67	17.4	12.4	29%	14%	2.35	18.4%
PINNACLE FINANCIAL PARTNERS	PNFP	58.04	4,452	25.90	1.10	18.7	10.5	44%	14%	1.84	16.9%
SIGNATURE BANK	SBNY	122.71	6,716	19.36	1.83	18.1	10.2	44%	13%	1.40	12.4%
AMERIS BANCORP	ABCB	41.75	2,902	31.83	1.08	15.3	9.4	39%	11%	2.06	18.7%
EAST WEST BANCORP INC	EWBC	41.30	6,011	-5.12	2.55	14.6	9.0	38%	11%	1.37	15.6%
STERLING BANCORP/DE	STL	20.21	4,147	22.41	1.39	17.6	8.6	51%	9%	1.63	16.9%
CONNECTONE BANCORP INC	CNOB	22.33	790	20.90	1.48	13.4	9.3	30%	9%	1.49	14.5%
HOME BANCSHARES INC	HOMB	18.63	3,109	14.01	2.68	17.0	10.6	37%	9%	2.11	19.4%

Source: Bloomberg 10/18/2019

The 14 Growth Banks grouped together share some similar characteristics. They have demonstrated the ability to grow organically. They have all grown deposits per share by at least 9% over the past 5 years. Their stock market valuations have declined dramatically since June 2018. The banks in this group trade at 25% to 50% discount to their historical median valuations. These banks range in market capitalization value (or “market cap(s)”) between \$1 billion and \$10 billion. We prefer smaller banks like the members of this group because they can grow faster.

## HOW TO IDENTIFY GROWTH BANKS

We believe the most valuable banks are the ones with high profitability that can generate loan growth and deposit growth organically. We believe the banking industry can grow loans and deposits at a rate equal to nominal GDP. So, if economic growth averages 2.0% and inflation is 2.0%, then nominal GDP should average around 4.0%. If the banking industry matches this, then 4.0% is our baseline for an average bank. Since banks generate returns on equity (“ROE”) between 10% and 20%, they only need to retain a portion of their earnings to achieve average growth. In the last few years, banks have been disciplined in returning their excess capital to shareholders through dividends and share repurchases. However, we believe a better use of capital would be to grow their core businesses faster. We try to identify banks that have some specialty that allows them to achieve above average industry growth through loan and deposit generation.

We identify Growth Banks by looking at the increase in the loans per share and deposits per share over an extended period of time. By looking at these metrics on a per share basis, we are adjusting for capital actions by banks. We are not phased by banks who grow loans and deposits by issuing shares to buy other banks. On the other hand, if a bank is able to buy other banks at attractive prices, their per share metrics may improve. Looking at these metrics on a per share basis also gives banks who repurchase shares regularly a benefit in their numbers.

Over the last five years, of banks with market caps above \$300 million, the median bank has grown deposits per share at 6.2% per year. If we restrict this bank universe to banks with market caps above \$10 billion, the median is 7.2% per year. We suspect most readers are surprised by these growth rates. We are too especially when you consider the extremely high multiples investors are paying consumer packaged good (or “CPG”) companies with low single digit growth rates. Put simply, this group of banks grow at 6% and have 10x P/Es, but CPG companies grow 2% and trade at 25x P/Es.

## **GROWTH BANKS ARE LESS DEPENDENT ON NEAR-TERM NET INTEREST MARGINS**

Growth banks are less dependent on changes in net interest margins for earnings growth over a 3-5 year timeframe than slow growing banks. But, this is the opposite of what we have seen reflected in stock prices over the last 14 months. We have seen the growth banks respond more negatively to the outlook for net interest margin compression than their slower growing peers. Since early June 2018, the median stock price of this group of 14 Growth Banks has declined 28.8%, but the SPDR S&P Regional Banking ETF has only declined 19.8%.

## **AREN'T THE GROWTH BANKS ASSET SENSITIVE?**

We believe the main reason this group of Growth Banks has underperformed is because they tend to be asset sensitive. They are asset sensitive because they grow their commercial and industrial (C&I) loan portfolios and these loans tend to carry floating rates. In addition, a few of these banks have a history of growing their more valuable non-interest bearing deposits. Although non-interest bearing deposits are more valuable, banks with large amounts of non-interest bearing deposits are naturally more asset sensitive.

With the Growth Banks down because of interest rates, we have to ask whether we can own them despite declining rates? Or, do we need to wait until we think interest rates have bottomed? At what point do they get too inexpensive in the face of declining rates? We may be at the point where the Fed is done cutting rates with the expected October rate cut and these Growth Banks may be too inexpensive at the same time.

## **IS CREDIT THE PROBLEM FOR GROWTH BANKS?**

In addition to asset sensitivity, we believe some investors are avoiding these Growth Banks because they perceive these banks have higher than average credit risk. The short story goes something like this, “We’ve had 10 years of economic expansion, so a downturn is around the corner. The banks who are most likely to get hurt in the downturn are the ones who grew the fastest into the downturn and have the least seasoned loan portfolio.”

There’s a lot to unpack in this short thesis;

- 1) We are on the verge of an economic downturn,
- 2) Banks will be the ones who suffer the most during said downturn, and
- 3) Loan growth comes from the banks who have the weakest underwriting.

We are sympathetic to this argument. We think loan portfolios are difficult to analyze as outside investors. Also, credit issues are asymmetric against shareholders. Our approach to combat this issue is to go slowly in entering new positions and to avoid the banks with the most obvious risks in their loan portfolios such as concentrations of construction and land loans. We meet

with management teams to gauge their appetite for credit risk. We also study their history of credit results. So, we view credit as the largest area of study for these Growth Banks.

## CASE STUDY: WESTERN ALLIANCE BANK

Western Alliance Bank (or “WAL”) is a fast-growing regional bank headquartered in Phoenix. The bank also has significant presence in Las Vegas, San Diego, and San Jose. WAL has grown tangible book value (“TBV”) at an annual rate of 22.8% since 2013. The bank is able to grow TBV so quickly because it earns a higher than average net interest margin. The bank also grows loans and deposits at a fast pace.

### 1) FAST-GROWING REGIONAL BANK

**National Lending Businesses** – Western Alliance has developed several national lending businesses. These are Homeowners Associations, Mortgage Banking Warehouse Lines, Resort Finance, Public & Non-Profit Finance, and Hotel Franchise lending.

**Branch-Light Footprint** – Western Alliance is built as a modern regional bank with only 47 branches. The average Western Alliance branch has \$475 million in deposits. This compares favorably to the average bank branch for the industry at just over \$100 million. We believe the banking industry is trending towards Western Alliance’s branch model.

**Technology Banking** – Similar to SVB Financial, which we wrote about in our April 2019 letter, Western Alliance has a thriving technology banking business. Through their 2015 acquisition of Bridge Capital, Western Alliance attracts deposits from start-up companies in the SF Bay Area. Western Alliance also provides capital call loans to venture capital and private equity firms. Capital call loans allow these firms to manage the timing of calling capital from their investors. There have been few losses in this business.

### 2) BEST-IN-CLASS OPERATING METRICS

Western Alliance has best in class operating metrics. The following comparisons are with peer mid-cap banks headquartered in the western states. Return on assets (“ROA”) of 2.08% compared to peers at 1.34%, ROE of 20.4% compared to peers of 14.8%, efficiency ratio of 42.9% compared to peers of 55.6%, and net interest margin of 4.66% compared to peers of 4.15%. Other metrics are at peer levels such as loan-to-deposit ratio of 90% compared to peers at 92%, tangible common equity to tangible assets of 10.2%

### 3) LOW VALUATION

Western Alliance’s current valuation is 9.8x 2019 earnings per share (“EPS”) and 9.3x 2020 EPS. This is inexpensive compared to peers and compared to Western Alliance’s own history. Peers currently trade at 13.5x 2019 EPS and 12.8x 2020 EPS. Between 2012 and 2018, Western Alliance traded in a range of 12x and 20x forward EPS. We think Western Alliance should trade at valuations comparable to the best banks, which is 15x in the current environment and we believe will be higher when general bank valuations recover.

#### 4) STRONG DEPOSIT FRANCHISE

Western Alliance has a strong deposit franchise with 40% non-interest bearing deposits. Despite rapid loan growth, WAL has been able to keep its loan-to-deposit ratio below 90%. Western Alliance is generating deposits through some of its niche businesses like Homeowners Association (or "HOA") banking.

#### 5) DIVERSIFIED LOAN PORTFOLIO

Western Alliance has a diversified loan portfolio with 45% in commercial and industrial lending, 35% in commercial real estate, 11% in construction and land, and 9% in residential mortgage. The loan portfolio is also diversified geographically with 50% in National Business Lines, 20% in Arizona, 20% in California, and 10% in Nevada.

#### 6) LOW EXPENSE BASE

Western Alliance has a low efficiency ratio of 42.9%. Peers operate with a median 56% efficiency ratio. Western Alliance has a low efficiency ratio due to its branch-light footprint, its higher than average loan rates, and a pay-for-performance culture. In banking, the management teams and the investment community use efficiency ratio instead of operating margins. The efficiency ratio is the inverse of the operating margin.

#### 7) POTENTIAL GEOGRAPHIC EXPANSION

WAL has expanded geographically over the past ten years and we expect them to selectively expand their footprint in the coming year. When WAL expands geographically, they usually buy a smaller bank in the expansion city and use it as a platform to jump-start their growth. They successfully executed this strategy with the Bridge Capital acquisition in the SF Bay Area in 2015 and Centennial Bank in Orange County in 2013. We would expect Western Alliance to expand its footprint to Seattle, Denver, and Dallas over the next 5 to 10 years.

#### 8) COMFORTABLE CAPITAL LEVEL

Western Alliance operates with a tangible common equity to tangible asset ratio of 10.2%. This is higher than its larger peers and gives the bank some cushion. Western Alliance also generates capital at a high rate, so it is less constrained when considering growth opportunities. Because the stock has underperformed over the last 18 months, Western Alliance has used some excess capital to repurchase shares.

#### 9) REGIONAL BANK VALUATIONS

Regional bank valuations are attractive generally. Regional banks are trading at a larger than normal discount to the broader stock market. Usually regional banks trade at 80% of the broad stock market's price-to-earnings ratio, but banks currently trade at 55% of the broader market. As the regional bank sector returns to a more historical relationship with the broader market valuation, we believe Western Alliance will regain its premium valuation.

## CONCERNS

### 1) CREDIT WAS WEAK IN GFC

During the Great Financial Crisis (or “GFC”), Western Alliance struggled with credit issues. The bank was able to manage its way through the issues. Heading into the GFC, Western Alliance had 70% of its loan portfolio concentrated in Nevada. Some investors will wait to own Western Alliance until it successfully navigates a recession.

### 2) ASSET SENSITIVITY

Western Alliance is asset sensitive, so it has benefited from rising interest rates. With interest rates declining and expectations for further declines, Western Alliance will see a decline in its net interest margin of about 5 bps for every 25 bps cut in the Fed Funds rate.

### 3) HOTEL FRANCHISE PORTFOLIO

Western Alliance has a \$1.2 billion loan portfolio to franchisees of major hotel brands. The average yield on this portfolio is 12%, they are taking some risk to earn this type of yield. This is an additional risk factor for the bank.

We own a position in Western Alliance Bancorporation. We think bank’s valuation will recover when the interest rate cycle turns. In the mean time, the bank is posting double-digit organic loan and deposit growth.

We will continue to work on additional Growth Bank ideas. We think the recent underperformance of this group of banks is unwarranted and more a reflection of declining interest rates than the business prospects of these fast growing banking organizations.

Managing Member and Portfolio Manager Derek Pilecki will host the Gator Capital Quarterly Market Outlook Webinar for Q4 on November 12 at 11 am ET. Derek will discuss additional research on Growth Banks and provide an opportunity for questions to be submitted. We invite you to register for this webinar at <https://gatorcapital.com/q4-2019-market-outlook/>.

## PORTFOLIO ANALYSIS

Below are the Fund’s five largest common equity long and short positions. All data is as of September 30, 2019.

Long	Short
Syncora Holdings	Invitation Homes
Zions Bancorporation (stock & warrants)	Washington Federal
Ambac Financial Group	Meridian Bancorp
SunTrust Bank	American Homes 4 Rent
Ally Financial	First Republic

From this list, we excluded ETFs and fixed income instruments such as preferred stock.

## SUB-SECTOR WEIGHTINGS

Below is a table showing the Fund's positioning within the Financials sector as of September 30th:

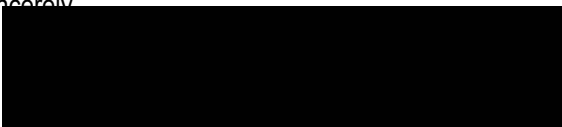
	<b>Long</b>	<b>Short</b>	<b>Net</b>
Alt Asset Managers	9.56%	0.00%	9.56%
Capital Markets	13.14%	-1.16%	11.98%
Banks (large)	33.06%	-8.73%	24.33%
Banks(small)	5.48%	-14.82%	-9.34%
P&C Insurance	2.85%	0.00%	2.85%
Life Insurance	0.00%	0.00%	0.00%
Non-Bank Lenders	29.50%	-2.56%	26.94%
Processors	0.00%	0.00%	0.00%
Real Estate	2.24%	-6.84%	-4.59%
Exchanges	0.00%	0.00%	0.00%
Index Hedges	0.00%	-1.28%	-1.28%
Non-Financials	0.00%	0.00%	0.00%
<b>Total</b>	<b>95.83%</b>	<b>-35.38%</b>	<b>60.45%</b>

The Fund's gross exposure is 131.2%, and its net exposure is 60.5%. From this table, we exclude fixed income instruments such as preferred stock. Preferred stock positions account for an additional 12.5% of the portfolio.

## CONCLUSION

Thank you for entrusting us with a portion of your wealth. Derek Pilecki, the Fund's Portfolio Manager, continues to have more than 80% of his liquid net worth invested in the Fund. As always, we are available by phone to discuss the Fund.

Sincerely,



Gator Capital Management, LLC

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The information contained in this letter reflects the opinions and projections of Gator Capital Management, LLC (the "General Partner") and its affiliates as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. All information provided is for informational purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security.

All performance results are based on the net asset value of the Fund. Net performance results are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, as indicated, and include the reinvestment of all dividends, interest, and capital gains. The performance results represent Fund-level returns, and are not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors.

The market indices appearing in this letter have been selected for purposes of comparing the performance of an investment in the Fund with certain well-known equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject and may involve significantly less risk than the Fund. The Fund is not restricted to investing in those securities which comprise these indices, its performance may or may not correlate to these indices, and it should not be considered a proxy for these indices. The S&P 500 Total Return Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. The S&P 1500 Financials Index is a market cap weighted index of financial stocks within the S&P 1500 Super Composite Index we used as a proxy for the Financials sector of the U.S. equity market. An investment cannot be made directly in either index. The Fund consists of securities which vary significantly from those in the benchmark indices listed above. Accordingly, comparing results shown to those of such indices may be of limited use.

Statements herein that reflect projections or expectations of future financial or economic performance of the Fund are forward-looking statements. Such "forward-looking" statements are based on various assumptions, which assumptions may not prove to be correct. Accordingly, there can be no assurance that such assumptions and statements will accurately predict future events or the Fund's actual performance. No representation or warranty can be given that the estimates, opinions or assumptions made herein will prove to be accurate. Any projections and forward-looking statements included herein should be considered speculative and are qualified in their entirety by the information and risks disclosed in the Fund's Private Placement Memorandum. Actual results for any period may or may not approximate such forward-looking statements. You are advised to consult with your own independent tax and business advisors concerning the validity and reasonableness of any factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the Fund, the General Partner, or any other person or entity as to the future profitability of the Fund or the results of making an investment in the Fund. Past performance is not a guarantee of future results.

The funds described herein are unregistered private investment funds commonly called "hedge funds" (each, a "Private Fund"). Private Funds, depending upon their investment objectives and strategies, may invest and trade in a variety of different markets, strategies and instruments (including securities, nonsecurities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Private Fund (which also are applicable to the underlying Private Funds, if any, in which a Private Fund may invest). Prospective investors should note that:

- A Private Fund represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in a Private Fund. An investor could lose all or a substantial portion of his/her/its investment.
- An investment in a Private Fund is not suitable for all investors and should be discretionary capital set aside strictly for speculative purposes. Only qualified eligible investors may invest in a Private Fund.
- A Private Fund's prospectus or offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally, or state registered.
- An investment in a Private Fund may be illiquid and there are significant restrictions on transferring or redeeming interests in a Private Fund. There is no recognized secondary market for an investor's interest in a Private Fund and none is expected to develop. Substantial redemptions within a limited period of time could adversely affect the Private Fund.
- Certain portfolio assets of a Private Fund may be illiquid and without a readily ascertainable market value. The manager's/advisor's involvement in the valuation process creates a potential conflict of interest. Instances of mispriced portfolios, due to fraud or negligence, have occurred in the industry.
- A Private Fund may have little or no operating history or performance and may use performance information which may not reflect actual trading of the Private Fund and should be reviewed carefully. Investors should not place undue reliance on hypothetical, pro forma or predecessor performance.
- A Private Fund may trade in commodity interests, derivatives and futures, both for hedging and speculative purposes, and may execute a substantial portion of trades on foreign exchanges, all of which could result in a substantial risk of loss. Commodities, derivatives and futures prices may be highly volatile, may be difficult to accurately predict, carry specialized risks and can increase the risk of loss.
- A Private Fund's manager/advisor has total trading authority over a Private Fund. The death or disability of a key person, or their departure, may have a material adverse effect on a Private Fund.
- A Private Fund may use a single manager/advisor or employ a single strategy, which could mean a lack of diversification and higher risk. Alternatively, a Private Fund and its managers/advisors may rely on the trading expertise and experience of third-party managers or advisors, the identity of which may not be disclosed to investors, which may trade in a variety of different instruments and markets.
- A Private Fund may involve a complex tax structure, which should be reviewed carefully, and may involve structures or strategies that may cause delays in important financial and tax information being sent to investors.
- A Private Fund's fees and expenses, which may be substantial regardless of any positive return, will offset such Private Fund's trading profits. If a Private Fund's investments are not successful or are not sufficiently successful, these payments and expenses may, over a period of time, significantly reduce or deplete the net asset value of the Private Fund.
- A Private Fund and its managers/advisors and their affiliates may be subject to various potential and actual conflicts of interest.
- A Private Fund may employ investment techniques or measures aimed to reduce the risk of loss which may not be successful or fully successful.

- A Private Fund may employ leverage, including involving derivatives. Leverage presents specialized risks. The more leverage used, the more likely a substantial change in value may occur, either up or down.

**The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Private Fund and is subject to the more complete disclosures in such Private Fund's offering documents, which must be reviewed carefully prior to making an investment.**

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