



## **Risks of Investing in Hedge Funds**

PLEASE READ THE FOLLOWING STATEMENT CAREFULLY

When considering alternative investments, such as hedge funds and hedge funds of funds (collectively referenced in this document as “Hedge Funds”), you should consider various risks including the fact that some Hedge Funds use leverage and other speculative investment practices that may increase the risk of investment loss, can be illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager.

With respect to alternative investments, such as Hedge Funds, in general, you should be aware that:

- Returns from some alternative investments, such as Hedge Funds, can be volatile
- You may lose all or a portion of your investment
- With respect to single manager products, the manager has total trading authority. The use of a single manager could mean a lack of diversification and higher risk.
- Many alternative investments that include Hedge Funds are subject to substantial expenses that must be offset by trading profits and other income. Some Hedge Funds managers may trade through Commerce Square Trading, LLC for which it receives commission payments. Information regarding such managers is available in the Forms ADV Part II of both CSG and Commerce Advisors.
- Trading may take place on foreign exchanges that may not offer the same regulatory protection as United States exchanges.

With respect to an investment in a Hedge Fund, you should be aware that:

- There is often a lack of transparency as to the underlying investments of Hedge Funds.
- With respect to a hedge fund of funds, the fund’s manager has complete discretion to invest in various sub-funds without disclosure thereof to you or to us. Because of this lack of transparency, there is no way for you to monitor the specific investments made by the underlying hedge funds or to know whether the sub-fund investments are consistent with the hedge fund’s historic investment philosophy or risk levels.
- A hedge fund of funds invests in other funds and fees are charged at both the fund and sub-fund level. Thus, the overall fees you will pay will be higher than you would pay by investing directly in the sub-funds. In addition, each sub-fund charges an incentive fee on new profits regardless of whether the overall operations of the fund are profitable.
- There is no public secondary market for Hedge Funds interests. Transfers of interests are subject to limitations. The funds’ manager may deny a request to transfer if it determines that the transfer may result in adverse legal or tax consequences for the fund.

A Hedge Funds’ Offering Memorandum or a registered money manager’s disclosure document (Form ADV Part II) describes the various risks and conflicts of interest relating to an investment and to its operations. You should read those documents carefully to determine whether an investment is suitable for you in light of, among other things, your financial situation, need for liquidity, tax situation, and other investments.

Keep in mind that past performance of any investment is not necessarily indicative of future results. You should only commit risk capital to any investment product. Alternative investment products, including Hedge Funds, are not for everyone and entail risks that are different from more traditional investments. You should obtain legal and tax advice from your appropriate advisors before deciding to invest.