



### **USA Mutuals Vice Fund**

Institutional Class Shares (VICVX)

Investor Class Shares (VICEX)

Class A Shares (VICAX)

Class C Shares (VICCX)

### **USA Mutuals Navigator Fund**

Institutional Class Shares (UNAVX)

Class Z Shares (ZNAVX) *(not currently offered)*

### **USA Mutuals/WaveFront Hedged Quantamental Opportunities Fund**

Institutional Class Shares (QUANX)

Class Z Shares *(not currently offered)*

## **Statement of Additional Information**

**Dated July 27, 2018**

This Statement of Additional Information (“SAI”) provides general information about the USA Mutuals Vice Fund (the “Vice Fund”), USA Mutuals Navigator Fund (the “Navigator Fund”) and USA Mutuals/WaveFront Hedged Quantamental Opportunities Fund (the “WaveFront Fund”) (each, a “Fund,” and collectively, the “Funds”) each a series of USA Mutuals. This SAI is not a prospectus and should be read in conjunction with the Funds’ current Prospectus dated July 27, 2018, as supplemented and amended from time to time, which is incorporated herein by reference. A copy of the Prospectus may be obtained without charge by calling the Funds at 1-866-264-8783 or visiting [www.usamutuals.com](http://www.usamutuals.com).

You should rely only on the information contained in this SAI and the Prospectus dated July 27, 2018. USA Mutuals has not authorized others to provide additional information. This SAI is not an offer to sell securities in any state or jurisdiction where the offering cannot legally be made. The Funds’ audited financial statements and notes thereto for the fiscal year ended March 31, 2018 are incorporated herein by reference to the Funds’ 2018 annual report. A copy of the annual report may be obtained without charge by calling the Funds at 1-866-264-8783 or visiting [www.usamutuals.com](http://www.usamutuals.com).

**Phone: 1-866-264-8783**

**Web: [www.usamutuals.com](http://www.usamutuals.com)**

**Series of USA Mutuals**

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## **ORGANIZATION OF THE TRUST AND THE FUNDS**

USA Mutuals (the “Trust”) is an open-end management investment company, or mutual fund, organized as a Delaware statutory trust on March 20, 2001. The Trust’s Declaration of Trust permits the Trust to offer separate series of units of beneficial interest and separate classes. The Vice Fund is currently authorized to offer Institutional Class, Class A, Class C and Investor Class shares. The Navigator Fund and WaveFront Fund are currently authorized to offer Institutional Class and Class Z shares. Class Z shares of the Navigator Fund and WaveFront Fund are not currently offered for purchase. The Trust may start more series and offer shares of a new fund or share class under the Trust at any time. From inception to July 28, 2014, the Vice Fund was named the USA Mutuals Vice Fund. On July 28, 2014, the Vice Fund’s name changed from USA Mutuals Vice Fund to USA Mutuals Barrier Fund. Effective September 29, 2016, the Fund was renamed the USA Mutuals Vice Fund. The Navigator Fund commenced operations as a mutual fund on October 13, 2017 and the WaveFront Fund commenced operations as a mutual fund on October 16, 2017.

The Trust is authorized to issue an unlimited number of interests (or shares) at \$0.001 par value. Shares of each series have equal voting rights and liquidation rights, and are voted in the aggregate and not by the series or class of shares except in matters where a separate vote is required by the Investment Company Act of 1940, as amended (the “1940 Act”), or when the matter affects only the interest of a particular series or class of shares. When matters are submitted to shareholders for a vote, each shareholder is entitled to one vote for each full share owned and fractional votes for fractional shares owned. Shares of each series or class generally vote together, except when required under federal securities laws to vote separately on matters that only affect a particular class. The Trust does not normally hold annual meetings of shareholders. The Board of Trustees of the Trust (the “Board of Trustees”) shall promptly call and give notice of a special meeting of shareholders upon the written request of shareholders owning 10% or more of a Fund’s outstanding shares, as required under Delaware law. The Trust will comply with the provisions of Section 16(c) of the 1940 Act in order to facilitate communications among shareholders.

With respect to the Funds, the Trust may offer more than one class of shares. The Trust has adopted a multiple class plan pursuant to Rule 18f-3 under the 1940 Act, detailing the attributes of each share class of the Funds. Each share of a series or class represents an equal proportionate interest in that series or class with each other share of that series or class.

Each share of a Fund represents an equal proportionate interest in the assets and liabilities belonging to the Fund and is entitled to such distributions out of the income belonging to the Fund as are declared by the Board of Trustees. The shares do not have cumulative voting rights or any preemptive or conversion rights, and the Board of Trustees has the authority from time to time to divide or combine the shares of a Fund into a greater or lesser number of shares of the Fund so long as the proportionate beneficial interests in the assets belonging to the Fund and the rights of shares of any other fund are in no way affected. In the case of any liquidation of a Fund, the holders of shares of the Fund being liquidated will be entitled to receive as a class a distribution out of the assets, net of the liabilities, belonging to the Fund. Expenses attributable to any series or class are borne by that series or class. Any general assets, liabilities and expenses of the Trust not readily identifiable as belonging to a particular series or class are allocated to one or more series of the Trust by or under the direction of the Board of Trustees in accordance with the Trust’s Bylaws. No shareholder is liable to further calls or to assessment by the Trust without his or her express consent.

The assets of a Fund received for the issue or sale of its shares, and all income, earnings, profits and proceeds thereof, subject only to the rights of creditors, shall constitute the underlying assets of the Fund.

In the event of the dissolution or liquidation of a Fund, the holders of shares of such Fund are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders.

USA Mutuals Advisors, Inc. (the “Advisor”) serves as the investment advisor to the Funds. The Navigator Fund is the successor to the Goldman Navigator Fund, L.P., a limited partnership managed by Steven Goldman, the Navigator Fund’s portfolio manager, pursuant to a reorganization effective as of October 13, 2017. The WaveFront Fund is the successor to BC Capital Investors, L.P., a limited partnership managed by WaveFront Global Asset Management Corp. (“WaveFront” or the “Sub-Advisor”), the WaveFront Fund’s sub-advisor, pursuant to a reorganization effective as of October 16, 2017.

## **Description of the Funds**

Each Fund is an open-end, diversified investment company, or mutual fund.

The Vice Fund has an investment objective of long-term growth of capital. The Fund seeks to achieve its investment objective by investing primarily in equity securities of companies within industries that are likely to grow, in terms of revenue and earnings, independently of economic cycles. The Fund seeks economically independent growth by investing in companies that are involved in the alcoholic beverages, defense/aerospace, gaming and tobacco industries.

The Navigator Fund has an investment objective of capital appreciation and capital preservation with lower volatility throughout market cycles – highly correlated with the Standard & Poor’s 500<sup>®</sup> Index in bull markets, and less or negatively correlated in bear markets.

The WaveFront Fund has an investment objective of producing positive absolute returns while reducing exposure to general equity market risk. The Fund is intended to provide an investment vehicle whose strategy offers an opportunity for real, positive, consistent and meaningful rates of return with lower levels of volatility.

## **INVESTMENT POLICIES, STRATEGIES AND ASSOCIATED RISKS**

The following discussion supplements the description of the Funds’ investment objectives and strategies set forth in the Prospectus. Except for the fundamental investment limitations listed below (see “Fundamental Investment Limitations” in this SAI), the Funds’ investment objectives, investment strategies and policies are not fundamental and may be changed by sole action of the Board of Trustees without shareholder approval. Shareholders will be provided with sixty (60) days advance written notice prior to a change to the Funds’ investment objectives. While the Funds are permitted to hold securities and engage in various strategies as described hereafter, they are not obligated to do so.

Whenever an investment policy or investment restriction states a maximum percentage of a Fund’s assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of a Fund’s acquisition or sale of such security or other asset. Accordingly, except with respect to borrowing and illiquid securities, any subsequent change in values, net assets or other circumstances will not be considered when determining whether an investment complies with a Fund’s investment policies and investment restrictions set forth herein or in the Prospectus. In addition, if a bankruptcy or other extraordinary event occurs concerning a particular investment by a Fund, the Fund may receive stock, real estate or other investments that the Fund would not, or could not, buy. If this happens, the Fund will sell such investments as soon as practicable while trying to maximize the return to its shareholders.

### ***Diversification of Investments***

The Funds are diversified under the 1940 Act. Under applicable federal laws, to qualify as a diversified fund, each Fund, with respect to 75% of its total assets, may not invest more than 5% of its total assets in any one issuer and may not hold more than 10% of the securities of one issuer. The remaining 25% of a Fund's total assets does not need to be "diversified" and may be invested in securities of a single issuer, subject to other applicable laws. The diversification of a mutual fund's holdings is measured at the time the fund purchases a security. However, if a Fund purchases a security and holds it for a period of time, the security may become a larger percentage of the Fund's total assets due to movements in the financial markets. If the market affects several securities held by a Fund, the Fund may have a greater percentage of its assets invested in securities of fewer issuers. Because each Fund is diversified, the Funds are less subject to the risk that its performance may be hurt disproportionately by the poor performance of relatively few securities.

### ***Sector/Industry Concentration – Vice Fund***

The Vice Fund will concentrate at least 25% of its net assets in a group of vice industries (but no more than 80% of its net assets in any single industry) that includes the alcoholic beverages, defense/aerospace, gaming and tobacco industries, as identified in the Fund's Prospectus.

To the extent that the Vice Fund concentrates its investments in an industry or sector, it may be subject to the risks affecting that sector or industry, including the risk that the securities of companies within that one sector or industry will underperform due to adverse economic conditions, regulatory or legislative changes or increased competition affecting the sector or industry, more than would a more broadly diversified fund. The following alphabetical list includes descriptions about the sectors or industries in which the Fund may invest.

*Alcoholic Beverages and Tobacco Industries:* Companies that manufacture wholesale or retail non-durable goods such as alcoholic beverage and tobacco products. To the extent that the Vice Fund's investments are concentrated in issuers conducting business in the same economic sector, the Fund is subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that economic sector. The performance of consumer products companies has historically been closely tied to the performance of the overall economy, and is also affected by interest rates, competition, consumer confidence and relative levels of disposable household income and seasonal consumer spending. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products in the marketplace.

There is substantial litigation related to tobacco products in the United States and certain foreign jurisdictions, and damages claimed in some of the tobacco-related litigation range into the billions of dollars. The present litigation environment is substantially uncertain, and it is possible that companies with exposure to the tobacco industries could be materially affected by an unfavorable outcome of pending litigation. The tobacco industry faces significant governmental action aimed at reducing the incidence of smoking and seeking to hold tobacco companies responsible for the adverse health effects associated with both smoking and exposure to environmental tobacco smoke. Governmental actions, combined with the diminishing social acceptance of smoking and private actions to restrict smoking, have resulted in reduced industry volume and may affect the performance of companies in the tobacco industry.

The success of alcoholic beverage companies depends on satisfying consumer tastes and preferences. Consumer preferences can change in unpredictable ways, and consumers may begin to prefer the products of competitors. In order to respond to changes in consumer preferences, alcoholic beverage companies may need to increase and enhance the marketing of existing products, change the pricing of existing products or introduce new products and services. Each response might affect financial results. In

addition, brewers and distilled spirits manufacturers have been sued in several courts regarding advertising practices and underage consumption, and are subject to extensive regulation at the federal, state and local levels. Compliance with these laws and regulations can be costly.

*Defense/Aerospace Industry:* Companies engaged in the development, manufacture or sale of aerospace equipment and defense weapons. Aerospace equipment may include companies involved in the development of gas turbine engines, multi-band filter and power amplifiers for airborne applications, aircraft electrical power distribution systems, airborne laser mine detection, helicopters, air-launched theater missile defense, unmanned aerial vehicles (UAV) and flight simulators.

Risk factors or challenges that face the industry include the fact that procurement cycles can be as long as ten years and the rate of growth in defense spending may soon slow down. Some defense contractors are trading at discounts due to their exposure to aircraft and automobile manufacturing while many others face enormous underfunded pensions. Finally, significant defense budget reductions internationally are shrinking the export opportunities for American defense companies.

*Gaming Industry:* Companies in the gaming, casino and related industries are highly regulated, and state and Federal legislative changes can significantly impact the profitability of companies in those industries. Companies in the same industry often face similar obstacles, issues and regulatory burdens. As a result, the securities of gaming-related companies may react similarly to, and move in unison with, one another. The gaming industry may also be negatively affected by changes in economic conditions as well as changes in consumer tastes.

### ***Equity Securities***

Each Fund may invest in equity securities consistent with its investment objective and strategies. An equity security, or stock, represents a proportionate share of the ownership of a company and its value is based on the success of the company's business, any income paid to stockholders, the value of its assets and general market conditions. Common stocks and preferred stocks are examples of equity securities. Equity securities, such as common stocks, represent shares of ownership of a corporation. Preferred stocks are equity securities that often pay dividends at a specific rate and have a preference over common stocks in dividend payments and liquidation of assets. Some preferred stocks may be convertible into common stock. Convertible securities are securities (such as debt securities or preferred stock) 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. Please see "Debt Securities," below.

To the extent the Funds invest in the equity securities of small or medium-size companies, the Funds will be exposed to the risks of smaller sized companies. Small and medium-size companies often have narrower markets for their goods and/or services and more limited managerial and financial resources than larger, more established companies. Furthermore, those companies often have limited product lines, services, markets or financial resources, or are dependent on a small management group. In addition, because these stocks are not well-known to the investing public, do not have significant institutional ownership and are followed by relatively few security analysts, there will normally be less publicly available information concerning these securities compared to what is available for the securities of larger companies. Adverse publicity and investor perceptions can decrease the value and liquidity of securities held by a Fund. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a Fund's portfolio.

### ***Derivatives***

*Buying Call and Put Options.* Each Fund may invest in call and put options as part of its overall portfolio management strategy. Call and put options may be entered into in order to limit the risk of a substantial increase in the market price of the security that a Fund intends to purchase. Prior to its expiration, a call

option may be sold in a closing sale transaction. Any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the call option plus the related transaction cost. By buying a put, a Fund has the right to sell the security at the exercise price, thus limiting its risk of loss through a decline in the value of the security until the put expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium paid for the put option and any related transaction cost. Prior to its expiration, a put option may be sold in a closing sale transaction and any profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs.

*Writing (Selling) Call and Put Options.* The Funds have the ability to write covered options on equity and debt securities and indices. This means that a Fund will, through its custodian, deposit and maintain either cash or securities with a value equal to or greater than the exercise price of the option.

Covered call options give the holder the right to buy the underlying securities from a Fund at a stated exercise price. A call option written by a Fund is “covered” if the Fund owns the underlying security that is subject to the call or has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration held in a segregated account by its custodian bank) upon conversion or exchange of other securities held in its portfolio. A call option is also covered if a Fund holds a call on the same security and in the same principal amount as the call written where the exercise price of the call held (a) is equal to or less than the exercise price of the call written or (b) is greater than the exercise price of the call written if the difference is maintained by the Fund in cash and high grade debt securities in a segregated account with its custodian bank. The Funds may purchase securities that may be covered with call options solely on the basis of considerations consistent with the investment objectives and policies of the Funds. A Fund’s turnover may increase through the exercise of a call option. This will generally occur if the value of a “covered” security increases, and a Fund has not entered into a closing purchase transaction.

As a writer of an option, a Fund receives a premium less a commission, and in exchange foregoes the opportunity to profit from any increase in the value of the security exceeding the call option price. The premium serves to mitigate the effect of any depreciation in the value of the security. The premium paid by the buyer of an option will reflect, among other things, the relationship of the exercise price to the market price, the volatility of the underlying security, the remaining term of the option, the existing supply and demand and the interest rates.

The writer of a call option may have no control over when the underlying securities must be sold because the writer may be assigned an exercise notice at any time prior to the termination of the obligation. Exercise of a call option by the purchaser will cause a Fund to forego future appreciation of the securities covered by the option. Whether or not an option expires unexercised, the writer retains the amount of the premium. This amount may, in the case of a covered call option, be offset by a decline in the value of the underlying security during the option period. If a call option is exercised, the writer experiences a profit or loss from the sale of the underlying security. Thus during the option period, the writer of a call option gives up the opportunity for appreciation in the value of the underlying security or currency above the exercise price. It retains the risk of the loss should the price of the underlying security or foreign currency decline. Writing call options also involves risks relating to a Fund’s ability to close out the option it has written.

Call options may be written on portfolio securities, indices or foreign currencies. With respect to securities and foreign currencies, the Funds may write call and put options on an exchange or over-the-counter. Call options on portfolio securities will be covered since the Funds will own the underlying securities. Call options on securities indices will be written only to hedge in an economically appropriate way portfolio securities that are not otherwise hedged with options or financial futures contracts and will

be “covered” by identifying the specific portfolio securities being hedged. Options on foreign currencies will be covered by securities denominated in that currency. Options on securities indices will be covered by securities that substantially replicate the movement of the index.

A put option on a security, security index or foreign currency gives the purchaser of the option, in return for the premium paid to the writer (seller), the right to sell the underlying security, index or foreign currency at the exercise price at any time during the option period. When a Fund writes a secured put option, it will gain a profit in the amount of the premium, less a commission, so long as the price of the underlying security remains above the exercise price. However, a Fund remains obligated to purchase the underlying security from the buyer of the put option (usually in the event the price of the security falls below the exercise price) at any time during the option period. If the price of the underlying security falls below the exercise price, a Fund may realize a loss in the amount of the difference between the exercise price and the sale price of the security, less the premium received. Upon exercise by the purchaser, the writer of a put option has the obligation to purchase the underlying security or foreign currency at the exercise price. A put option on a securities index is similar to a put option on an individual security, except that the value of the option depends on the weighted value of the group of securities comprising the index and all settlements are made in cash.

During the option period, the writer of a put option has assumed the risk that the price of the underlying security or foreign currency will decline below the exercise price. However, the writer of the put option has retained the opportunity for an appreciated price above the exercise price should the market price of the underlying security or foreign currency increase. Writing put options also involves risks relating to a Fund’s ability to close out the option that it has written.

The writer of an option who wishes to terminate its obligation may effect a “closing purchase transaction” by buying an option on the same securities as the option previously written. The effect of the purchase is that the clearing corporation will cancel the writer’s position. However, a writer may not effect a closing purchase transaction after being notified of the exercise of an option. There is also no guarantee that a Fund will be able to effect a closing purchase transaction for the options it has written.

Effecting a closing purchase transaction in the case of a written call option will permit a Fund to write another call option on the underlying security with a different exercise price, expiration date or both. Effecting a closing purchase transaction will also permit the Fund to use cash or proceeds from the investments. If a Fund desires to sell a particular security from its portfolio on which it has written a call option, it will effect a closing purchase transaction before or at the same time as the sale of the security.

A Fund will realize profits from closing purchase transactions if the price of the transaction is less than the premium received from writing the option. Likewise, a Fund will realize a loss from a closing purchase transaction if the price of the transaction is more than the premium received from writing the option. Because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation of the underlying security.

*Writing Over-the-Counter (“OTC”) Options.* The Funds have the ability to engage in options transactions that trade on the OTC market to the same extent that they intend to engage in exchange traded options. Just as with exchange traded options, OTC options give the holder the right to buy an underlying security from, or sell an underlying security to, an option writer at a stated exercise price. However, OTC options differ from exchange traded options in certain material respects.

OTC options are arranged directly with dealers and not, as is the case with exchange traded options, through a clearing corporation. Thus, there is a risk of non-performance by the dealer. Because there is

no exchange, pricing is typically done by reference to information obtained from market makers. Since OTC options are available for a greater variety of securities and in a wider range of expiration dates and exercise prices, the writer of an OTC option is paid the premium in advance by the dealer.

A writer or purchaser of a put or call option can terminate it voluntarily only by entering into a closing transaction. There can be no assurance that a continuously liquid secondary market will exist for any particular option at any specific time. Consequently, a Fund may be able to realize the value of an OTC option it has purchased only by exercising it or entering into a closing sale transaction with the dealer that issued it. Similarly, when a Fund writes an OTC option, it generally can close out that option prior to its expiration only by entering into a closing purchase transaction with the dealer to which it originally wrote the option. If a covered call option writer cannot effect a closing transaction, it cannot sell the underlying security or foreign currency until the option expires or the option is exercised. Therefore, the writer of a covered OTC call option may not be able to sell an underlying security even though it might otherwise be advantageous to do so. Likewise, the writer of a secured OTC put option may be unable to sell the securities pledged to secure the put for other investment purposes while it is obligated as a put writer. Similarly, a purchaser of an OTC put or call option might also find it difficult to terminate its position on a timely basis in the absence of a secondary market.

*Futures Contracts.* The Funds have the ability to buy and sell stock index futures contracts traded on domestic futures exchanges to hedge the value of their portfolios against changes in market conditions. A stock index futures contract is an agreement between two parties to take or make delivery of an amount of cash equal to a specified dollar amount, times the difference between the stock index value at the close of the last trading day of the contract and the price at which the futures contract is originally struck. A stock index futures contract does not involve the physical delivery of the underlying stocks in the index. Although stock index futures contracts call for the actual taking or delivery of cash, in most cases the Funds expect to liquidate their stock index futures positions through offsetting transactions, which may result in a gain or a loss, before cash settlement is required.

The Funds will incur brokerage fees when they purchase and sell stock index futures contracts, and at the time a Fund purchases or sells a stock index futures contract, it must make a good faith deposit known as the “initial margin.” Thereafter, a Fund may need to make subsequent deposits, known as “variation margin,” to reflect changes in the level of the stock index.

The Vice Fund and WaveFront Fund may, in addition to bona fide hedging transactions, use futures and options on futures transactions if the aggregate initial margin and premiums required to establish such non-hedging positions, less the amount by which any such options positions are in the money (within the meaning of the Commodity Exchange Act (the “CEA”) and regulations of the Commodity Futures Trading Commission (“CFTC”)), do not exceed 5% of the liquidation value of a Fund, or if the aggregate net notional value of a Fund’s commodity positions does not exceed 100% of the liquidation value of the Fund.

*Risks Associated With Options and Futures.* Although the Funds may write covered call options and purchase and sell stock index futures contracts to hedge against declines in the value of their portfolio securities, the use of these instruments involves certain risks. As the writer of covered call options, a Fund receives a premium but loses any opportunity to profit from an increase in the market price if the underlying securities appreciate, though the premium received may partially offset such loss.

Although stock index futures contracts may be useful in hedging against adverse changes in the value of a Fund’s investment securities, they are derivative instruments that are subject to a number of risks. During certain market conditions, purchases and sales of stock index futures contracts may not completely offset a decline or rise in the value of a Fund’s investments. In the futures markets, it may not always be possible to execute a buy or sell order at the desired price, or to close out an open position due to market

conditions, limits on open positions and/or daily price fluctuations. Changes in the value of a Fund's investment securities may differ substantially from the changes anticipated by the Fund when it established its hedged positions, and unanticipated price movements in a futures contract may result in a loss substantially greater than the Fund's initial investment in such a contract.

The CFTC and the various exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short position that any person may hold or control in a particular futures contract. Trading limits are imposed on the number of contracts that any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose sanctions or restrictions. These trading and positions limits will not have an adverse impact on a Fund's strategies for hedging its securities.

Often, futures purchased or sold by the Funds will be traded on foreign securities exchanges. Participation in foreign futures and foreign options transactions involves the execution and clearing of trades on or subject to the rules of a foreign board of trade. Neither the National Futures Association ("NFA") nor any domestic exchange regulates activities of any foreign boards of trade, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign board of trade or any applicable foreign law. This is true even if the exchange is formally linked to a domestic market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the foreign futures or foreign options transaction occurs.

For these reasons, customers who trade foreign futures or foreign options contracts may not be afforded certain of the protective measures provided by the CFTC regulations and the rules of the NFA and any domestic exchange, including the right to use reparations proceedings before the CFTC and arbitration proceedings provided by the NFA or any domestic futures exchange. The Funds' investments in foreign futures or foreign options transactions may not be provided the same protections as transactions on United States futures exchanges. In addition, the price of any foreign futures or foreign options contract and, therefore, the potential profit and loss thereon, may be affected by any variance in the foreign exchange rate between the time an order is placed and the time it is liquidated, offset or exercised.

As of the date of this SAI, the Advisor is not deemed to be a commodity pool operator ("CPO") with respect to its service as an investment advisor to the Vice Fund. The Vice Fund does not invest in commodities, does not rely on any exemptions and is not subject to regulation by the CFTC.

As of the date of this SAI, the Advisor is deemed to be a CPO with respect to its services as an investment advisor to the Navigator Fund and the WaveFront Fund. The Navigator Fund, the WaveFront Fund and the Advisor are subject to regulation by the CFTC. The Predecessor Partnership to the Navigator Fund was previously registered with the NFA as a commodity pool and the Predecessor Partnership's advisor was registered with the NFA as a CPO. The Sub-Advisor to the WaveFront Fund is also registered as a CPO and the Predecessor Partnership to the WaveFront Fund was not previously registered as a CPO or a commodity trading advisor.

#### ***Commodity Pool Operator - Navigator Fund and WaveFront Fund***

The Navigator Fund and the WaveFront Fund are subject to regulation by the CFTC as commodity pools and the Advisor is subject to regulation by the CFTC as a CPO with respect to the Navigator Fund and the WaveFront Fund under the CEA. The Advisor does not currently rely on an exclusion from the definition of CPO in CFTC Rule 4.5 with respect to those Funds. The Advisor is registered with the NFA as a CPO. As a result, the Advisor is subject to dual regulation by the CFTC and the SEC. The Advisor has availed itself of the CFTC's substitute compliance option under the harmonization regulations with respect to the Navigator Fund and the WaveFront Fund by filing a notice with the NFA. The Advisor will remain subject to certain CFTC-mandated disclosure, reporting and recordkeeping regulations.

### ***Other Investment Companies and Exchange-Traded Funds (“ETFs”)***

Each Fund may invest in shares of other investment companies, which may include ETFs and money market mutual funds in addition to other mutual funds. A Fund’s investments in money market mutual funds may be used for cash management purposes, for temporary defensive purposes, and to maintain liquidity in order to satisfy redemption requests or pay unanticipated expenses. An ETF, a type of investment company that trades like common stock on an exchange, usually represents a fixed portfolio of securities designed to track the performance and dividend yield of a particular domestic or foreign market index.

The Funds limit their investments in securities issued by other investment companies in accordance with the 1940 Act. This limitation may prevent the Funds from allocating their investments in the manner the Advisor considers optimal. Section 12(d)(1) of the 1940 Act precludes each Fund from acquiring (i) more than 3% of the total outstanding shares of another investment company; (ii) shares of another investment company having an aggregate value in excess of 5% of the value of the total assets of a Fund; or (iii) shares of another registered investment company and all other investment companies having an aggregate value in excess of 10% of the value of the total assets of a Fund. However, Section 12(d)(1)(F) of the 1940 Act provides that the provisions of paragraph 12(d)(1) shall not apply to securities purchased or otherwise acquired by a Fund if (i) immediately after such purchase or acquisition not more than 3% of the total outstanding shares of such investment company is owned by a Fund and all affiliated persons of a Fund; and (ii) the Funds have not offered or sold, and are not proposing to offer or sell their shares through a principal underwriter or otherwise at a public or offering price that includes a sales load of more than 5.25% (with respect to the Vice Fund’s Class A shares).

If a Fund invests in investment companies, including ETFs, pursuant to Section 12(d)(1)(F), it must comply with the following voting restrictions: when the Fund exercises voting rights, by proxy or otherwise, with respect to investment companies owned by the Fund, the Fund will either seek instruction from the Fund’s shareholders with regard to the voting of all proxies and vote in accordance with such instructions, or vote the shares held by the Fund in the same proportion as the vote of all other holders of such security. In addition, an investment company purchased by a Fund pursuant to Section 12(d)(1)(F) is not required to redeem its shares in an amount exceeding 1% of such investment company’s total outstanding shares in any period of less than 30 days.

As a shareholder of another investment company, a Fund bears, along with other shareholders, a pro rata portion of the other investment company’s expenses, including advisory fees, and such fees and other expenses will be borne indirectly by the Fund’s shareholders. These expenses will be in addition to the advisory and other expenses that the Funds bear directly in connection with its own operations.

### ***Exchange-Traded Funds***

An investment in an ETF generally presents the same primary risk as an investment in a conventional mutual fund (*i.e.*, one that is not exchange-traded) that has the same investment objective, strategies and policies. The price of an ETF can fluctuate within a wide range, and a Fund could lose money investing in an ETF if the prices of the securities owned by the ETF go down. In addition, ETFs are subject to the following risks that do not apply to conventional mutual funds: (1) the market price of the ETF’s shares may trade at a discount to their net asset value; (2) an active trading market for an ETF’s shares may not develop or be maintained; or (3) trading of an ETF’s shares may be halted if the listing exchange’s officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide “circuit breakers” (which are tied to large decreases in stock prices) halts stock trading generally. Additionally, ETFs have management fees, which increase their cost.

### ***Real Estate Investment Trusts***

As a non-principal investment strategy of the Funds, the Funds may invest in real estate investment trusts (“REITs”). Equity REITs invest primarily in real property and earn rental income from leasing those properties. Equity REITs also may realize gains or losses from the sale of properties. Equity REITs generally exercise some degree of control over the operational aspects of their real estate investments, lease terms and property maintenance and repair. Mortgage REITs invest primarily in mortgages and similar real estate interests and receive interest payments from the owners of the mortgaged properties and are paid interest by the owners of the financed properties. Hybrid REITs invest both in real property and in mortgages.

A REIT generally is not taxed on income distributed to its shareholders if it complies with certain federal income tax requirements relating primarily to its organization, ownership, assets and income and, further, if it distributes at least 90% of its taxable income to shareholders each year. Consequently, REITs tend to focus on income-producing real estate investments.

The Funds’ investments in REITs may be adversely affected by deteriorations of the real estate rental market, in the case of REITs that primarily own real estate, or by deteriorations in the creditworthiness of property owners and changes in interest rates in the case of REITs that primarily hold mortgages. Equity and mortgage REITs also are dependent upon specialized management skills, may not be diversified in their holdings and are subject to the risks of financing projects. REITs also may be subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. Under certain circumstances, a REIT may fail to qualify for pass-through treatment for tax purposes, which would subject the REIT to federal income taxes at the REIT level and adversely affect the value of a Fund’s investment in such REIT.

In general, qualified REIT dividends that an investor receives directly from a REIT are automatically eligible for the 20% qualified business income deduction. At this time, REIT dividends that an investor effectively receives indirectly through a regulated investment company that owns interests in a REIT do not qualify for the 20% qualified business income deduction. As a result, it may be less advantageous for an investor to hold interests in a REIT indirectly through a regulated investment company than it would be for the taxpayer to directly invest in the underlying REIT.

### ***Debt Securities***

Each Fund may invest in debt securities, including debt securities convertible into common stock consistent with its investment objective and strategies. Debt securities purchased by the Funds may consist of obligations of any rating. Debt securities in the lowest investment grade categories have speculative characteristics, with changes in the economy or other circumstances more likely to lead to a weakened capacity of issuers of the securities to make principal and interest payments than would occur with securities rated in higher categories. Securities referred to as “high-risk” securities generally lack characteristics of a desirable investment, and are deemed speculative with respect to the issuer’s capacity to pay interest and repay principal over a long period of time. The Funds may invest in high yield debt securities or “junk bonds” that are considered high risk. Special tax considerations are associated with investing in high-yield securities structures such as zero coupon or “pay-in-kind” securities. A Fund will report the accrued interest on these securities as income even though it receives no cash interest until the security’s maturity or payment date.

Because of the wide range of types, and maturities, of corporate debt securities, as well as the range of creditworthiness of its issuers, corporate debt securities have widely varying potentials for return and risk profiles. For example, commercial paper issued by a large established domestic corporation that is rated investment grade may have a modest return on principal, but carries relatively limited risk. On the other hand, a long-term corporate note issued by a small foreign corporation from an emerging market country

that has not been rated may have the potential for relatively large returns on principal, but carries a relatively high degree of risk.

Corporate debt securities carry both credit risk and interest rate risk. Credit risk is the risk that a Fund could lose money if the issuer of a corporate debt security is unable to pay interest or repay principal when it is due. Some corporate debt securities that are rated below investment grade are generally considered speculative because they present a greater risk of loss, including default, than higher quality debt securities. The credit risk of a particular issuer's debt security may vary based on its priority for repayment. For example, higher ranking (senior) debt securities have a higher priority than lower ranking (subordinated) securities. This means that the issuer might not make payments on subordinated securities while continuing to make payments on senior securities. In addition, in the event of bankruptcy, holders of higher-ranking senior securities may receive amounts otherwise payable to the holders of more junior securities. Interest rate risk is the risk that the value of certain corporate debt securities will tend to fall when interest rates rise. In general, corporate debt securities with longer terms tend to fall more in value when interest rates rise than corporate debt securities with shorter terms.

The payment of principal and interest on most debt securities purchased by a Fund will depend upon the ability of the issuers to meet their obligations. An issuer's obligations under its debt securities are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Code, and laws, if any, that may be enacted by federal or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations. The power or ability of an issuer to meet its obligations for the payment of interest on, and principal of, its debt securities may be materially adversely affected by litigation or other conditions.

The ratings of Standard & Poor's Ratings Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") and other nationally recognized rating agencies represent their opinions as to the quality of debt securities. It should be emphasized, however, that ratings are general and are not absolute standards of quality, and debt securities with the same maturity, interest rate and rating may have different yields while debt securities of the same maturity and interest rate with different ratings may have the same yield.

### ***U.S. Government and Agency Obligations***

The Funds may invest in various types of U.S. Government obligations. U.S. Government obligations include securities issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities. U.S. Treasury obligations differ mainly in the length of their maturity. Treasury bills, the most frequently issued marketable government securities, have a maturity of up to one year and are issued on a discount basis. U.S. Government obligations also include securities issued or guaranteed by federal agencies or instrumentalities, including government-sponsored enterprises.

Payment of principal and interest on U.S. Government obligations may be backed by the full faith and credit of the United States or may be backed solely by the issuing or guaranteeing agency or instrumentality itself. In the latter case, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, which agency or instrumentality may be privately owned. There can be no assurance that the U.S. Government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) where it is not obligated to do so. See also "Mortgage-Backed and Asset-Backed Securities," below. In addition, U.S. Government obligations are subject to fluctuations in value due to fluctuations in market interest rates. As a general matter, the value of debt instruments, including U.S. Government obligations, declines when market interest rates increase and rises when market interest rates decrease. Certain types of U.S. Government obligations are subject to fluctuations in yield or value due to their structure or contract terms.

### ***Municipal Securities – Vice Fund***

Municipal securities are debt obligations issued by or on behalf of states, territories and possessions of the United States, including the District of Columbia, and any political subdivisions or financing authority of any of these (“Municipal Securities”). Even if the Fund earns income on its investments in Municipal Securities, it will not be able to make tax-exempt distributions unless at least 50% of the value of the Fund’s total assets at the close of each quarter of its taxable year consists of qualifying Municipal Securities.

Municipal Securities are generally issued to finance public works such as airports, bridges, highways, housing, hospitals, mass transportation projects, schools, streets and water and sewer works. They are also issued to repay outstanding obligations, to raise funds for general operating expenses and to make loans to other public institutions and facilities. Municipal Securities include industrial development bonds issued by or on behalf of public authorities to provide financing aid to acquire sites or construct and equip facilities for privately or publicly owned corporations. The availability of this financing encourages these corporations to locate within the sponsoring communities and thereby increases local employment.

The two principal classifications of Municipal Securities are “general obligation” and “revenue” bonds. General obligation bonds are secured by the issuer’s pledge of its full faith and credit and taxing power for the payment of principal and interest. Interest on and principal of revenue bonds, however, are payable only from the revenue generated by the facility financed by the bond or other specified sources of revenue. Revenue bonds do not represent a pledge of credit or create any debt of or charge against the general revenues of a municipality or public authority. Industrial development bonds are typically classified as revenue bonds.

Municipal Securities in which the Fund may invest include, but are not limited to, the following: industrial development bonds; municipal notes and bonds; serial notes and bonds sold with a series of maturity dates; tax anticipation notes and bonds sold to finance working capital needs of municipalities in anticipation of receiving taxes at a later date; bond anticipation notes sold in anticipation of the issuance of longer-term bonds in the future; pre-refunded municipal bonds refundable at a later date (payment of principal and interest on pre-refunded bonds are assured through the first call date by the deposit in escrow of U.S. Government securities); and general obligation bonds secured by a municipality’s pledge of taxation. There are no restrictions on the maturity of Municipal Securities in which the Fund may invest. The Fund will seek to invest in Municipal Securities of such maturities as the Advisor believes will produce current income consistent with prudent investment and the Fund’s investment objective.

The Fund may also purchase some Municipal Securities with variable interest rates. Variable interest rates are ordinarily stated as a percentage of the prime rate of a bank or some similar standard, such as the 91-day U.S. Treasury bill rate. Variable interest rates are adjusted on a periodic basis (*e.g.*, every 30 days). Many variable rate Municipal Securities are subject to payment of principal on demand, usually in not more than seven days. If a variable rate municipal security does not have this demand feature, or the demand feature extends beyond seven days and the Advisor believes the security cannot be sold within seven days, the Advisor may consider the security to be illiquid. Variable interest rates generally reduce changes in the value of Municipal Securities from their original purchase prices. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less for variable rate Municipal Securities than for fixed rate obligations. The terms of these variable rate demand instruments require payment of principal and accrued interest from the issuer of the municipal obligations, the issuer of the participation interests or a guarantor of either issuer.

Yields on Municipal Securities depend on a variety of factors, including: the general conditions of the money market and the taxable and Municipal Securities markets; the size of the particular offering; the maturity of the obligations; and the credit quality of the issue. The ability of the Fund to achieve its

investment objective also depends on the continuing ability of the issuers of Municipal Securities to meet their obligations for the payment of interest and principal when due. Any adverse economic conditions or developments affecting states or municipalities could affect the Fund's portfolio.

### ***Mortgage-Backed and Asset-Backed Securities – Vice Fund***

Residential and commercial mortgage-backed as well as other asset-backed securities (collectively called "asset-backed securities") are secured or backed by automobile loans, installment sale contracts, credit card receivables or other assets and are issued by entities such as Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), commercial banks, trusts, financial companies, finance subsidiaries of industrial companies, savings and loan associations, mortgage banks and investment banks. These securities represent interests in pools of assets in which periodic payments of interest and/or principal on the securities are made, thus, in effect passing through periodic payments made by the individual borrowers on the assets that underlie the securities, net of any fees paid to the issuer or guarantor of the securities.

The average life of these securities varies with the maturities and the prepayment experience of the underlying instruments. The average life of a mortgage-backed instrument may be substantially less than the original maturity of the mortgages underlying the securities as the result of scheduled principal payments and mortgage prepayments. The rate of such mortgage prepayments, and hence the life of the certificates, will be a function of current market rates and current conditions in the relevant housing and commercial markets. In periods of falling interest rates, the rate of mortgage prepayments tends to increase. During such periods, the reinvestment of prepayment proceeds by the Vice Fund will generally be at lower rates than the rates that were carried by the obligations that have been prepaid. As a result, the relationship between mortgage prepayments and interest rates may give some high-yielding mortgage-related securities less potential for growth in value than non-callable bonds with comparable maturities. In calculating the average-weighted maturity of the Fund, the maturity of asset-backed securities will be based on estimates of average life. There can be no assurance that these estimates will be accurate.

There are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-backed securities and among the securities that they issue. Mortgage-backed securities guaranteed by GNMA include GNMA Mortgage Pass-Through Certificates (also known as "Ginnie Maes"), which are guaranteed as to the timely payment of principal and interest by GNMA and such guarantee is backed by the full faith and credit of the United States. GNMA is a wholly owned U.S. Government corporation within the Department of Housing and Urban Development. GNMA certificates also are supported by the authority of GNMA to borrow funds from the U.S. Treasury to make payments under its guarantee. Mortgage-backed securities issued by FNMA include FNMA Guaranteed Mortgage Pass-Through Certificates (also known as "Fannie Maes"), which are solely the obligations of FNMA and are generally not backed by or entitled to the full faith and credit of the United States, but are supported by the right of the issuer to borrow from the U.S. Treasury. FNMA is a government-sponsored organization owned entirely by private stockholders. Fannie Maes are guaranteed as to timely payment of the principal and interest by FNMA. Mortgage-backed securities issued by the FHLMC include FHLMC Mortgage Participation Certificates (also known as "Freddie Macs" or "PCs"). FHLMC is a corporate instrumentality of the United States, created pursuant to an Act of Congress. Freddie Macs are generally not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute a debt or obligation of the United States or of any Federal Home Loan Bank. Freddie Macs entitle the holder to timely payment of interest, which is guaranteed by the FHLMC. FHLMC guarantees either ultimate collection or timely payment of all principal payments on the underlying mortgage loans. When FHLMC does not guarantee timely payment of principal, FHLMC may remit the amount due on account of its guarantee of ultimate payment of principal at any time after default on an underlying mortgage, but in no event later than one year after it becomes payable.

In September 2008, due to the value of FNMA's and FHLMC's securities falling sharply and concerns that the firms did not have sufficient capital to offset losses resulting from the mortgage crisis, FNMA and FHLMC were placed into conservatorship under the Federal Housing Finance Agency at the direction of the U.S. Department of Treasury. The U.S. Government also took steps to provide additional financial support to FNMA and FHLMC. No assurance can be given that the U.S. Treasury initiatives will be successful. The Dodd-Frank Wall Street Reform and Consumer Protection Act required the Secretary of the Treasury to conduct a study and develop recommendations regarding the options for ending the conservatorships. The study and recommendations have been submitted to Congress.

Mortgage-backed securities such as collateralized mortgage obligations ("CMOs") may also be purchased. There are several types of mortgage-backed securities which provide the holder with a pro rata interest in the underlying mortgages, and CMOs which provide the holder with a specified interest in the cash flow of a pool of underlying mortgages or other mortgage-backed securities. CMOs are issued in multiple classes and their relative payment rights may be structured in many ways. In many cases, however, payments of principal are applied to the CMO classes in order of their respective maturities, so that no principal payments will be made on a CMO class until all other classes having an earlier maturity date are paid in full. The classes may include accrual certificates (also known as "Z-Bonds"), which do not accrue interest at a specified rate until other specified classes have been retired and are converted thereafter to interest-paying securities. They may also include planned amortization classes ("PACs") which generally require, within certain limits, that specified amounts of principal be applied to each payment date, and generally exhibit less yield and market volatility than other classes. Investments in CMO certificates can expose a fund to greater volatility and interest rate risk than other types of mortgage-backed obligations. Prepayments on mortgage-backed securities generally increase with falling interest rates and decrease with rising interest rates; furthermore, prepayment rates are influenced by a variety of economic and social factors.

The yield characteristics of asset-backed securities differ from traditional debt securities. A major difference is that the principal amount of the obligations may be prepaid at any time because the underlying assets (*i.e.* loans) generally may be prepaid at any time. As a result, if an asset-backed security is purchased at a premium, a prepayment rate that is faster than expected may reduce yield to maturity, while a prepayment rate that is slower than expected may have the opposite effect of increasing yield to maturity. Conversely, if an asset-backed security is purchased at a discount, faster than expected prepayments may increase, while slower than expected prepayments may decrease, yield to maturity. Moreover, asset-backed securities may involve certain risks that are not presented by mortgage-backed securities arising primarily from the nature of the underlying assets (*i.e.* credit card and automobile loan receivables as opposed to real estate mortgages). For example, credit card receivables are generally unsecured and may require the repossession of personal property upon the default of the debtor, which may be difficult or impracticable in some cases.

Asset-backed securities may be subject to greater risk of default during periods of economic downturn than other instruments. Also, while the secondary market for asset-backed securities is ordinarily quite liquid, in times of financial stress the secondary market may not be as liquid as the market for other types of securities, which could result in the Vice Fund experiencing difficulty in valuing, or liquidating such securities.

In general, the collateral supporting non-mortgage asset-backed securities is of shorter maturity than mortgage loans. Like other fixed-income securities, when interest rates rise, the value of an asset-backed security generally will decline; however, when interest rates decline, the value of an asset-backed security with prepayment features may not increase as much as that of other fixed-income securities.

Non-mortgage asset-backed securities do not have the benefit of the same security in the collateral as mortgage-backed securities. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which have given debtors the right to reduce the balance due on the credit cards. Most issuers of automobile receivables permit the servicer to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is the risk that the purchaser would acquire an interest superior to that of the holders of related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have an effective security interest in all of the obligations backing such receivables. Therefore, there is a possibility that payments on the receivables together with recoveries on repossessed collateral may not, in some cases, be able to support payments on these securities.

### ***Securities of Foreign Issuers***

Each Fund may invest in securities of foreign issuers. Investments in the securities of foreign issuers involve special risks that differ from those associated with investments in domestic securities. The risks associated with investments in the securities of foreign issuers relate to political and economic developments abroad, as well as those that result from the differences between the regulation of domestic securities and issuers and foreign securities and issuers. These risks may include, but are not limited to, expropriation, confiscatory taxation, withholding taxes on income earned on foreign securities, withholding taxes (generally nonrefundable) imposed by the United States on payments to certain foreign entities, limitations on the use or transfer of Fund assets, political or social instability and adverse diplomatic developments.

In addition, there are restrictions on foreign investments in other jurisdictions, and there tends to be difficulty in obtaining judgments from abroad and effecting repatriation of capital invested abroad. Delays could occur in settlement of foreign transactions, which could adversely affect shareholder equity. Moreover, individual foreign economies may differ favorably or unfavorably from the domestic economy in such respects as growth of gross national product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position.

Furthermore, investing in foreign securities can carry higher returns and risks than those associated with domestic investments. Foreign securities may be denominated in foreign currencies. Therefore, the value in U.S. dollars of a Fund's net assets and income may be affected by changes in exchange rates and regulations.

The internal politics of certain foreign countries may not be as stable as that of the United States. Governments in certain foreign countries also continue to participate to a significant degree, through ownership interest or regulation, in their respective economies. Action by these governments could include restrictions on foreign investment, nationalization, expropriation of goods or imposition of taxes, and could have a significant effect on market prices of securities and payment of interest. The economies of many foreign countries are heavily dependent upon international trade and are accordingly affected by the trade policies and economic conditions of their trading partners. Enactment by these trading partners of protectionist trade legislation, or economic recessions or slowdowns of those partners could have a significant adverse effect upon the securities markets of such countries.

In June 2016, the United Kingdom voted to leave the European Union following a referendum referred to as "Brexit." There is significant market uncertainty regarding Brexit's ramifications, and the range of possible political, regulatory, market and economic outcomes are difficult to predict.

A change in the value of any foreign currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of securities held by a Fund, denominated in that currency. Furthermore, the interest and dividends payable on certain foreign securities may be subject to foreign withholding taxes, thus reducing the net amount of income to be paid to a Fund and that may ultimately be available for distribution.

Other differences between investing in foreign companies and in U.S. domiciled companies include:

- information is less publicly available;
- there is a lack of uniform financial accounting standards applicable to foreign companies;
- market quotations are less readily available;
- there are differences in government regulation and supervision of foreign securities exchanges, brokers, listed companies and banks;
- there is generally a lower foreign securities market volume;
- it is likely that foreign securities may be less liquid and/or more volatile;
- there are generally higher foreign brokerage commissions;
- there may be difficulties in enforcing contractual obligations or obtaining court judgments abroad because of differences in the legal systems; and
- the mail service between countries may be unreliable.

#### ***Depository Receipts – Navigator Fund and WaveFront Fund***

The Navigator Fund and WaveFront Fund also may purchase foreign securities in the form of American Depositary Receipts (“ADRs”), European Depositary Receipts (“EDRs”), Global Depositary Receipts (“GDRs”) or other securities representing underlying shares of foreign companies. These securities may not necessarily be denominated in the same currency as the underlying securities but generally are denominated in the currency of the market in which they are traded. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. ADRs are publicly traded on exchanges or over-the-counter in the United States and are issued through “sponsored” or “unsponsored” arrangements. In a sponsored ADR arrangement, the foreign issuer assumes the obligation to pay some or all of the depository’s transaction fees, whereas under an unsponsored arrangement, the foreign issuer assumes no obligations and the depository’s transaction fees are paid by the ADR holders. In addition, less information generally is available for an unsponsored ADR than about a sponsored ADR and financial information about a company may not be as reliable for an unsponsored ADR as it is for a sponsored ADR. The Funds may invest in ADRs through both sponsored and unsponsored arrangements. EDRs are receipts issued in Europe by banks or depositaries which evidence similar ownership arrangements. GDRs are receipts issued globally by banks or depositaries which evidence similar ownership arrangements.

#### ***Foreign Currency Transactions – Vice Fund***

The Vice Fund may invest in foreign currency exchange transactions. Exchange rates between the U.S. dollar and foreign currencies are a function of such factors as supply and demand in the currency exchange markets, international balances of payment, governmental intervention, speculation and other economic and political conditions. Foreign exchange dealers may realize a profit on the difference between the price at which the Fund buys and sells currencies.

#### ***Emerging Market Countries – WaveFront Fund***

The WaveFront Fund may also invest in emerging market countries or developing countries. Emerging market countries include newly industrialized countries or countries in the beginning stages of development. The Fund considers every country, with the exception of the United States, Canada, Japan, Australia, New Zealand, and most western European countries, to be emerging market countries or

developing countries. Developing countries may impose restrictions on the Fund's ability to repatriate investment income or capital, which could affect the liquidity of the securities. Even where there is no outright restriction on repatriation of investment income or capital, the mechanics of repatriation may affect certain aspects of the operations of the Fund. For example, funds may be withdrawn from the People's Republic of China only in U.S. or Hong Kong dollars and only at an exchange rate established by the government once each week. Furthermore, some of the currencies in emerging markets have experienced de-valuations relative to the U.S. dollar, and major adjustments have been made periodically in certain of such currencies. Certain developing countries face serious exchange constraints.

Governments of some developing countries exercise substantial influence over many aspects of the private sector. In some countries, the government owns or controls many companies, including the largest in the country. As such, government actions in the future could have a significant effect on economic conditions in developing countries in these regions, which could affect private sector companies, the WaveFront Fund's portfolio and the value of its securities. Furthermore, certain developing countries are among the largest debtors to commercial banks and foreign governments. Trading in debt obligations issued or guaranteed by such governments or their agencies and instrumentalities involves a high degree of risk.

#### ***Master Limited Partnerships ("MLPs") – WaveFront Fund***

MLPs are formed as limited partnerships or limited liability companies under state law and are treated as partnerships for U.S. federal income tax purposes. The equity securities issued by many MLPs are publicly traded and listed and traded on a U.S. exchange. An MLP typically issues general partner and limited partner interests. The general partner manages and often controls, has an ownership stake in, and is normally eligible to receive incentive distribution payments from, the MLP. To be treated as a partnership for U.S. federal income tax purposes, an MLP must derive at least 90% of its gross income for each taxable year from certain qualifying sources as described in the Internal Revenue Code of 1986, as amended (the "Code"). These qualifying sources include natural resources-based activities such as the exploration, development, mining, production, processing, refining, transportation, storage and certain marketing of mineral or natural resources. The general partner may be structured as a private or publicly-traded corporation or other entity. The general partner typically controls the operations and management of the entity through an up to 2% general partner interest in the entity plus, in many cases, ownership of some percentage of the outstanding limited partner interests. The limited partners, through their ownership of limited partner interests, provide capital to the entity, are intended to have no role in the operation and management of the entity and receive cash distributions. Due to their structure as partnerships for U.S. federal income tax purposes and the expected character of their income, MLPs generally do not pay U.S. federal income taxes. Thus, unlike investors in corporate securities, direct MLP investors are generally not subject to double taxation (i.e., corporate level tax and tax on corporate dividends).

While most MLPs are currently subject to U.S. federal tax as partnerships, a change in current tax law, or a change in the underlying business of a given MLP could result in the MLP being treated as a corporation for U.S. federal tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. Such treatment also would have the effect of reducing the amount of cash available for distribution by the affected MLP. Thus, if any MLP owned by the WaveFront Fund were treated as a corporation for U.S. federal tax purposes, such treatment could result in a reduction in the value of the Fund's investment in such MLP. Certain MLPs are dependent on their parents or sponsors for a majority of their revenues. Any failure by an MLP's parents or sponsors to satisfy their payments or obligations would impact the MLP's revenues and cash flows and ability to make distributions. Moreover, the terms of an MLP's transactions with its parent or sponsor are typically not arrived at on an arm's-length basis, and may not be as favorable to the MLP as a transaction with a non-affiliate.

### ***Initial Public Offerings (“IPOs”) – WaveFront Fund***

IPOs occur when a company first offers its securities to the public. Although companies can be any age or size at the time of their IPOs, they are often smaller and have limited operating histories, which may involve a greater potential for the value of their securities to be impaired following the IPO.

Investors in IPOs can be adversely affected by substantial dilution in the value of their shares, by the issuance of additional shares and by concentration of control in existing management and principal shareholders. In addition, all of the factors that affect stock market performance may have a greater impact on the shares of IPO companies.

The price of a company’s securities may be highly unstable at the time of its IPO and for a period thereafter due to market psychology prevailing at the time of the IPO, the absence of a prior public market, the small number of shares available and the limited availability of investor information. As a result of this or other factors, the Sub-Advisor might decide to sell an IPO security more quickly than it would otherwise, which may result in a significant gain or loss and greater transaction costs to the WaveFront Fund. Any gains from shares held for one year or less may be treated as short-term gains, and be taxable as ordinary income to the Fund’s shareholders. In addition, IPO securities may be subject to varying patterns of trading volume and may, at times, be difficult to sell without an unfavorable impact on prevailing prices.

The effect of an IPO investment can have a magnified impact on the WaveFront Fund’s performance if the Fund’s asset base is small. Consequently, IPOs may constitute a significant portion of the Fund’s returns particularly when the Fund is small. Since the number of securities issued in an IPO is limited, it is likely that IPO securities will represent a small component of the Fund’s assets as it increases in size and therefore have a more limited effect on the Fund’s performance.

There can be no assurance that IPOs will continue to be available for the WaveFront Fund to purchase. The number or quality of IPOs available for purchase by the Fund may vary, decrease or entirely disappear. In some cases, the Fund may not be able to purchase IPOs at the offering price, but may have to purchase the shares in the after-market at a price greatly exceeding the offering price, making it more difficult for the Fund to realize a profit.

### ***Commodities – WaveFront Fund***

Exposure to the commodities markets may subject the WaveFront Fund to greater volatility than investments in traditional securities. The value of commodities related investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, and tariffs. The prices of industrial metals, precious metals, agriculture, and livestock commodities may fluctuate widely due to factors such as changes in value, supply and demand, and governmental regulatory policies. To qualify as a regulated investment company under Subchapter M of the Code, at least 90% of the Fund’s gross income for each taxable year must be derived from certain qualified sources. Income derived from direct investments in many commodities investments generally will not constitute qualified income for purposes of meeting this 90% test. However, income derived from certain indirect investments in commodities, such as investments in certain ETFs and ETNs, may constitute qualified income for purposes of meeting this 90% test. If the Fund invests in commodities or other investments that may produce non-qualifying income, there can be no assurances that the Fund will satisfy all requirements to be treated as a regulated investment company.

### ***Borrowings***

The Funds may borrow funds to meet redemptions, for other emergency purposes or to increase their portfolio holdings of securities. Such borrowings may be on a secured or unsecured basis at fixed or

variable rates of interest. The 1940 Act requires the Funds to maintain continuous asset coverage of not less than 300% with respect to all borrowings. This allows a Fund to borrow for such purposes an amount (when taken together with any borrowings for temporary or emergency purposes as described below) equal to as much as 50% of the value of its net assets (not including such borrowings). If such asset coverage should decline to less than 300% due to market fluctuations or other reasons, a Fund may be required to dispose of some of its portfolio holdings within three days in order to reduce the Fund's debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to dispose of assets at that time.

Conversely, if the income from the assets retained with borrowed funds is not sufficient to cover the cost of borrowing, the net income of a Fund will be less than if borrowing were not used, and, therefore, the amount available for distribution to shareholders will be reduced. The Funds also may be required to maintain minimum average balances in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

Borrowing by the Funds creates an opportunity for increased net income, but at the same time, creates special risk considerations. For example, leveraging may exaggerate the effect on net asset value of any increase or decrease in the value of a Fund's portfolio. To the extent the income derived from securities purchased with borrowed funds exceeds the interest a Fund will have to pay, the Fund's net income will be greater than if borrowing were not used.

### ***Securities Lending***

Each Fund may lend securities from its portfolio to brokers, dealers and financial institutions (but not individuals) in order to increase the return on its portfolio. The value of the loaned securities may not exceed one-third of a Fund's total assets, including the collateral received to secure the securities loan and loans of portfolio securities are fully collateralized based on values that are marked-to-market daily. The Funds will not enter into any portfolio security lending arrangement having a duration of longer than one year. The principal risk of portfolio lending is potential default or insolvency of the borrower. In either of these cases, a Fund could experience delays in recovering securities or collateral or could lose all or part of the value of the loaned securities. The Funds may pay reasonable administrative and custodial fees in connection with loans of portfolio securities and may pay a portion of the interest or fee earned thereon to the borrower or a placing broker.

In determining whether or not to lend a security to a particular broker, dealer or financial institution, the Advisor considers all relevant facts and circumstances, including the size, creditworthiness and reputation of the broker, dealer or financial institution. Any securities that a Fund may receive as collateral will not become part of the Fund's investment portfolio at the time of the loan and, in the event of a default by the borrower, the Fund will, if permitted by law, dispose of such collateral except for such part thereof that is a security in which the Fund is permitted to invest. During the time securities are on loan, the borrower will pay a Fund any accrued income on those securities, and the Fund may invest the cash collateral and earn income or receive an agreed-upon fee from a borrower that has delivered cash-equivalent collateral. However, such payments of accrued income will not constitute qualified dividend income and will be taxable as ordinary income. While a Fund does not have the right to vote securities on loan, it would terminate the loan and regain the right to vote if that were considered important with respect to the investment.

### ***Restricted and Illiquid Securities***

Each Fund may invest up to 15% of its net assets in securities that are illiquid at the time of purchase, which means that there may be legal or contractual restrictions on their disposition, or that there are no readily available market quotations for such a security. Illiquid securities present the risks that the Funds

may have difficulty valuing these holdings and/or may be unable to sell these holdings at the time or price desired. There are generally no restrictions on a Fund's ability to invest in restricted securities (that is, securities that are not registered pursuant to the Securities Act of 1933), except to the extent such securities may be considered illiquid. Securities issued pursuant to Rule 144A of the Securities Act of 1933 will be considered liquid if determined to be so under procedures adopted by the Board of Trustees.

#### ***When-Issued Purchases, Delayed Delivery and Forward Commitments***

The Funds may purchase or sell particular securities with payment and delivery taking place at a later date. The price or yield obtained in a transaction may be less favorable than the price or yield available in the market when the securities delivery takes place. When a Fund agrees to purchase securities on a when-issued or delayed delivery basis or enter into a forward commitment to purchase securities, its custodian will set aside cash or liquid high grade debt securities equal to the amount of the commitment in a segregated account. Normally, the custodian will set aside portfolio securities to satisfy a purchase commitment, and in such a case a Fund may be required subsequently to place additional assets in the segregated account in order to ensure that the value of the account remains equal to the amount of the Fund's commitments. It may be expected that the value of a Fund's net assets will fluctuate to a greater degree when it sets aside portfolio securities to cover such purchase commitments than when it sets aside cash.

When-issued and forward commitment transactions involve the risk that the price or yield obtained in a transaction (and therefore the value of a security) may be less favorable than the price or yield (and therefore the value of a security) available in the market when the securities delivery takes place. In addition, when a Fund engages in when-issued, delayed delivery and forward commitment transactions, it relies on the other party to consummate the trade. Failure of such party to do so may result in a Fund incurring a loss or missing an opportunity to obtain a price considered advantageous.

The value of the securities underlying a when-issued purchase or a forward commitment to purchase securities, and any subsequent fluctuations in their value, are taken into account when determining the net asset value of a Fund starting on the day a Fund agrees to purchase the securities. A Fund does not earn interest on the securities it has committed to purchase until they are paid for and delivered on the settlement date. When a Fund makes a forward commitment to sell securities it owns, the proceeds to be received upon settlement are included in the Fund's assets. Fluctuations in the value of the underlying securities are not reflected in a Fund's net asset value as long as the commitment remains in effect.

#### ***Short Sales***

Short sales are transactions where a Fund sells securities it does not own in anticipation of a decline in the value of the securities. A Fund must borrow the security to deliver it to the buyer. A Fund is then obligated to replace the security borrowed at the market price at the time of replacement. Until the security is replaced, a Fund is required to pay the lender any dividends or interest that accrues on the security during the loan period. To borrow the security, a Fund also may be required to pay a premium, which would increase the cost of the security sold. To the extent necessary to meet margin requirements, the broker will retain proceeds of the short sale until the short position is closed out. The Advisor anticipates that the frequency of short sales will vary substantially under different market conditions.

Short sales involve selling a security that a Fund borrows and does not own. The Funds may sell securities short only on a fully collateralized basis, as permitted by SEC interpretations. At the time of a short sale, a Fund will establish and maintain a segregated account consisting of liquid assets equal in value to the purchase price due on the settlement date under the short sale period. The value of the liquid assets will be marked to market daily. The Funds may engage in short sales if the Advisor anticipates that the security's market purchase price will be less than its borrowing price. Short sales carry significant

risk, including the risk of loss if the value of a security sold short increases prior to the scheduled delivery date, since a Fund must pay more for the security than it has received from the purchaser in the short sale.

### ***Warrants***

The Funds have the ability to purchase warrants and similar rights, which are privileges issued by corporations enabling the owners to subscribe to and purchase a specified number of shares of the corporation at the specified price during a specified period of time. Warrants basically are options to purchase equity securities at a specific price valid for a specific period of time. They do not represent ownership of the securities, but only the right to buy them. They have no voting rights, pay no dividends and have no rights with respect to the assets of the company issuing them. Warrants differ from call options in that warrants are issued by the issuer of the security that may be purchased on their exercise, whereas call options may be written or issued by anyone. The prices of warrants do not necessarily move parallel to the prices of the underlying securities.

The purchase of warrants involves the risk that a Fund could lose the purchase value of a warrant if the right to subscribe to additional shares is not exercised prior to the warrant's expiration. Also, the purchase of warrants involves the risk that the effective price paid for the warrant added to the subscription price of the related security may exceed the value of the subscribed security's market price, such as when there is no movement in the price level of the underlying security.

### ***Repurchase Agreements***

The Funds may have a portion of their net assets in cash or cash equivalents for a variety of reasons, including waiting for a suitable investment opportunity or taking a defensive position. To earn income on this portion of their net assets, the Funds may enter into repurchase agreements. Under a repurchase agreement, the Funds agree to buy securities guaranteed as to payment of principal and interest by the U.S. Government or its agencies from a qualified bank or broker-dealer and then to sell the securities back to the bank or broker-dealer after a short period of time (generally, less than seven days) at a higher price. The bank or broker-dealer must transfer to a Fund's custodian securities with an initial value of at least 100% of the dollar amount invested by the Fund in each repurchase agreement. The Advisor will monitor the value of such securities daily to determine that the value equals or exceeds the repurchase price.

Repurchase agreements may involve risks in the event of default or insolvency of the bank or broker-dealer, including possible delays or restrictions upon the Funds' ability to sell the underlying securities. The Funds will enter into repurchase agreements only with parties who meet certain creditworthiness standards, *i.e.* banks or broker-dealers that the Advisor or Sub-Advisor believes present no serious risk of becoming involved in bankruptcy proceedings within the time frame contemplated by the repurchase transaction.

The Funds may also enter into reverse repurchase agreements. Under a reverse repurchase agreement, a Fund agrees to sell a security in its portfolio and then to repurchase the security at an agreed-upon price, date and interest payment. A Fund will maintain cash or high-grade liquid debt securities with a value equal to the value of the Funds' obligation under the agreement, including accrued interest, in a segregated account with the Fund's custodian bank. The securities subject to the reverse repurchase agreement will be marked-to-market daily.

The use of repurchase agreements by a Fund involves certain risks. For example, if the other party to a repurchase agreement defaults on its obligation to repurchase the underlying security at a time when the value of the security has declined, a Fund may incur a loss upon disposition of the security. If the other party to the agreement becomes insolvent and subject to liquidation or reorganization under the bankruptcy code or other laws, a court may determine that the underlying security is collateral for the loan

by the Funds not within the control of the Funds, and therefore the realization by the Funds on the collateral may be automatically stayed. Finally, it is possible that the Funds may not be able to substantiate its interest in the underlying security and may be deemed an unsecured creditor of the other party to the agreement.

## Temporary Investments

Under normal market conditions, each Fund will stay fully invested according to its principal investment strategies as noted above. A Fund, however, may temporarily depart from its principal investment strategies by making short-term investments in cash, cash equivalents, and high-quality, short-term debt securities and money market instruments for temporary defensive purposes in response to adverse market, economic or political conditions. This may result in a Fund not achieving its investment objective during that period.

For longer periods of time, a Fund may hold a substantial cash position. If the market advances during periods when a Fund is holding a large cash position, such Fund may not participate to the extent it would have if the Fund had been more fully invested. To the extent that a Fund uses a money market fund for its cash position, there will be some duplication of expenses because the Fund would bear its pro rata portion of such money market fund’s advisory fees and operational expenses.

## Portfolio Turnover

Each Fund is actively managed and has no restrictions upon portfolio turnover. A 100% annual portfolio turnover rate would be achieved if each security in a Fund’s portfolio (other than securities with less than one year remaining to maturity) were replaced once during the year. Trading also may result in realization of taxable capital gains that would not otherwise be realized, thereby increasing the amount of distributions taxable to shareholders, some of which may be short-term capital gain taxable to shareholders at ordinary income rates. The following are the portfolio turnover rates for the Funds for the fiscal periods ended March 31, 2018 and 2017:

| <b>Portfolio Turnover Rate</b>                |                    |                    |
|---|--------------------|--------------------|
| <b>For the Fiscal Periods Ended March 31,</b> |                    |                    |
|   | <b><u>2018</u></b> | <b><u>2017</u></b> |
| <b>Vice Fund</b>                              | 19.53%             | 56.05%             |
| <b>Navigator Fund<sup>(1)</sup></b>           | 0.00%              | N/A                |
| <b>WaveFront Fund<sup>(2)</sup></b>           | 300.53%            | N/A                |

<sup>(1)</sup> The Navigator Fund commenced operations on October 13, 2017.

<sup>(2)</sup> The WaveFront Fund commenced operations on October 16, 2017.

## Investment Limitations

### Fundamental Investment Limitations

The Funds have adopted the following fundamental investment limitations. The following restrictions for a Fund may only be changed if the change is approved by holders of a majority of the Fund’s outstanding voting securities. As used in this SAI, “a majority of the Fund’s outstanding voting securities” means (i) more than 50% of the Fund’s outstanding voting shares or (ii) 67% or more of the Fund’s voting shares present at a shareholder meeting if more than 50% of the Fund’s outstanding voting shares are represented at the meeting in person or by proxy, whichever is less.

Each Fund may not:

1. Purchase or otherwise acquire interests in real estate, real estate mortgage loans or interests therein, except that the Fund may purchase securities issued by issuers, including real estate investment trusts that invest in real estate or interests therein.
2. Make loans if, as a result, more than 33 1/3% of the Fund's total assets would be loaned to other parties, except that the Fund may: (i) purchase or hold debt instruments in accordance with its investment objective and policies; (ii) enter into repurchase agreements; (iii) lend its securities; or (iv) loan money to other USA Mutuals Funds within the Trust in accordance with the terms of any applicable rule or regulation or exemptive order pursuant to the 1940 Act.
3. Act as an underwriter except to the extent the Fund may be deemed to be an underwriter when disposing of securities it owns or when selling its own shares.
4. Issue senior securities to the Fund's presently authorized shares of beneficial interest, except that this restriction shall not be deemed to prohibit the Fund from (i) making any permitted borrowings, loans, mortgages or pledges, (ii) entering into options, futures contracts, forward contracts, repurchase transactions or reverse repurchase transactions, or (iii) making short sales of securities to the extent permitted by the 1940 Act and any rule or order thereunder, or SEC staff interpretations thereof.
5. Borrow money in an amount exceeding 33 1/3% of the value of the Fund's total assets, provided that the Fund may borrow money from other USA Mutuals Funds within the Trust in accordance with the terms of any applicable rule or regulation or exemptive order pursuant to the 1940 Act.
6. Invest in other investment companies except as permitted by the 1940 Act.
7. Purchase or sell commodities unless acquired as a result of ownership of other securities or other instruments, except as permitted by the 1940 Act (but this shall not prevent the Fund from purchasing or selling options, futures contracts or other derivative instruments, or from investing in securities or other instruments backed by commodities).

Additionally, the Vice Fund may not:

1. Concentrate its investments in any one industry or sector if, as a result, more than 80% of the Vice Fund's net assets will be invested in such industry or sector. This restriction, however, does not prohibit the Fund from investing in obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities. The Vice Fund has adopted policies of concentrating in securities issued by companies within a wide range of industries and sectors consisting of all categories, the selection of which will vary at any given time. The Vice Fund will concentrate at least 25% of its net assets in a group of industries (but no more than 80% in any single industry) that includes the alcoholic beverages, defense/aerospace, gaming and tobacco industries, as identified in the Funds' Prospectus.

Additionally, the Navigator Fund and the WaveFront Fund may not:

1. Invest in the securities of any one industry if, as a result, 25% or more of a Fund's total assets would be invested in the securities of such industry, except that the foregoing does not apply to securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities.

## **PORTFOLIO HOLDINGS INFORMATION**

The Advisor and the Trust, on behalf of the Funds, have adopted portfolio holdings disclosure policies. These policies govern the timing and circumstances of disclosure to shareholders and third parties about the Funds' portfolio investments. These portfolio holdings disclosure policies have been approved by the Board of Trustees. The Advisor and the Board of Trustees have also considered actual and potential material conflicts that could arise in such circumstances between the interests of the Funds' shareholders and the interests of the Advisor, the Distributor or any other affiliated person of the Funds. After due consideration, the Advisor and the Board of Trustees have determined that the Funds have a legitimate business purpose for disclosing portfolio holdings to persons described in the portfolio holdings disclosure policies. The Board of Trustees has also authorized the Advisor or appointed officers to consider and authorize dissemination of portfolio holdings information to additional parties after considering the best interests of the shareholders and potential conflicts of interest in making such disclosures.

The Board of Trustees exercises continuing oversight of the disclosure of the Funds' portfolio holdings: (1) by overseeing the implementation and enforcement of the portfolio holdings disclosure policies, Codes of Ethics and other relevant policies of the Funds and their service providers by the Funds' Chief Compliance Officer ("CCO"); (2) by considering reports and recommendations by the CCO concerning any material compliance matters (as defined in Rule 38a-1 under the 1940 Act); and (3) by considering whether to approve any amendment to these portfolio holdings disclosure policies. The Board of Trustees reserves the right to amend the portfolio holdings disclosure policies at any time without prior notice in its sole discretion.

Disclosure of each Fund's complete holdings is required to be made quarterly within 60 days of the end of each fiscal quarter in the annual report and semi-annual report to Fund shareholders and in the quarterly holdings report on Form N-Q. These reports are available, free of charge, on the SEC's website at [www.sec.gov](http://www.sec.gov).

To the extent the Funds' service providers have access to information about the Funds' portfolio holdings, they are bound by confidentiality agreements or professional standards to maintain the confidentiality of the holdings information. Accordingly, material non-public holdings information may be provided without lag as part of the normal investment activities of the Funds' service providers including, without limitation, the fund administrator, custodian, fund accounting agent, accountants and legal counsel. Currently, within 10 calendar days of each month end, the Funds also provide their monthly portfolio holdings information to rating and ranking organizations, including Lipper, a Thomson Reuters company, Standard & Poor's Financial Services, LLC, Bloomberg L.P., Thomson Reuters Corporation, Vickers Stock Research Corporation and Capital-Bridge, Inc. Portfolio holdings information may be separately provided to any person at the same time that it is filed with the SEC or published on the Funds' website.

In the event of a conflict between the interests of the Funds and the interests of the Advisor, or an affiliated person of the Advisor, the CCO shall make a determination in the best interests of the Funds, and shall report such determination to the Board of Trustees at the end of the quarter in which such determination was made. Any employee of the Advisor who suspects a breach of this obligation must report the matter immediately to the CCO or to his or her supervisor.

In no event shall the Advisor, its affiliates or employees, or the Funds receive any direct or indirect compensation in connection with the disclosure of information about the Funds' portfolio holdings.

There can be no assurance that the portfolio holdings disclosure policies and these procedures will protect the Funds from potential misuse of that information by individuals or entities to which it is disclosed.

## **MANAGEMENT OF THE FUNDS**

### **Board of Trustees and Officers**

The management and affairs of the Funds are supervised by the Board of Trustees. The Board of Trustees consists of three individuals, two of whom are not “interested persons” of the Trust as that term is defined in the 1940 Act (the “Independent Trustees”). The Trustees are fiduciaries for the Funds’ shareholders and are governed by the laws of the State of Delaware in this regard. The Board of Trustees establishes policies for the operation of the Funds and appoints the officers who conduct the daily business of the Funds.

### **Board Leadership Structure**

The Board of Trustees is comprised of two Independent Trustees – Dr. Michael D. Akers and Mr. Gary A. Drska – and one Interested Trustee – Mr. Richard A. Sapio. The Trust’s Chairman, Mr. Sapio, is an interested person of the Trust by virtue of the fact that he is the owner of Mutual Capital Alliance, Inc. (“Mutual Capital”) and Mutual Capital has majority ownership of the Advisor. Dr. Akers is the Trust’s lead Independent Trustee and acts as a liaison with the Trust’s service providers, officers, legal counsel, and other Trustees between meetings and serves as chair during executive sessions of the Independent Trustees.

The Board of Trustees has established three standing committees – the Audit Committee, the Nominating Committee and the Valuation Committee – which are discussed in greater detail under “Board Committees” below. All Independent Trustees are members of the Audit Committee and the Nominating Committee. Inclusion of all Independent Trustees as members of the Audit Committee and the Nominating Committee allows all such Trustees to participate in the full range of the Board of Trustees’ oversight duties, including oversight of risk management processes.

In accordance with the fund governance standards prescribed by the SEC under the 1940 Act, the Independent Trustees on the Nominating Committee select and nominate all candidates for Independent Trustee positions. Each Trustee was appointed to serve on the Board of Trustees because of his experience, qualifications, attributes and/or skills as set forth in the subsection “Trustee Qualifications,” below. The Board of Trustees reviews its leadership structure regularly. The Board of Trustees believes that its leadership structure is appropriate and effective in light of the size of the Trust and the nature of its business.

The Board of Trustees’ role is one of oversight rather than day-to-day management of the Funds. The Trust’s Audit Committee assists with this oversight function. The Board of Trustees’ oversight extends to the Trust’s risk management processes. Those processes are overseen by the Trust’s officers, including the President/Treasurer, Secretary and CCO, who regularly report to the Board of Trustees on a variety of matters at Board meetings.

The Advisor reports to the Board of Trustees, on a regular and as-needed basis, on actual and possible risks affecting the Funds. These reports include discussions of various elements of risk, including investment, credit, liquidity, valuation, operational and compliance risks, as well as any overall business risks that could impact the Funds.

The Board of Trustees has appointed the CCO who reports directly to the Board and who participates in the Board’s regular meetings. In addition, the CCO presents an annual report to the Board of Trustees in accordance with the Trust’s compliance policies and procedures. The CCO, together with the Trust’s officers, regularly discusses risk issues affecting the Trust and the Funds during Board meetings. The CCO also provides updates to the Board of Trustees on the operation of the Trust’s compliance policies

and procedures and on how these procedures are designed to mitigate risk. Finally, the CCO and/or other officers of the Trust report to the Board of Trustees in the event any material risk issues arise in between Board meetings.

## Trustees and Officers

The Trustees and officers of the Funds are listed below with their addresses, present positions with the Trust and principal occupations over at least the last five years.

| <b>Name, Address and Year of Birth</b>   | <b>Position Held with the Trust</b> | <b>Term of Office and Length of Time Served</b> | <b>Principal Occupation(s) During Past Five Years</b>  | <b>Number of Portfolios in Trust Overseen by Trustee</b> | <b>Other Trusteeships Held by Trustee During Past Five Years</b>  |
|--|-------------------------------------|---|--|--|---|
| <i>Independent Trustees</i>  |                                     |   |  |  |   |
| Michael D. Akers, Ph.D.<br>615 E. Michigan Street<br>Milwaukee, WI 53202<br>Age: 62                              | Independent Trustee                 | Indefinite Term; Since 2001                     | Professor, Department of Accounting, Marquette University (2004 -present); Chair, Department of Accounting, Marquette University (2004-2017).  | 3  | Independent Trustee, Trust for Professional Managers (an open-end investment company with thirty-one portfolios). |
| Gary A. Drska<br>615 E. Michigan Street<br>Milwaukee, WI 53202<br>Age: 60  | Independent Trustee                 | Indefinite Term; Since 2001                     | Pilot, Frontier/Midwest Airlines (Airline Company) (1986-present).   | 3  | Independent Trustee, Trust for Professional Managers (an open-end investment company with thirty-one portfolios). |
| <i>Interested Trustee and Officers</i>   |                                     |   |  |  |   |
| Richard A. Sapio*<br>615 E. Michigan Street<br>Milwaukee, WI 53202<br>Age: 54                                    | Interested Trustee and Chairperson  | Indefinite Term; Since 2018                     | President, Mutual Capital Alliance, Inc. (1994 – present).   | 3  | N/A   |
| Michael N. Loukas<br>Plaza of the Americas<br>700 North Pearl Street<br>Suite 900<br>Dallas, TX 75201<br>Age: 44 | President                           | Indefinite Term; Since 2016                     | President, USA Mutuals Advisors, Inc. (July 2016 - present); Managing Principal, WaveFront Capital Management, L.P. (2013 - July 2016); Head of Marketing, Evolution Realty Capital (2011-2013). | N/A  | N/A   |

| <b>Name, Address and Year of Birth</b>   | <b>Position Held with the Trust</b> | <b>Term of Office and Length of Time Served</b> | <b>Principal Occupation(s) During Past Five Years</b>   | <b>Number of Portfolios in Trust Overseen by Trustee</b> | <b>Other Trusteeships Held by Trustee During Past Five Years</b> |
|--|-------------------------------------|---|---|--|--|
| Jordan Waldrep<br>Plaza of the Americas<br>700 North Pearl Street<br>Suite 900<br>Dallas, TX 75201<br>Age: 42    | Treasurer                           | Indefinite Term; Since 2017                     | Treasurer, USA Mutuals Advisors, Inc. (September 2017–present); Portfolio Manager, USA Mutuals Advisors, Inc. (August 2017–present); Portfolio Manager for Blackfin Capital (March 2014–August 2017); Analyst & Trader for Hourglass Capital (June 2008–December 2013). | N/A  | N/A  |
| Ann Marie Swanson<br>Plaza of the Americas<br>700 North Pearl Street<br>Suite 900<br>Dallas, TX 75201<br>Age: 52 | Chief Compliance Officer            | Indefinite Term; Since 2017                     | Director, Alaric Compliance Services (2015 - present); Vice President / Chief Compliance Officer, Thomas Partners Investment Management (2013-2015); Senior Vice President / Chief Compliance Officer, Aletheia Research and Management (2010-2013).                    | N/A  | N/A  |
| Emily R. Enslow<br>615 E. Michigan Street<br>Milwaukee, WI 53202<br>Age: 31                                      | Secretary                           | Indefinite Term; Since 2015                     | Assistant Vice President, U.S. Bancorp Fund Services, LLC (July 2013-present).  | N/A  | N/A  |

\* Mr. Sapio is an “interested person” of the Trust as defined by the 1940 Act by virtue of the fact that he is the owner of Mutual Capital, which has majority ownership of the Advisor.

## **Trustee Qualifications**

The following is a brief discussion of the experience, qualifications, attributes and/or skills that led to the Board of Trustees’ conclusion that each individual identified below is qualified to serve as a Trustee of the Funds.

*Michael D. Akers, Ph.D., CPA.* Dr. Akers has served as an Independent Trustee of the USA Mutuals Funds since 2001. Dr. Akers has also served as an independent trustee of Trust for Professional Managers, an open-end investment company, since August 2001. Dr. Akers has been a Professor of Accounting at Marquette University since 2004, was Chair of the Department of Accounting of Marquette University from 2004 to 2017, and was Associate Professor of Accounting of Marquette University from 1996 to 2004. Dr. Akers is a certified public accountant, a certified fraud examiner, a certified internal auditor and a certified management accountant. Through his experience as a trustee of mutual funds and his employment experience, Dr. Akers is experienced with financial, accounting, regulatory and investment matters.

*Gary A. Drska.* Mr. Drska has served as an Independent Trustee of the USA Mutuals Funds since 2001. Mr. Drska has also served as an independent trustee of Trust for Professional Managers, an open-end investment company, since August 2001. Mr. Drska has served as a pilot of Frontier/Midwest Airlines, Inc., an airline company, since 1986. Through his experience as a trustee of mutual funds, Mr. Drska is experienced with financial, accounting, regulatory and investment matters.

*Richard A. Sapio.* Mr. Sapio has served as an Interested Trustee of the USA Mutuals Funds since 2018. Since 1994, Mr. Sapio has been the President of, and employed by, Mutual Capital Alliance, Inc., a Texas-based holding company. Mutual Capital is in the business of purchasing and holding interests in private companies.

## **Trustee Ownership of Fund Shares**

As of December 31, 2017, no Trustees or officers of the Funds beneficially owned shares of the Funds. Mr. Sapio became an Interested Trustee of the Trust on March 31, 2018. As of December 31, 2017, Mr. Sapio owned over \$100,000 in shares of the Vice Fund.

As of December 31, 2017, neither the Trustees who are not “interested” persons of the Funds, nor members of their immediate family, own securities beneficially, or of record, in the Advisor, the Funds’ distributor or any of its affiliates. Accordingly, neither the Trustees who are not “interested” persons of the Funds nor members of their immediate family, have a direct or indirect interest, the value of which exceeds \$120,000, in the Advisor, the Funds’ distributor or any of their affiliates.

## **Board Committees**

The Board of Trustees has three standing committees as described below:

Audit Committee. The Audit Committee is responsible for advising the full Board of Trustees with respect to accounting, auditing and financial matters affecting the Trust and meets at least once annually. During the fiscal year ended March 31, 2018, the Audit Committee met three times. Both Independent Trustees (Dr. Akers and Mr. Drska) comprise the Audit Committee.

Nominating Committee. The Nominating Committee is responsible for seeking and reviewing candidates for consideration as nominees for trustee as is considered necessary from time to time and meets only as necessary. Both Independent Trustees (Dr. Akers and Mr. Drska) comprise the Nominating Committee. The Nominating Committee will consider trustee nominees recommended by shareholders. However, there are no policies in place regarding nominees recommended by shareholders. During the fiscal year ended March 31, 2018, the Nominating Committee did not meet.

Valuation Committee. The Valuation Committee is responsible for (1) monitoring the valuation of the Funds’ securities and other investments; and (2) determining the fair value of illiquid and other holdings after consideration of all relevant factors, which determinations are reported to the full Board of Trustees. This is required by each series of the Trust’s valuation policies when the full Board of Trustees is not in session. The Valuation Committee meets as necessary when a price is not readily available. During the fiscal year ended March 31, 2018, the Valuation Committee met ten times. Dr. Akers and Mr. Loukas comprise the Valuation Committee.

## **Board Compensation**

For their service as Trustees of the Trust, the Independent Trustees receive a retainer fee of \$15,000 per year, \$2,000 per in-person meeting attended, \$500 for each telephonic meeting attended and \$500 for each Valuation Committee meeting attended, as well as reimbursement for expenses incurred in connection with attendance at such meetings. Trustees who are not Independent Trustees and officers of

the Trust receive no compensation for their services as such. Neither the Trust nor the Funds maintain any deferred compensation, pension or retirement plans, and no pension or retirement benefits are accrued as part of the Trust or Funds' expenses. The following table shows fees received by the Trustees for their services as such for the fiscal period ended March 31, 2018.

| <b>Aggregate Compensation Paid to Trustees</b>          |                  |                       |                       |   |
|---|------------------|-----------------------|-----------------------|---|
| <b>Name of Person/Position</b>                          | <b>Vice Fund</b> | <b>Navigator Fund</b> | <b>WaveFront Fund</b> | <b>Total Compensation from Funds Paid to Trustees</b> |
| Richard A. Sapio,<br>Chairperson and Interested Trustee | \$0              | \$0                   | \$0                   | \$0   |
| Dr. Michael D. Akers,<br>Lead Independent Trustee       | \$20,584         | \$3,833               | \$3,833               | \$28,500  |
| Gary A. Drska,<br>Independent Trustee                   | \$15,584         | \$3,833               | \$3,833               | \$23,500  |

### **Control Persons, Principal Shareholders and Management Ownership**

A principal shareholder is any person who owns of record or beneficially owns 5% or more of the outstanding shares of a Fund. A control person is one who owns beneficially or through controlled companies more than 25% of the voting securities of a Fund or acknowledges the existence of control. Shareholders with a controlling interest could affect the outcome of proxy voting or the direction of the management of the Fund. As of June 30, 2018, there were no control persons of the Funds, and all Trustees and officers as a group owned beneficially (as the term is defined in Section 13(d) under the Securities and Exchange Act of 1934) less than 1% of shares of the Funds. As of June 30, 2018, the following shareholders were known by the Funds to own of record or to beneficially own 5% or more of the outstanding shares of a Fund:

#### **Vice Fund - Institutional Class Shares**

| <b>Name and Address</b>   | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b>     | <b>Jurisdiction</b> |
|---|--------------------|--------------------------|---------------------------|---------------------|
| Wells Fargo Clearing Services<br>2801 Market Street<br>St. Louis, MO 63103-2523 | 56.68%             | Record                   | Wells Fargo Advisors, LLC | DE                  |
| LPL Financial<br>4707 Executive Drive<br>San Diego, CA 92121                    | 24.36%             | Record                   | N/A                       | N/A                 |

#### **Vice Fund - Investor Class Shares**

| <b>Name and Address</b>  | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b> | <b>Jurisdiction</b> |
|--|--------------------|--------------------------|-----------------------|---------------------|
| National Financial Services, LLC<br>Attn: Mutual Funds Dept. 4 <sup>th</sup> Floor<br>499 Washington Boulevard<br>Jersey City, NJ 07310-1995 | 21.23%             | Record                   | N/A                   | N/A                 |
| Charles Schwab & Co., Inc.<br>211 Main Street<br>San Francisco, CA 94105   | 16.11%             | Record                   | N/A                   | N/A                 |

**Vice Fund - Investor Class Shares**

| <b>Name and Address</b>   | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b> | <b>Jurisdiction</b> |
|---|--------------------|--------------------------|-----------------------|---------------------|
| TD Ameritrade Inc.<br>200 South 108 <sup>th</sup> Avenue<br>Omaha, NE 68103 | 13.09%             | Record                   | N/A                   | N/A                 |

**Vice Fund - Class A Shares**

| <b>Name and Address</b>   | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b> | <b>Jurisdiction</b> |
|---|--------------------|--------------------------|-----------------------|---------------------|
| LPL Financial<br>4707 Executive Drive<br>San Diego, CA 92121-1968                                       | 17.78%             | Record                   | N/A                   | N/A                 |
| Wells Fargo Clearing Services<br>2801 Market Street<br>St. Louis, MO 63103-2523                         | 16.06%             | Record                   | N/A                   | N/A                 |
| American Enterprise Investor Services<br>707 2 <sup>nd</sup> Avenue South<br>Minneapolis, MN 55402-2405 | 13.79%             | Record                   | N/A                   | N/A                 |
| Raymond James & Associates, Inc.<br>3050 Peachtree Road NW, Suite 600<br>Atlanta, GA 30305-2206         | 12.37%             | Record                   | N/A                   | N/A                 |
| Pershing LLC<br>1 Pershing Plaza<br>Jersey City, NJ 07399-0002  | 12.20%             | Record                   | N/A                   | N/A                 |
| Stifel Nicolaus & Co. Inc.<br>501 North Broadway<br>St. Louis, MO 63102-2188                            | 6.20%              | Record                   | N/A                   | N/A                 |

**Vice Fund - Class C Shares**

| <b>Name and Address</b>   | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b>        | <b>Jurisdiction</b> |
|---|--------------------|--------------------------|------------------------------|---------------------|
| Wells Fargo Clearing Services<br>2801 Market Street<br>St. Louis, MO 63103-2523                         | 28.53%             | Record                   | Wells Fargo<br>Advisors, LLC | DE                  |
| LPL Financial<br>9785 Towne Centre Drive<br>San Diego, CA 92121-1968                                    | 8.94%              | Record                   | N/A                          | N/A                 |
| American Enterprise Investor Services<br>707 2 <sup>nd</sup> Avenue South<br>Minneapolis, MN 55402-2405 | 8.74%              | Record                   | N/A                          | N/A                 |
| Pershing LLC<br>1 Pershing Plaza<br>Jersey City, NJ 07399-0002  | 6.40%              | Record                   | N/A                          | N/A                 |

**Vice Fund - Class C Shares**

| <b>Name and Address</b>  | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b> | <b>Jurisdiction</b> |
|--|--------------------|--------------------------|-----------------------|---------------------|
| National Financial Services, LLC<br>499 Washington Boulevard<br>Jersey City, NJ 07310-1995 | 5.33%              | Record                   | N/A                   | N/A                 |

**Navigator Fund – Institutional Class Shares**

| <b>Name and Address</b>   | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b> | <b>Jurisdiction</b> |
|---|--------------------|--------------------------|-----------------------|---------------------|
| Pony Master LLC<br>404 Washington Avenue, Suite 810<br>Miami Beach, FL 33139-6600   | 24.99%             | Record                   | N/A                   | N/A                 |
| National Financial Services, LLC<br>499 Washington Boulevard<br>Jersey City, NJ 07310-1995  | 17.40%             | Record                   | N/A                   | N/A                 |
| Millennium Trust Co. LLC<br>2001 Spring Road, Suite 700<br>Oak Brook, IL 60523-1890   | 9.70%              | Record                   | N/A                   | N/A                 |
| Steven Goldman & Amy Goldman<br>c/o USA Mutuals Advisors, Inc.<br>Plaza of the Americas<br>700 North Pearl Street, Suite 900<br>Dallas, Texas 75201 | 8.78%              | Beneficial               | N/A                   | N/A                 |
| Charles Schwab & Co., Inc.<br>211 Main Street<br>San Francisco, CA 94105  | 7.57%              | Record                   | N/A                   | N/A                 |

**WaveFront Fund – Institutional Class Shares**

| <b>Name and Address</b>  | <b>% Ownership</b> | <b>Type of Ownership</b> | <b>Parent Company</b>                       | <b>Jurisdiction</b> |
|--|--------------------|--------------------------|---|---------------------|
| National Financial Services, LLC<br>499 Washington Boulevard<br>Jersey City, NJ 07310-1995   | 54.47%             | Record                   | Fidelity Global<br>Brokerage<br>Group, Inc. | DE                  |
| NTC & CO.<br>PO BOX 173859<br>Denver, CO 80217-3859  | 17.91%             | Record                   | N/A   | N/A                 |
| Pershing LLC<br>1 Pershing Plaza<br>Jersey City, NJ 07399-0002   | 13.82%             | Record                   | N/A   | N/A                 |
| Stephen M. Fisher<br>c/o USA Mutuals Advisors, Inc.<br>Plaza of the Americas<br>700 North Pearl Street, Suite 900<br>Dallas, Texas 75201 | 8.16%              | Beneficial               | N/A   | N/A                 |

## Investment Advisor

The Advisor, located at 700 North Pearl Street, Suite 900, Dallas Texas 75201, is a Texas corporation that serves as the investment advisor to the Funds. The Advisor is an SEC-registered investment advisor. With respect to the Navigator Fund and the WaveFront Fund, the Advisor has also registered as a CPO with the NFA in accordance with regulations adopted by the CFTC under the CEA. The Advisor is wholly-owned by Mutual Capital Alliance, Inc. (formerly known as Mutuals.com Holdings Corp.). Mutual Capital Alliance, Inc. is an investment holding company founded in March 1994.

Under the Investment Advisory Agreement between the Trust, on behalf of the Funds, and the Advisor (the "Agreement"), the Advisor serves as the investment advisor to the Funds, and supervises the management of the Funds' investments and business affairs, subject to the oversight and review of the Board of Trustees. For its services, the Advisor is entitled to an annual advisory fee of 0.95% of the daily net assets for the Vice Fund, 1.75% of the daily net assets for the Navigator Fund and 1.25% of the daily net assets for the WaveFront Fund. The advisory fee is payable to the Advisor monthly based on the daily net assets of each Fund for the month involved. In addition to the services provided by the Advisor pursuant to the Agreement, the Advisor may, from time to time, provide the Funds with office space for managing its affairs, with the services of required personnel and with certain clerical services and facilities. These services are provided without reimbursement by the Funds for any costs incurred.

Pursuant to an expense waiver and reimbursement agreement between the Advisor and the Trust, on behalf of the Funds, the Advisor has contractually agreed to waive its management fee and/or reimburse the Funds to ensure that the total annual operating expenses for the Funds, as a percentage of each Fund's average daily net assets (not including "Excluded Expenses" as discussed in the Funds' Prospectus), are limited to 1.24% for the Vice Fund, 1.99% for the Navigator Fund and 1.29% for the WaveFront Fund.

This agreement is in effect through at least July 31, 2019. Under the expense agreement, the Advisor may request recoupment of previously waived fees and paid expenses from each Fund for three years from the date such fees and expenses were waived or paid by the Advisor, if such reimbursements will not cause a Fund to exceed the lesser of: (1) the expense limitation in place at the time of the waiver and/or expense payment; or (2) the expense limitation in place at the time of the recoupment.

For the fiscal periods indicated below, the Funds paid the following advisory fees to the Advisor:

### *Vice Fund*

| <b>Fiscal Year Ended</b> | <b>Advisory Fee</b> | <b>Recoupment /<br/>(Waiver)</b> | <b>Advisory Fee<br/>After Recoupment/Waiver</b> |
|--------------------------|---------------------|----------------------------------|---|
| March 31, 2018           | \$2,232,063         | (\$85,716)                       | \$2,146,347                                     |
| March 31, 2017           | \$2,165,782         | (\$11,092)                       | \$2,154,690                                     |
| March 31, 2016           | \$2,155,705         | \$0                              | \$2,155,705                                     |

### *Navigator Fund*

| <b>Fiscal Period Ended</b> | <b>Advisory Fee</b> | <b>Recoupment /<br/>(Waiver)</b> | <b>Advisory Fee<br/>After Recoupment/Waiver</b> |
|----------------------------|---------------------|----------------------------------|---|
| March 31, 2018*            | \$172,160           | (\$114,631)                      | \$57,529  |

\* The Navigator Fund commenced operations on October 13, 2017.

## *WaveFront Fund*

| <b>Fiscal Period Ended*</b> | <b>Advisory Fee</b> | <b>Recoupment /<br/>(Waiver and<br/>Reimbursement)</b> | <b>Advisory Fee<br/>After Recoupment/Waiver<br/>and Reimbursement</b> |
|-----------------------------|---------------------|--|---|
| March 31, 2018*             | \$51,642            | (\$128,394)  | \$0   |

\* The WaveFront Fund commenced operations on October 16, 2017.

### **Sub-Advisor to the WaveFront Fund**

WaveFront Global Asset Management Corp., located at 36 Toronto Street, Suite 750, Toronto, Ontario M5J 2M4, Canada, is the sub-advisor to the WaveFront Fund. The Sub-Advisor is an SEC-registered investment advisor and Canadian corporation and is majority owned by Koloshuk Farugia Corporation, a private company. The Sub-Advisor is an investment management firm serving institutional and individual investors globally. It is the Advisor's responsibility to select a Sub-Advisor for the Fund and to review the Sub-Advisor's performance.

The Advisor provides investment management evaluation services by performing initial due diligence on the Sub-Advisor and thereafter monitoring the Sub-Advisor's performance for compliance with the WaveFront Fund's investment objective and strategies, as well as adherence to its investment style. The Advisor also conducts performance evaluations through in-person, telephonic and written consultations. In evaluating the Sub-Advisor, the Advisor considers, among other factors: its level of expertise; relative performance and consistency of performance over a minimum period of time; level of adherence to investment discipline or philosophy; personnel, facilities and financial strength; and quality of service and client communications.

The Advisor has the responsibility for communicating performance expectations and evaluations to the Sub-Advisor and ultimately recommending to the Board of Trustees whether the sub-advisory agreement should be renewed, modified or terminated.

The Advisor has entered into a sub-advisory agreement with the Sub-Advisor and the Advisor will pay the Sub-Advisor monthly, an annual fee of 0.625% based upon the average daily net assets of the WaveFront Fund, which the Advisor will pay out of the advisory fee paid to the Advisor from the Fund. In determining the compensation structure for the Sub-Advisor, the Advisor employs the following general criteria: (i) the type of asset class managed by the Sub-Advisor; (ii) the current market rate; and (iii) the anticipated asset flow for the Fund. The Fund is not responsible for the payment of the sub-advisory fees.

The Advisor is also responsible for conducting all operations of the WaveFront Fund, except those operations contracted to the Sub-Advisor, the Fund's custodian, the Fund's administrator or the Fund's transfer agent. Although the Sub-Advisor's activities are subject to oversight by the Board of Trustees and the officers of the Trust, neither the Board of Trustees nor the officers nor the Advisor evaluate the investment merits of the Sub-Advisor's individual security selections. The Sub-Advisor has discretion to purchase, manage and sell portfolio securities for the Fund's investment portfolio, subject to the Fund's investment objective, policies and limitations. The Fund's portfolio is managed by portfolio managers as discussed in the Fund's Prospectus and below.

### **Portfolio Managers**

Mr. Jordan Waldrep serves as the portfolio manager of the Vice Fund and co-portfolio manager of the Navigator Fund. Mr. Steven Goldman serves as senior portfolio manager of the Navigator Fund and Mr. Roland Austrup, Mr. Ryan Butz, Mr. Mark Adams and Mr. John Lukovich are the portfolio managers of the WaveFront Fund (the "Portfolio Managers"). The Portfolio Managers are responsible for the portfolio management of and investment research for the Funds.

*Other Accounts Managed by the Portfolio Managers*

The following provides information regarding other accounts managed by the Portfolio Managers as of March 31, 2018:

**Vice Fund**

| Category of Account                   | Total Number of Accounts Managed | Total Assets in Accounts Managed | Number of Accounts for which Advisory Fee is Based on Performance | Assets in Accounts for which Advisory Fee is Based on Performance |
|---------------------------------------|----------------------------------|----------------------------------|---|---|
| <b><u>Jordan Waldrep</u></b>          |                                  |                                  |   |   |
| Other Registered Investment Companies | 1                                | \$25 million                     | \$0   | \$0   |
| Other Pooled Investment Vehicles      | 0                                | \$0                              | \$0   | \$0   |
| Other Accounts                        | 0                                | \$0                              | \$0   | \$0   |

**Navigator Fund**

| Category of Account                   | Total Number of Accounts Managed | Total Assets in Accounts Managed | Number of Accounts for which Advisory Fee is Based on Performance | Assets in Accounts for which Advisory Fee is Based on Performance |
|---------------------------------------|----------------------------------|----------------------------------|---|---|
| <b><u>Steven Goldman</u></b>          |                                  |                                  |   |   |
| Other Registered Investment Companies | 0                                | \$0                              | 0   | \$0   |
| Other Pooled Investment Vehicles      | 0                                | \$0                              | 0   | \$0   |
| Other Accounts                        | 31                               | \$55 million                     | 31  | \$55 million  |
| <b><u>Jordan Waldrep</u></b>          |                                  |                                  |   |   |
| Other Registered Investment Companies | 1                                | \$235 million                    | \$0   | \$0   |
| Other Pooled Investment Vehicles      | 0                                | \$0                              | \$0   | \$0   |
| Other Accounts                        | 0                                | \$0                              | \$0   | \$0   |

**WaveFront Fund**

| Category of Account                   | Total Number of Accounts Managed | Total Assets in Accounts Managed | Number of Accounts for which Advisory Fee is Based on Performance | Assets in Accounts for which Advisory Fee is Based on Performance |
|---------------------------------------|----------------------------------|----------------------------------|---|---|
| <b><u>Roland Austrup</u></b>          |                                  |                                  |   |   |
| Other Registered Investment Companies | 1                                | \$26 million                     | 1   | \$26 million  |

| <b>Category of Account</b>            | <b>Total Number of Accounts Managed</b> | <b>Total Assets in Accounts Managed</b> | <b>Number of Accounts for which Advisory Fee is Based on Performance</b> | <b>Assets in Accounts for which Advisory Fee is Based on Performance</b> |
|---------------------------------------|---|---|--|--|
| Other Pooled Investment Vehicles      | 0                                       | \$0                                     | 0  | \$0  |
| Other Accounts                        | 3                                       | \$502.1 million                         | 2  | \$1.8 million  |
| <b><u>Ryan Butz</u></b>               |   |   |  |  |
| Other Registered Investment Companies | 0                                       | \$0                                     | 0  | \$0  |
| Other Pooled Investment Vehicles      | 1                                       | \$10 million                            | 1  | \$10 million   |
| Other Accounts                        | 0                                       | \$0                                     | 0  | \$0  |
| <b><u>Mark Adams</u></b>              |   |   |  |  |
| Other Registered Investment Companies | 1                                       | \$26 million                            | 1  | \$26 million   |
| Other Pooled Investment Vehicles      | 0                                       | \$0                                     | 0  | \$0  |
| Other Accounts                        | 3                                       | \$502.1 million                         | 2  | \$1.8 million  |
| <b><u>John Lukovich</u></b>           |   |   |  |  |
| Other Registered Investment Companies | 1                                       | \$26 million                            | 1  | \$26 million   |
| Other Pooled Investment Vehicles      | 0                                       | \$0                                     | 0  | \$0  |
| Other Accounts                        | 3                                       | \$502.1 million                         | 2  | \$1.8 million  |

*Potential Conflicts of Interest by the Portfolio Managers*

Where conflicts of interest arise between the Funds and other accounts managed by the Portfolio Managers, the Portfolio Managers will proceed in a manner that ensures that the Funds will not be treated materially less favorably. The Portfolio Managers' management of "other accounts" may give rise to potential conflicts of interest in connection with the management of a Fund's investments, on the one hand, and the investments of the other accounts, on the other. Therefore, a potential conflict of interest may arise as a result of the identical investment objectives, whereby the Portfolio Managers could favor one account over another. Another potential conflict could include the Portfolio Managers' knowledge about the size, timing and possible market impact of Fund trades, whereby the Portfolio Managers could use this information to the advantage of other accounts and to the disadvantage of the Funds. A potential conflict of interest could also arise from a Portfolio Manager receiving performance-based fees from other accounts and not receiving a performance-based fee from a Fund. However, the Advisor has established policies and procedures to ensure that the purchase and sale of securities among all accounts it manages are fairly and equitably allocated.

*Potential Conflicts of Interest – Advisor and Sub-Advisor – WaveFront Fund*

Actual or apparent conflicts of interest may arise when a Portfolio Manager has day-to-day management responsibilities with respect to more than one fund or other accounts. More specifically, a Portfolio Manager who manages multiple accounts may be presented with the following potential conflicts:

- The management of multiple accounts may result in a Portfolio Manager devoting unequal time and attention to the management of each account. The management of multiple funds and accounts also may give rise to potential conflicts of interest if the Fund and the accounts have different objectives, benchmarks, time horizons, and fees as the Portfolio Manager must allocate his/her time and investment ideas across multiple funds and accounts.
- With respect to securities transactions for the WaveFront Fund, the Sub-Advisor determines which broker to use to execute each order, consistent with the duty to seek best execution of the transaction. The Portfolio Manager may execute transactions for another fund or account that may adversely impact the value of securities held by the Fund. Securities selected for funds or accounts other than the Fund may outperform the securities selected for the Fund.
- The appearance of a conflict of interest may arise where the Sub-Advisor has an incentive, such as a performance-based management fee. The management of personal accounts may give rise to potential conflicts of interest; there is no assurance that the WaveFront Fund's code of ethics will adequately address such conflicts. One of a Portfolio Manager's numerous responsibilities is to assist in the sale of Fund shares. Because a Portfolio Manager's compensation is indirectly linked to the sale of Fund shares, they may have an incentive to devote time to marketing efforts designed to increase sales of Fund shares.
- Although a Portfolio Manager generally does not trade securities in his or her own personal account, the WaveFront Fund has adopted a code of ethics that, among other things, permits personal trading by employees under conditions where it has been determined that such trades would not adversely impact client accounts. Nevertheless, the management of personal accounts may give rise to potential conflicts of interest, and there is no assurance that these codes of ethics will adequately address such conflicts.

The Sub-Advisor and the WaveFront Fund have adopted certain compliance procedures which are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

*Portfolio Managers' Compensation*

The Portfolio Manager of the Vice Fund is paid a fixed salary with increases based on the Fund's net assets, a fixed bonus not based on Fund performance and a fixed retirement plan. The Portfolio Managers of the Navigator Fund are compensated by the Advisor from the advisory fee. The senior portfolio manager, Mr. Goldman, receives a salary and a bonus based on the Navigator Fund's pre-tax performance, based on the value of the assets in the Fund's portfolio. The Portfolio Managers of the WaveFront Fund are compensated through the Sub-Advisor's management fee and receive a fixed salary.

*Ownership of Fund Shares by the Portfolio Managers*

As of March 31, 2018, the Portfolio Managers beneficially owned shares of the Funds as follows:

*Vice Fund*

| <b>Name of Portfolio Manager</b> | <b>Dollar Range of Equity Securities in the Fund</b> |
|----------------------------------|--|
| Jordan Waldrep                   | \$10,001 - \$50,000                                  |

*Navigator Fund*

| <b>Name of Portfolio Manager</b> | <b>Dollar Range of Equity Securities in the Fund</b> |
|----------------------------------|--|
| Steven Goldman                   | Over \$1,000,000                                     |
| Jordan Waldrep                   | \$1-\$10,000   |

*WaveFront Fund*

| <b>Name of Portfolio Manager</b> | <b>Dollar Range of Equity Securities in the Fund</b> |
|----------------------------------|--|
| Roland Austrup                   | None   |
| Ryan Butz                        | None   |
| Mark Adams                       | None   |
| John Lukovich                    | None   |

## **DISTRIBUTION OF FUND SHARES**

### **Distributor**

Compass Distributors, LLC (a wholly-owned subsidiary of Foreside Distributors, LLC) (the “Distributor”), Three Canal Plaza, Suite 100, Portland, Maine 04101, is the distributor and principal underwriter for the shares of the Funds pursuant to a Distribution Agreement (the “Distribution Agreement”), among the Trust, the Advisor and the Distributor effective May 31, 2018. The Distribution Agreement was initially approved by the Board of Trustees on February 23, 2018. The Distributor is a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. Shares of the Funds are offered on a continuous basis. The Distribution Agreement provides that the Distributor, as agent in connection with the distribution of Fund shares, will use its best efforts to distribute the Funds’ shares. The Distributor is compensated by the Advisor, not the Funds, except to the extent allowed under the Rule 12b-1 Plan, as discussed below.

For the fiscal years indicated below, Quasar Distributors, LLC, the Funds’ prior distributor, received the following underwriting commissions for Class A shares of the Vice Fund:

| <b>Underwriting Commissions<br/>Paid During Fiscal Years Ended March 31,</b> |                    |                    |
|--|--------------------|--------------------|
| <b><u>2018</u></b>   | <b><u>2017</u></b> | <b><u>2016</u></b> |
| \$16,143   | \$14,452           | \$13,967           |

For the fiscal years indicated below, Quasar Distributors, LLC, the Funds’ prior distributor, retained the following underwriting commissions for Class A shares of the Vice Fund:

| <b>Underwriting Commissions<br/>Retained During Fiscal Years Ended March 31,</b> |                    |                    |
|--|--------------------|--------------------|
| <b><u>2018</u></b>   | <b><u>2017</u></b> | <b><u>2016</u></b> |
| \$15,291   | \$30,313           | \$10,181           |

Neither the Distributor nor the Funds’ former distributor received underwriting commissions for the Institutional Class, Investor Class and Class C shares of the Vice Fund, or Institutional or Class Z shares of the Navigator Fund and the WaveFront Fund, during the fiscal year ended March 31, 2018.

### 12b-1 Distribution Plan

The Vice Fund has adopted a distribution plan pursuant to Rule 12b-1 under the 1940 Act (the “Plan”). Under the Plan, the Fund may pay an annual fee to the Distributor for distribution services up to 0.25% of the Fund’s average daily net assets for the Investor Class shares, 0.50% of the Fund’s average daily net assets for the Class A shares, and 1.00% of the Fund’s average daily net assets for the Class C shares. However, the Board of Trustees has currently authorized an annual Rule 12b-1 fee for the Fund’s Class A shares of only 0.25% of the average daily net assets of the Fund. Institutional Class shares of the Fund are not subject to the Plan and do not pay Rule 12b-1 fees. Payments may be made by the Fund under the Plan for the purpose of financing any activity primarily intended to result in the sale of shares of the Fund, as determined by the Board of Trustees. Such activities typically include: advertising; marketing; compensation for sales and sales marketing activities of financial service agents and others, such as dealers or distributors; shareholder account servicing; production and dissemination of prospectuses and sales and marketing materials; and capital or other expenses of associated equipment, rent, salaries, bonuses, interest and other overhead. To the extent any activity is one which the Fund may finance without the Plan, the Fund may also make payments to finance such activity outside of the Plan and not subject to its limitations. Payments under the Plan are based upon a percentage of average daily net assets attributable to the Fund regardless of the amounts actually paid or expenses actually incurred by the Distributor. However, in no event may such payments exceed the maximum allowable fee. It is, therefore, possible that the Distributor may realize a profit in a particular year as a result of these payments. The Plan increases the Fund’s expenses from what they would otherwise be.

Administration of the Plan is regulated by Rule 12b-1 under the 1940 Act, which requires that the Board of Trustees receive and review at least quarterly reports concerning the nature and qualification of expenses that are incurred, that the Board of Trustees, including a majority of the Independent Trustees, approve all agreements implementing the Plan and that the Plan may be continued from year-to-year only if the Board of Trustees, including a majority of the Independent Trustees, concludes at least annually that continuation of the Plan is likely to benefit shareholders.

Institutional Class shares of the Vice Fund are not subject to the Plan and do not pay Rule 12b-1 fees. The table below shows the amount of 12b-1 fees incurred and the allocation of such fees by the Fund’s Investor Class, Class A and Class C shares for the fiscal year ended March 31, 2018.

| <b>Actual Rule 12b-1 Expenditures Incurred<br/>During the Fiscal Year Ended March 31, 2018</b> |                                  |                           |                           |
|--|----------------------------------|---------------------------|---------------------------|
|  | <b>Total Dollars Allocated</b>   |                           |                           |
|  | <b>Investor Class<br/>Shares</b> | <b>Class A<br/>Shares</b> | <b>Class C<br/>Shares</b> |
| Advertising/Marketing  | \$7,857                          | \$671                     | \$2,749                   |
| Printing/Postage   | \$0                              | \$0                       | \$0                       |
| Payment to Distributor   | \$0                              | \$0                       | \$0                       |
| Payment to dealers   | \$472,073                        | \$40,344                  | \$140,861                 |
| Compensation to sales personnel  | \$0                              | \$0                       | \$0                       |
| Other  | \$0                              | \$0                       | \$24,344                  |
| <b>Total</b>   | <b>\$479,930</b>                 | <b>\$41,015</b>           | <b>\$167,954</b>          |

### Service Providers

The Trust has entered into a series of agreements whereby certain parties will provide various services to the Funds.

U.S. Bancorp Fund Services, LLC (“USBFS”) provides accounting and administrative services and acts as transfer agent and dividend disbursing agent to the Funds. USBFS is located at 615 E. Michigan Street, Milwaukee, Wisconsin 53202. The services to be provided by the transfer agent include, either by USBFS or another party pursuant to an agreement with USBFS, processing purchase and redemption transactions, establishing and maintaining shareholder accounts and records, disbursing distributions declared by the Funds, day-to-day administration of matters related to the corporate existence of the Funds (other than rendering investment advice), maintenance of its records and preparation, mailing and filing of reports, assistance in monitoring the total number of shares sold in each state for “blue sky” purposes and assistance in the preparation of the Trust’s registration statement under federal and state securities laws.

U.S. Bank, N.A. (the “Custodian”), an affiliate of USBFS, is the custodian of the assets of the Funds pursuant to an amended and restated custody agreement between the Custodian and the Trust, whereby the Custodian charges fees on a transactional basis plus out-of-pocket expenses. The Custodian’s address is 1555 N. River Center Drive, Suite 302, Milwaukee, Wisconsin 53212. The Custodian does not participate in decisions relating to the purchase and sale of securities by the Funds. U.S. Bank, N.A. and its affiliates may participate in revenue sharing arrangements with service providers of mutual funds in which the Funds may invest.

Pursuant to an Amended and Restated Fund Administration Servicing Agreement and an Amended and Restated Fund Accounting Servicing Agreement, each between USBFS and the Trust dated July 24, 2012, USBFS also performs certain administrative, accounting and tax reporting functions for the Funds, including the preparation and filing of federal and state tax returns, preparing and filing securities registration compliance forms with various states, compiling data for and preparing notices to the SEC, preparing financial statements for the annual and semi-annual reports to the SEC and current investors, monitoring the Funds’ expense accruals and performing securities valuations and, from time to time, monitoring the Funds’ compliance with their investment objectives and restrictions. Pursuant to the Amended and Restated Fund Administration Servicing Agreement, USBFS is entitled to receive from the Trust a fee, computed daily and payable monthly, in a minimum annual amount of \$75,000 per Fund.

For the fiscal periods ended March 31, 2018, 2017 and 2016, the following administrative fees were paid by the Funds:

| <b>Administration Fees Paid</b>              |                     |                    |                    |
|--|---------------------|--------------------|--------------------|
| <b>During Fiscal Periods Ended March 31,</b> |                     |                    |                    |
|  | <b><u>2018*</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> |
| <b>Vice Fund</b>                             | \$264,988           | \$259,615          | \$254,035          |
| <b>Navigator Fund</b>                        | \$12,417            | N/A                | N/A                |
| <b>WaveFront Fund</b>                        | \$6,707             | N/A                | N/A                |

\* The Navigator Fund and the WaveFront Fund commenced operations on October 13, 2017 and October 16, 2017, respectively.

## **CODE OF ETHICS**

The Trust, the Advisor, the Sub-Advisor and the Distributor have each adopted codes of ethics pursuant to Rule 17j-1 under the 1940 Act (the “Codes”) that govern the conduct of all employees and other supervised persons of the Trust, the Advisor, the Sub-Advisor and the Distributor. The Codes recognize that such persons owe a fiduciary duty to the Funds’ shareholders and must place the interests of shareholders ahead of their own interests. The Codes address compliance with federal securities laws, personal trading and reporting requirements.

Personnel subject to the Codes are permitted to invest in securities, including securities that may be purchased or held by the Funds. Additionally, among other things, the Codes require: pre-clearance of certain personal securities transactions; certain blackout periods for personal trading of securities which may be considered for purchase or sale by the Funds; annual and quarterly reporting of personal securities holdings; and limitations on personal trading of initial public offerings and limited (private placement) offerings. Violations of the Codes are subject to review by the Board of Trustees and may result in severe penalties.

## **PROXY VOTING GUIDELINES**

The Board of Trustees has adopted proxy voting procedures that delegate to the Advisor and the WaveFront Fund's Sub-Advisor the authority to vote proxies, subject to the supervision of the Board of Trustees. In addition, the Board of Trustees authorized the Advisor to retain a third party voting service to provide recommendations on proxy votes or vote proxies on the Funds' behalf. The Trust's proxy voting procedures provide that, in the event of a conflict between the interests of the Advisor and/or Sub-Advisor and the Funds with regard to a proxy vote, a majority of the Independent Trustees will be responsible for resolving the conflict. The Advisor and/or Sub-Advisor, subject to oversight by the Board of Trustees, seek to ensure that all voting decisions, particularly those that may involve a potential conflict of interest with the Funds' principal underwriter or any affiliated person of the Funds, are made consistent with the Advisor's fiduciary duty to the Funds and their shareholders.

The Advisor and/or Sub-Advisor vote proxies in a manner designed to maximize the value of a Fund's investment. The Advisor and/or Sub-Advisor generally vote in accordance with management's recommendations. If the Advisor and/or Sub-Advisor believe management is not acting on behalf of the best interests of a Fund and its shareholders, the Advisor and/or Sub-Advisor will not vote with management. When voting, the following factors are taken into consideration:

- the period of time over which the voting shares are expected to be held;
- the size of the position;
- the costs involved in the proxy proposal;
- the existing governance documents of the affected company; and
- the affected company's management and operations.

The Board of Trustees has approved the Advisor's and Sub-Advisor's proxy voting policies and will monitor the implementation of these policies to ensure that the Advisor's and Sub-Advisor's voting decisions:

- are consistent with the Advisor's and Sub-Advisor's fiduciary duty to the Funds and their shareholders;
- seek to maximize shareholder return and the value of Fund investments;
- promote sound corporate governance; and
- are consistent with the Funds' investment objectives and policies.

For investments made by the Funds in investment companies, including ETFs, pursuant to Section 12(d)(1)(F), the Funds must comply with the following voting restrictions: when a Fund exercises voting rights, by proxy or otherwise, with respect to investment companies owned by the Fund, the Fund will either seek instruction from the Fund's shareholders with regard to the voting of all proxies and vote in accordance with such instructions, or vote the shares held by the Fund in the same proportion as the vote of all other holders of such security.

Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12 month period ended June 30 is available without charge, upon request by calling toll-free, 1-866-264-8783 and by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). The Funds will send a description of the proxy voting policies and procedures within three business days of receipt of a request.

### **ANTI-MONEY LAUNDERING PROGRAM**

The Trust has established an Anti-Money Laundering Compliance Program (the "Program") as required by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"). In order to ensure compliance with this law, the Trust's Program provides for the development of internal practices, procedures and controls, designation of anti-money laundering compliance officers, an ongoing training program and an independent audit function to determine the effectiveness of the Program.

Procedures to implement the Program include, but are not limited to, determining that the Distributor and Transfer Agent have established proper anti-money laundering procedures, reporting suspicious and/or fraudulent activity and a complete and thorough review of all new opening account applications. The Trust will not transact business with any person or entity whose identity cannot be adequately verified under the provisions of the USA PATRIOT Act.

### **VALUATION OF SHARES**

Shares of the Funds are sold on a continuous basis at the NAV per share next computed, plus any applicable sales charges (before imposition of a commission, if any, on Class Z shares), following acceptance of an order by the Funds. A Fund's NAV per share for the purpose of pricing purchase and redemption orders is determined at the close of normal trading (currently 4:00 p.m., Eastern Time) on each day the New York Stock Exchange ("NYSE") is open for trading. The NYSE is closed on the following holidays: New Year's Day, Martin Luther King, Jr. Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day. The Trust may also be open for business on other days in which there is sufficient trading in the Funds' securities that the Funds' NAV might be materially affected. For a description of the methods used to determine the share price, see "Valuation of Fund Shares" in the Funds' Prospectus.

### **PURCHASE AND REDEMPTION OF SHARES**

Detailed information on the purchase and redemption of shares is included in the Prospectus. Transactions of the Funds are priced at the applicable price next calculated after receipt of an order. In order to purchase shares of the Funds, you must invest the initial minimum investment, which ordinarily must be at least \$100 for retirement accounts and \$2,000 for other types of accounts. However, the Trust reserves the right, in its sole discretion, to waive the minimum initial investment amount for certain investors, or to waive or reduce the minimum initial investment for 401(k) accounts or other tax-deferred retirement plans. You may purchase shares on any day that the NYSE is open for business by placing an order with the Funds.

The Funds reserve the right in their sole and absolute discretion to refuse any purchase requests, particularly those that might not be in the best interests of a Fund or its shareholders or could adversely affect a Fund or its operations. The policy applies to any person or group who, in the Funds' view, is likely to engage in or has a history of excessive trading. Furthermore, the Trust may suspend the right to redeem its shares or postpone the date of payment upon redemption for more than three business days: (i) for any period during which the NYSE is closed (other than customary weekend or holiday closings) or trading on the NYSE is restricted; (ii) for any period during which an emergency exists as a result of which disposal by a Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund to fairly determine the value of its net assets; or (iii) for such other periods as the SEC may permit for the protection of the Fund's shareholders.

**Class A Shares (Vice Fund).** You can buy Class A shares of the Vice Fund at the public offering price, which is the NAV plus an up-front sales charge. The minimum initial amount of investment for Class A shares of the Fund is \$100 for retirement accounts and \$2,000 for other types of accounts. Subsequent investments in the Fund for all types of accounts may be made with a minimum investment of \$100. You may qualify for a reduced sales charge, or the sales charge may be waived, as described below. The up-front sales charge also does not apply to Class A shares acquired through reinvestment of distributions. Class A shares are subject to a Rule 12b-1 fee of up to 0.50%, which is lower than the Rule 12b-1 fee for Class C shares. However, the Board of Trustees has currently authorized a Rule 12b-1 fee of only 0.25% for Class A shares.

The up-front Class A sales charge and the commissions paid to dealers for the Fund is calculated as follows:

| When you invest this amount           | Sales Charge as a Percentage of Offering Price | Sales Charge as a Percentage of Net Amount Invested <sup>(1)</sup> | Dealer Reallowance   |
|---------------------------------------|--|--|----------------------|
| Less than \$50,000                    | 5.75%  | 6.10%  | 5.00%                |
| \$50,000 - but less than \$100,000    | 4.75%  | 4.99%  | 4.00%                |
| \$100,000 – but less than \$250,000   | 4.00%  | 4.17%  | 3.25%                |
| \$250,000 – but less than \$500,000   | 3.00%  | 3.09%  | 2.50%                |
| \$500,000 – but less than \$1,000,000 | 2.50%  | 2.56%  | 2.00%                |
| \$1,000,000 and above <sup>(2)</sup>  | 0.00%  | 0.00%  | 1.00% <sup>(3)</sup> |

<sup>(1)</sup> Rounded to the nearest one-hundredth percent. Because of rounding of the calculation in determining sales charges, the charges may be more or less than those shown in the table.

<sup>(2)</sup> No sales charge is payable at the time of purchase on investments of \$1 million or more, although the Fund may impose a contingent deferred sales charge (“CDSC”) of 1.00% on certain redemptions of those investments made within 18 months of the purchase. If imposed, the CDSC is based on the NAV of the shares at the time of purchase.

<sup>(3)</sup> The Advisor may pay a commission up to 1.00% out of its own resources to financial intermediaries who initiate and are responsible for the purchase of shares of \$1 million or more.

The Distributor may, at its discretion, offset the compensation owed to the Distributor for its services with the underwriter concessions (the difference between the sales charge and the dealer reallowance) it receives. The Distributor may also reimburse the Advisor, its affiliates or other dealers for distribution-related expenses they incur from the underwriter concessions at its discretion.

The offering price for Class A shares includes the relevant sales charge. The commission paid to the Distributor is the sales charge less the reallowance paid to certain financial institutions purchasing shares. Normally, reallowances are paid as indicated in the above table.

**Class A Sales Charge Waivers:** The Fund may sell Class A shares at NAV (*i.e.*, without the investor paying any initial sales charge) to certain categories of investors, including:

- the Advisor or its employees and affiliates, and investment advisory clients or investors referred by the Advisor or its affiliates for purchases direct with the Fund;
- officers and present or former Trustees of the Trust; directors and employees of selected dealers or agents; the spouse, sibling, direct ancestor or direct descendant (collectively “relatives”) of any such person; any trust, individual retirement account or retirement plan account for the benefit of any such person or relative; or the estate of any such person or relative; if such shares are purchased for investment purposes (such shares may not be resold except to the Fund);
- employer sponsored qualified pension or profit-sharing plans (including Section 401(k) plans), custodial accounts maintained pursuant to Section 403(b)(7) retirement plans, and individual

retirement accounts (including individual retirement accounts to which simplified employee pension (“SEP”) contributions are made), if such plans or accounts are established or administered under programs sponsored by administrators or other persons that have been approved by the Advisor;

- fee-based financial planners and registered investment advisors who are purchasing on behalf of their clients;
- broker-dealers who have entered into selling agreements with the Fund’s distributor for their own accounts; and
- no-transaction-fee programs of brokers that have a dealer or shareholder servicing agreement with the Fund.

Additional information is available by calling 1-866-264-8783. To receive a reduction in or waiver of your Class A sales charge, you must let your financial institution or shareholder services representative know at the time you purchase shares that you qualify for such a reduction. You may be asked by your financial advisor or shareholder services representative to provide account statements or other information regarding your related accounts or related accounts of your immediate family in order to verify your eligibility for a reduced or waived sales charge. Your financial advisor can also help you prepare any necessary application forms. You or your financial advisor must notify the Fund at the time of each purchase if you are eligible for any of these programs. The Fund may modify or discontinue these programs at any time. Information about Class A sales charges and breakpoints is available on the Fund’s website at [www.usamutuals.com](http://www.usamutuals.com).

### ***Redemption-In-Kind***

The Funds do not intend to redeem shares in any form except cash. The Trust, however, has filed a notice of election under Rule 18f-1 of the 1940 Act that allows the Funds to redeem in-kind redemption requests of a certain amount. Under unusual conditions that make the payment of cash unwise (and for the protection of the Funds’ remaining shareholders), the Funds reserve the right to make a “redemption-in-kind” (a payment in portfolio securities rather than cash) if the amount redeemed is in excess of the lesser of (i) \$250,000 or (ii) 1% of a Fund’s assets. In such cases, brokerage costs may be incurred by a shareholder in converting these securities to cash. For federal income tax purposes, redemptions in-kind are taxed in the same manner as redemptions made in cash.

## **PORTFOLIO TRANSACTIONS AND BROKERAGE**

Assets of the Funds are invested by the Advisor and the WaveFront Fund’s Sub-Advisor in a manner consistent with their investment objectives, strategies, policies and restrictions and with any instructions the Board of Trustees may issue from time to time. Within this framework, the Advisor and Sub-Advisor, as applicable, are responsible for making all determinations as to the purchase and sale of portfolio securities and for taking all steps necessary to implement securities transactions on behalf of the Funds. The Funds may purchase shares of other investment companies or mutual funds (an “underlying fund”) that charge a sales load or redemption fee. A redemption fee is a fee imposed by an underlying fund upon shareholders (such as the Funds) redeeming shares of such fund within a certain period of time (such as one year). The fee is payable to the underlying fund. Accordingly, if a Fund was to invest in an underlying fund and, as a result of redeeming shares in such underlying fund, incur a redemption fee, the Fund would bear such redemption fee.

To the extent that the Funds invest in shares of other mutual funds, the Funds will not pay any commissions for purchases and sales. A Fund, however, will bear a portion of the commissions paid by the underlying funds in which it invests in connection with the purchase and sale of portfolio securities.

In connection with its duties to arrange for the purchase and sale of portfolio securities other than investment companies, the Advisor and/or Sub-Advisor will select broker-dealers, to the extent necessary, who will, in the Advisor or Sub-Advisor's judgment, implement the Funds' policy to achieve best qualitative execution. The Advisor and/or Sub-Advisor will allocate transactions to such broker-dealers only when it reasonably believes that the commissions and transaction quality are comparable to that available from other qualified broker-dealers, subject to seeking the best available price and execution and such other policies as the Board of Trustees may determine.

When allocating transactions to broker-dealers, the Advisor and/or Sub-Advisor are authorized to consider, in determining whether a particular broker-dealer will provide the best qualitative execution, the broker-dealer's reliability, integrity, financial condition and risk in positioning the securities involved, as well as the difficulty of the transaction in question. Further, the Advisor and/or Sub-Advisor need not pay the lowest spread or commission available if the Advisor and/or Sub-Advisor determine in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer, viewed either in terms of the particular transaction or the Advisor and/or Sub-Advisor's overall responsibilities as to the accounts as to which it exercises investment discretion. If, on the foregoing basis, the transaction in question could be allocated to two or more broker-dealers, the Advisor and/or Sub-Advisor are authorized in making such allocation, to consider whether a broker-dealer has provided research services.

Research obtained using Fund commissions may be in written form or through direct contact with individuals. Such research may include, but is not necessarily limited to: quotations on portfolio securities and information on particular issuers and industries; other financial, news and other data relating to specific issuers or industries; data relating to general market, economic or institutional activities; comparisons of the performance of the Funds to the performance of various indices and investments for which reliable performance data is available, and similar information. Further, the aforementioned research may be provided through the use of third-party information services, such as electronic information platforms and recognized mutual fund statistical services. The Funds recognize that such research services may or may not be useful to the Funds or other accounts of the Advisor and/or Sub-Advisor, and that such research received by such other accounts may or may not be useful to the Funds.

The Advisor and/or Sub-Advisor will cause the Funds to deal directly with the selling or purchasing principal or market maker without incurring brokerage commissions unless the Advisor and/or Sub-Advisor determine that a better price or execution may be obtained by paying such commissions. Purchases from underwriters include a commission or concession paid by the issuer to the underwriter and principal transactions placed through broker-dealers include a spread between the bid and asked prices.

Under the 1940 Act, the Funds may not purchase portfolio securities from any underwriting syndicate of which the Distributor, as principal, is a member except under certain limited circumstances set forth in Rule 10f-3 thereunder. These conditions relate, among other things, to the reasonableness of the broker-dealer spread, the amount of securities that may be purchased from any one issuer, and the amount of a Fund's assets that may be invested in a particular issue. The rule also requires that any purchase made subject to its provisions be reviewed at least quarterly by the Board of Trustees, including a majority of the Independent Trustees.

The same security may be suitable for a Fund or another portfolio series of the Trust, or another account managed by the Advisor and/or Sub-Advisor. If and when a Fund and another account simultaneously purchase or sell the same security, the transactions will be allocated in advance and then as to price and amount in accordance with arrangements equitable to the Fund and the other account. The simultaneous

purchase or sale of the same securities by a Fund and other account may have a detrimental effect on a Fund, as this may affect the price paid or received by a Fund or the size of the position obtainable or able to be sold by a Fund.

The Board of Trustees will review quarterly the Advisor’s and Sub-Advisor’s performance of their responsibilities in connection with the placement of portfolio transactions on behalf of the Funds. Such review is conducted for the purpose of determining if the markups and commissions, if any, paid by the Funds are reasonable in relation to the benefits received by the Funds taking into account the competitive practices in the industry.

The following table shows the aggregate amount of brokerage commissions paid by the Funds for the fiscal periods ended March 31, 2018, 2017 and 2016.

| <b>Brokerage Commissions Paid<br/>During Fiscal Periods Ended March 31,</b> |                                  |                          |                    |
|---|----------------------------------|--------------------------|--------------------|
|   | <b><u>2018</u><sup>(1)</sup></b> | <b><u>2017</u></b>       | <b><u>2016</u></b> |
| <b>Vice Fund</b>  | \$146,224                        | \$370,034 <sup>(2)</sup> | \$271,283          |
| <b>Navigator Fund</b>   | \$1,961                          | N/A                      | N/A                |
| <b>WaveFront Fund</b>   | \$15,066                         | N/A                      | N/A                |

<sup>(1)</sup> The Navigator Fund and the WaveFront Fund commenced operations on October 13, 2017 and October 16, 2017, respectively.

<sup>(2)</sup> The increase in the Vice Fund’s brokerage commissions from 2016 to 2017 is attributable to increased options trading; the Vice Fund’s brokerage commissions dropped from 2017 to 2018 due to the implementation of a lower turnover trading strategy applied to the Fund.

The Funds are required to identify any securities of their “regular brokers or dealers” that the Funds have acquired during their most recent fiscal year. The Funds did not acquire securities of their regular brokers or dealers or their parents during the fiscal year ended March 31, 2018.

The Funds are also required to identify any brokerage transactions during its most recent fiscal year that were directed to a broker because of research services provided, along with the amount of any such transactions and any related commissions paid by the Funds. The following table shows the amount of any such transactions and related commissions paid for research services for the fiscal period ended March 31, 2018:

|                        | <b>Commissions</b> | <b>Transactions</b> |
|------------------------|--------------------|---------------------|
| <b>Vice Fund</b>       | \$26,927           | \$44,598,416        |
| <b>Navigator Fund*</b> | \$0                | \$0                 |
| <b>WaveFront Fund*</b> | \$0                | \$0                 |

\* The Navigator Fund and the WaveFront Fund commenced operations on October 13, 2017 and October 16, 2017, respectively.

## **FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of certain federal income tax considerations generally affecting the Funds and their shareholders. No attempt is made to present a detailed explanation of the tax treatment of the Funds or their shareholders, and the discussions here are not intended as substitutes for careful tax planning. You should consult your personal tax advisor to determine the consequences of foreign, state and local taxes and for a more detailed assessment of federal income tax consequences for your particular circumstances.

Changes in income tax laws, potentially with retroactive effect, could impact the Funds’ investments or the tax consequences to you of investing in the Funds.

The Funds intend to utilize provisions of the federal income tax laws which allow them to carry a realized capital loss forward and to use these carryforwards to offset future realized capital gains. At March 31, 2018, the Funds did not have any capital loss carryforwards and the Vice Fund deferred, on a tax basis, post-October losses of \$1,203,052.

Any capital losses realized by a Fund in the current or future taxable years may be carried forward indefinitely and will generally retain their character as short-term or long-term.

#### ***Distributions of Investment Company Taxable Income***

Each Fund receives income generally in the form of dividends, interest, net short-term capital gain, and net gain from foreign currency transactions. This income, less expenses incurred in the operation of a Fund, constitutes the Fund's "investment company taxable income" from which distributions may be paid to you. If you are an investor subject to income taxes, any distributions by the Funds from such income (other than amounts reported as qualified dividend income) will be taxable to you at ordinary income tax rates, whether you receive them in cash or reinvest them in additional Fund shares. For non-corporate shareholders, distributions of investment company taxable income attributable to and reported as qualified dividend income are currently taxable at long-term capital gain rates, provided certain holding period requirements are met by the shareholder. For corporate shareholders, a portion of a Fund's distributions of investment company taxable income may qualify for the intercorporate dividends-received deduction to the extent the Funds receive dividends directly or indirectly from U.S. corporations, reports the amount as eligible for deduction, and the shareholder meets certain holding period requirements. To the extent distributions of investment company taxable income include net short-term capital gain, such distributions cannot be offset by a shareholder's capital losses from other sources.

#### ***Distributions of Net Capital Gain***

A Fund may realize capital gains or losses in connection with sales or other dispositions of securities, whether actual or deemed. Net short-term capital gain, if any, will be distributed as investment company taxable income which is taxable to shareholders at ordinary income rates. Distributions of "net capital gain" (the excess of net long-term capital gain over net short-term capital loss) will be taxable to non-corporate shareholders as long-term capital gain, regardless of how long such shareholders have held their shares in a Fund. Any net capital gain realized by a Fund generally will be distributed once each year, and may be distributed more frequently, if necessary, to reduce or eliminate excise or income taxes on the Fund. Distributions of net capital gain are not eligible for qualified dividend income treatment for non-corporate shareholders or the dividends-received deduction for corporate shareholders.

*WaveFront Fund* - The WaveFront Fund is the successor to the portfolio of the BC Capital Investors, L.P., and the Fund has taken the position that it has succeeded to the tax basis of the assets acquired from the BC Capital Investors, L.P. Shareholders should be aware that as the Fund sells portfolio securities that were acquired from the BC Capital Investors, L.P., any unrealized gain inherent in such securities at the time the Fund acquired such securities, along with any appreciation that occurred while the Fund held such securities, may be recognized by the Fund, and any such recognized gain will be distributed to Fund shareholders and will be taxable to them for federal income tax purposes. Accordingly, a shareholder of the Fund may be taxed on appreciation that occurred before the shareholder purchased shares of such Fund, including appreciation that occurred prior to such Fund's acquisition of portfolio securities from the BC Capital Investors, L.P.

#### ***Information on the Amount and Tax Character of Distributions***

The Funds will report to you the amount and character of Fund distributions at the time they are paid, and will report to you their tax status for federal income tax purposes shortly after the close of each calendar year. If you purchase Fund shares shortly before the Funds pay a distribution, you may receive an amount of investment company taxable income or net capital gain that is not equal to the actual amount of such income or net capital gain earned during the period of your investment in the Funds.

### ***Election to be Taxed as a Regulated Investment Company***

Each Fund intends to qualify and elect to be treated as a regulated investment company under Subchapter M of the Code. As regulated investment companies, the Funds generally pay no federal income tax on the investment company taxable income and net capital gain they distribute to you. However, a Fund can give no assurances that it will qualify or continue to qualify as a regulated investment company. If a Fund fails to qualify as a regulated investment company and does not obtain relief from such failure, then it would be taxed as a regular corporation. The Board of Trustees reserves the right not to maintain the qualification of a Fund as a regulated investment company if it determines such course of action to be beneficial to shareholders. In such case, such Fund would be subject to federal, and possibly state, corporate taxes on the Fund's taxable income and gain, and any distributions to you would generally be taxed as dividend income to the extent of such Fund's earnings and profits.

### ***Excise Tax Distribution Requirements***

To avoid the imposition of federal excise taxes at the Fund level, each Fund must distribute by December 31 of each year, at a minimum, the following amounts: 98% of its taxable ordinary income earned during the calendar year; 98.2% of its capital gain net income earned during the twelve-month period generally ending October 31; and 100% of any undistributed amounts from the prior year. The Funds intend to declare and pay these distributions in December (or to pay them in January, in which case you must treat them as if received on December 31) but can give no assurances that Fund distributions will be sufficient to eliminate all taxes at the Fund level.

### ***Medicare Tax Imposed on Certain Income***

Certain individuals, trusts and estates may be subject to a Medicare tax of 3.8% (in addition to the regular income tax). The Medicare tax is imposed on the lesser of: (i) a taxpayer's investment income, net of deductions properly allocable to such income; or (ii) the amount by which the taxpayer's modified adjusted gross income exceeds certain thresholds (\$250,000 for married individuals filing jointly, \$200,000 for unmarried individuals and \$125,000 for married individuals filing separately). The Funds' distributions are includable in a shareholder's investment income for purposes of this Medicare tax. In addition, any capital gain realized by a shareholder upon the sale, exchange or redemption of Fund shares is includable in such shareholder's investment income for purposes of this Medicare tax.

### ***Redemption of Fund Shares***

Sales, exchanges or redemptions (including redemptions-in-kind) of Fund shares are taxable transactions for federal income tax purposes. If you sell, exchange or redeem your Fund shares, you will generally realize a taxable capital gain or loss. Gain or loss realized upon a sale, exchange or redemption of shares will generally be treated as long-term capital gain or loss if the shares have been held for more than one year and as short-term capital gain or loss if the shares have been held for one year or less.

Any loss incurred on a sale, exchange or redemption of Fund shares held for six months or less will be treated as a long-term capital loss to the extent of any distributions of net capital gain received or deemed to be received with respect to those shares. All or a portion of any loss that you realize upon the sale, exchange or redemption of your Fund shares will be disallowed to the extent that you buy other shares in the Funds (through reinvestment of distributions or otherwise) within 30 days before or after your sale, exchange or redemption. Any loss disallowed under these rules will be added to your tax basis in the newly acquired shares.

### ***U.S. Government Securities***

States generally grant tax-free status to distributions paid to you from interest earned on certain U.S. Government securities, subject in some states to minimum investment or reporting requirements that must be met by a Fund. Income earned on investments in GNMA or FNMA securities, bankers' acceptances, commercial paper and repurchase agreements collateralized by U.S. Government securities generally do not qualify for tax-free treatment at the state level. The rules on exclusion of this income are generally different for corporate shareholders.

### ***Dividends-Received Deduction for Corporations***

For corporate shareholders, the Funds anticipate that a portion of the distributions of investment company taxable income will qualify for the dividends-received deduction. Corporate shareholders may be allowed to deduct these distributions, thereby reducing the tax that they would otherwise be required to pay on such distributions. The dividends-received deduction will be available only with respect to distributions designated by the Funds as eligible for such treatment.

### ***Investment in Complex Securities***

The Funds may invest in complex securities that may be subject to numerous special and complex tax rules. These rules could affect whether gain or loss recognized by a Fund is treated as ordinary or capital, as long- or short-term capital gain, or as interest or dividend income. These rules could also accelerate the recognition of income to a Fund (possibly causing a Fund to sell securities to raise the cash for necessary distributions) and/or defer a Fund's ability to recognize a loss, and, in limited cases, subject a Fund to federal income tax on income from certain foreign securities. These rules could therefore affect the amount, timing or character of Fund distributions.

### ***Tax Withholding***

Except in cases of certain exempt shareholders, if (i) a shareholder does not furnish a Fund with a correct Social Security number or Taxpayer Identification Number and certain certifications, or (ii) the Funds receives notification from the IRS requiring backup withholding, federal law requires the Funds to withhold federal income tax from the shareholder's distributions and redemption proceeds. For non-U.S. investors (shareholders who, as to the U.S., are non-resident alien individuals, foreign trusts or estates, foreign corporations, or foreign partnerships), a withholding at a flat rate (currently 30%) generally applies on U.S.-source income that is not effectively connected with the conduct of a trade or business in the U.S., subject to the exceptions described below for net capital gain. This rate may be lower under the terms of a tax convention. For non-U.S. investors, a Fund's distributions of net capital gain are generally not subject to U.S. withholding tax, provided that this exception does not apply to nonresident alien individuals present in the U.S. for a period or periods aggregating 183 days or more during the taxable year.

Under the Foreign Account Tax Compliance Act ("FATCA"), the Funds may be required to withhold a generally nonrefundable 30% tax on (i) distributions of investment company taxable income and (ii) distributions of net capital gain and the gross proceeds of a sale or redemption of Fund shares paid after December 31, 2018 to (i) certain "foreign financial institutions" unless such foreign financial institution agrees to verify, monitor, and report to the IRS the identity of certain of its accountholders, among other things (or unless such entity is deemed compliant under the terms of an intergovernmental agreement with the United States), and (ii) certain "non-financial foreign entities" unless such entity certifies to the Funds that it does not have any substantial U.S. owners or provides the name, address, and taxpayer identification number of each substantial U.S. owner, among other things. This FATCA withholding tax could also affect a Fund's return on its investments in foreign securities or affect a shareholder's return if the shareholder holds its Fund shares through a foreign intermediary. You are urged to consult your tax adviser regarding the application of this FATCA withholding tax to your investment in the Funds and the potential certification, compliance, due diligence, reporting, and withholding obligations to which you may become subject in order to avoid this withholding tax.

## **COST BASIS REPORTING**

The Funds are required to report to certain shareholders and the IRS the cost basis of shares acquired by a shareholder on or after January 1, 2012 ("covered shares") when the shareholder sells, exchanges or redeems such shares. These requirements do not apply to shares held through a tax-deferred arrangement, such as a 401(k) plan or an IRA, or to shares held by tax-exempt organizations, financial institutions,

corporations (other than S corporations), credit unions and certain other governmental bodies. Shares acquired before January 1, 2012 (“non-covered shares”) are treated as if held in a separate account from covered shares. The Funds are not required to determine or report a shareholder’s cost basis in non-covered shares and are not responsible for the accuracy or reliability of any information provided for non-covered shares.

The cost basis of a share is generally its purchase price, adjusted for distributions, returns of capital, and other corporate actions. Cost basis is used to determine whether the sale, exchange or redemption of a share results in a capital gain or loss. If you sell, exchange or redeem covered shares during any year, then the Funds will report the gain or loss, cost basis, and holding period of such covered shares to the IRS and you on Form 1099.

A cost basis method is the method by which a Fund determines which specific covered shares are deemed to be sold, exchanged or redeemed when a shareholder sells, exchanges or redeems less than its entire holding of Fund shares and has made multiple purchases of Fund shares on different dates at differing NAVs. If a shareholder does not affirmatively elect a cost basis method, the Funds will use the average cost method, which averages the basis of all Fund shares in an account regardless of holding period, and shares sold, exchanged or redeemed are deemed to be those with the longest holding period first. Each shareholder may elect in writing (and not over the telephone) any alternate IRS-approved cost basis method to calculate the cost basis in its covered shares. The default cost basis method applied by the Funds or the alternate method elected by a shareholder may not be changed after the settlement date of a sale, exchange or redemption of Fund shares.

If you hold Fund shares through a broker (or another nominee), please contact that broker or nominee with respect to the reporting of cost basis and available elections for your account.

You are encouraged to consult your tax adviser regarding the application of these cost basis reporting rules and, in particular, which cost basis calculation method you should elect.

## **COUNSEL**

Godfrey & Kahn, S.C., 833 East Michigan Street, Suite 1800, Milwaukee, Wisconsin 53202, serves as counsel to the Trust and has passed upon the legality of the shares offered by the Funds’ Prospectus.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Cohen & Company, Ltd., 342 North Water Street, Suite 830, Milwaukee, Wisconsin 53202, has been selected as the independent registered public accounting firm of the Trust. As such, it is responsible for auditing the financial statements of the Funds.

## **FINANCIAL STATEMENTS**

The Funds’ audited financial statements and notes thereto are incorporated by reference to the Funds’ annual report for the fiscal period ended March 31, 2018, as filed with the SEC on June 5, 2018.

### **Navigator Fund**

The Goldman Navigator Fund, L.P.’s unaudited financial statement and statement of operations for the period ended May 31, 2017 and the audited financial statements for the years ended December 31, 2014, December 31, 2015 and December 31, 2016 are included below.

The information for the period ended December 31, 2016, has been audited by Arthur F. Bell, Jr. & Associates, L.L.C., the independent auditor for the Goldman Navigator Fund, L.P. at December 31, 2016. The information for the periods ended December 31, 2015 and December 31, 2014, has been audited by CohnReznick LLP, the independent auditor for the Goldman Navigator Fund, L.P. at December 31, 2015 and December 31, 2014.

**WaveFront Fund**

BC Capital Investors, L.P.'s unaudited schedule of investments, unaudited statement of financial condition, unaudited statement of operations, unaudited statement of changes in net assets and unaudited notes to financial statements for the period ended May 31, 2017 and the audited financial statements for the periods ended December 31, 2015 and December 31, 2016 are included below, following the financials of the Goldman Navigator Fund, L.P.

The information for the periods ended December 31, 2015 and December 31, 2016 has been audited by Deloitte & Touche LLP, the independent auditor for BC Capital Investors, L.P. at December 31, 2015 and December 31, 2016.

**Goldman Navigator Fund, LP**

**Financial Statements  
and Independent Auditor's Report**

**Years Ended December 31, 2015 and 2014**



# Goldman Navigator Fund, LP

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Independent Auditor's Report

To the Partners  
Goldman Navigator Fund, LP

We have audited the accompanying financial statements of Goldman Navigator Fund, LP, which comprise the statements of assets and liabilities, including the condensed schedules of investments, as of December 31, 2015 and 2014, and the related statements of operations and changes in partners' capital for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goldman Navigator Fund, LP as of December 31, 2015 and 2014, and the results of its operations and its changes in partners' capital for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP

Roseland, New Jersey  
February 19, 2016

**Goldman Navigator Fund, LP**

**Statements of Assets and Liabilities  
December 31, 2015 and 2014**

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| <u>Assets</u>                            |                      |                      |
| Cash and cash equivalents                | \$ 16,921,961        | \$ 23,298,898        |
| Unrealized gain on futures contracts     |                      | 665,760              |
| Interest receivable                      |                      | 14,403               |
| Receivable from limited partners         | <u>58,500</u>        |                      |
| Totals                                   | <u>\$ 16,980,461</u> | <u>\$ 23,979,061</u> |
| <u>Liabilities and Partners' Capital</u> |                      |                      |
| Liabilities:                             |                      |                      |
| Redemptions payable                      |                      | \$ 3,652,985         |
| Unrealized loss on futures contracts     | \$ 10,230            |                      |
| Contribution received in advance         |                      | 100,000              |
| Management fees payable                  | 11,349               | 47,069               |
| Accrued expenses                         | <u>13,816</u>        | <u>27,779</u>        |
| Total liabilities                        | 35,395               | 3,827,833            |
| Partners' capital                        | <u>16,945,066</u>    | <u>20,151,228</u>    |
| Totals                                   | <u>\$ 16,980,461</u> | <u>\$ 23,979,061</u> |

See Notes to Financial Statements.



**Goldman Navigator Fund,LP**  
**Statements of Operations**  
**Years Ended December 31, 2015 and 2014**

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| Investment income - interest   | <u>\$ 20,077</u>    | <u>\$ 54,172</u>    |
| Expenses: Management fees  | 145,280             | 244,044             |
| Professional fees  | 27,011              | 40,500              |
| Brokerage commissions and clearing fees  | <u>5,535</u>        | <u>10,683</u>       |
| Total expenses   | <u>177,826</u>      | <u>295,227</u>      |
| Net investment loss  | <u>(157,749)</u>    | <u>(241,055)</u>    |
| Realized and unrealized gain (loss) on investments: Net realized gain from investment transactions | 642,717             | 3,429,318           |
| Net unrealized depreciation on investments   | <u>(675,990)</u>    | <u>(358,720)</u>    |
| Net realized and unrealized gain (loss) on investments   | <u>(33,273)</u>     | <u>3,070,598</u>    |
| Net increase (decrease) in partners' capital resulting from operations                             | (191,022)           | 2,829,543           |
| Less incentive allocation to the General Partner   | <u>7,298</u>        | <u>497,708</u>      |
| Net increase (decrease) in partners' capital after General Partner incentive allocation            | <u>\$ (198,320)</u> | <u>\$ 2,331,835</u> |

See Notes to Financial Statements.

**Goldman Navigator Fund, LP**

**Statements of Changes in Partners' Capital  
Years Ended December 31, 2015 and 2014**

|  | General<br>Partner | Limited<br>Partners | Total         |
|--|--------------------|---------------------|---------------|
| Balance, January 1, 2014                             | \$ 1,265,865       | \$ 27,534,496       | \$ 28,800,361 |
| Capital contributions                                |                    | 1,003,312           | 1,003,312     |
| Capital withdrawals                                  | (1,185,534)        | (11,296,454)        | (12,481,988)  |
| Net increase in partners' capital<br>from operations | 9,437              | 2,820,106           | 2,829,543     |
| General Partner incentive allocation                 | 497,708            | (497,708)           |               |
| Balance, January 1, 2015                             | 587,476            | 19,563,752          | 20,151,228    |
| Capital contributions                                |                    | 1,069,000           | 1,069,000     |
| Capital withdrawals                                  | (497,708)          | (3,586,432)         | (4,084,140)   |
| Net decrease in partners' capital<br>from operations | (545)              | (190,477)           | (191,022)     |
| General Partner incentive allocation                 | 7,298              | (7,298)             |               |
| Balance, December 31, 2015                           | \$ 96,521          | \$ 16,848,545       | \$ 16,945,066 |

See Notes to Financial Statements.

## **Goldman Navigator Fund, LP**

### **Notes to Financial Statements**

#### **Note 1 - Organization**

Goldman Navigator Fund, LP (the "Partnership") is a Delaware limited partnership formed on December 2, 2011. The Partnership engages in the speculative trading of commodity interests with the objective of capital appreciation. The Partnership is subject to the regulations of the Commodity Futures Trading Commission ("CFTC"), an agency of the U.S. Government which regulates most aspects of the commodity futures industry; rules of the National Futures Association, an industry self-regulatory organization; and the requirements of the commodity exchanges and futures commission merchants through which the Partnership trades. The Partnership commenced trading operations in February 2012.

Goldman Fund Management, LLC (the "General Partner") is the General Partner of the Partnership and is registered as a commodity pool operator. Goldman Management, Inc. is the Partnership's Commodity Trading Advisor ("CTA").

#### **Note 2 - Significant accounting policies Investment company**

The Partnership follows the accounting and reporting guidance in FASB Accounting Standards Codification 946.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

#### **Fair value measurements**

Accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis.

## Goldman Navigator Fund, LP

### Notes to Financial Statements

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active
- c. Inputs other than quoted prices that are observable for the asset or liability
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, market participant assumptions cannot be ignored and, accordingly, the reporting entity's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

The fair value of the Partnership's investments as of December 31, 2015 and 2014 were all measured using Level 1 inputs.

### **Securities valuation**

Futures contracts are traded on commodities futures exchanges and stated at the last reported sales price on the valuation date.

### **Securities transactions and related investment income**

Securities transactions are recorded on the trade date. Interest income is recognized on the accrual basis. The net realized gain or loss on sales of investments is determined on a first-in, first-out basis.

### **Cash and cash equivalents**

The Partnership considers all U.S. Treasury debt instruments and certificates of deposit with a maturity of three months or less at the time of acquisition to be cash equivalents. The Partnership considers investments in short-term money market funds to be cash equivalents. The Partnership maintains its deposits in banks and its temporary investments in financial institutions that, at times, may exceed Federally insured limits.

## Goldman Navigator Fund, LP

### Notes to Financial Statements

#### Income taxes

The Partnership is not subject to income taxes; its taxable income is allocated to the individual partners for tax reporting purposes.

Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Generally, the Partnership is no longer subject to income tax examinations by major taxing authorities before 2012.

The Partnership recognized interest and penalties associated with tax matters, if applicable, as part of other expenses and includes accrued interest and penalties in accrued expenses in the statements of assets and liabilities. The Partnership did not recognize any interest or penalties associated with tax matters for the years ended December 31, 2015 and 2014.

#### Note 3 - Derivative financial instruments and off-balance sheet risk

In the normal course of business, the Partnership utilizes derivative financial instruments in connection with its proprietary trading activities. Derivative financial instruments derive their value from an underlying asset, index or reference rate. Derivative instruments are recognized as either assets or liabilities in the statements of assets and liabilities and are recorded at fair value (see Note 2). The notional or contractual amount of derivative financial instruments only provides a measure of the involvement in these types of transactions and does not represent the amounts subject to market risk or credit risk.

Derivative instruments, similar to other securities in the Partnership's investment portfolio, are subject to risks, such as market and credit risk. Market risk is the potential adverse change in value caused by unfavorable movements in interest rates, foreign exchange rates or market prices of other financial instruments. Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Partnership's exposure to credit risk is limited to those contracts in which it currently has a gain position reduced by such gains received in cash, if any, from the daily mark-to-market mechanism on exchange-traded futures or as agreed to in industry standard agreements with the respective counterparty. The Partnership's counterparties are major brokerage firms and banks located in the United States of America.

The Partnership is subject to off-balance sheet risk, which refers to situations where the maximum potential loss on a particular investment is greater than the value of the asset or liability reflected on the statements of assets and liabilities.

While certain of the Partnership's derivative activities may possess the substance of an economic hedge, the Partnership does not hold derivative instruments that, pursuant to accounting standards, are accounted for as hedging instruments. The derivative contracts in which the Partnership invest are as follows:

## Goldman Navigator Fund, LP

### Notes to Financial Statements

#### Futures contracts and options on futures contracts

The Partnership may enter into financial futures contracts for hedging or speculation purposes. Upon entering into a financial futures contract, the Partnership is required to pledge to the broker an amount of cash, U.S. Government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Subsequent payments, known as variation margin, are made or received by the Partnership each day, depending on the daily fluctuations in the fair value of the underlying security. The Partnership recognizes a gain or loss equal to the daily variation margin. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. If futures contracts are used for hedging and market conditions move unexpectedly, the Partnership may not achieve the anticipated benefits of the financial futures contracts and may realize a loss.

The Partnership is subject to certain inherent credit risks arising from its transactions involving derivative financial instruments. In the event a counterparty to the agreement does not fulfill its obligations, the Partnership may be required to fulfill the obligations at an amount in excess of the liability reflected in the financial statements. The Partnership's policy is to monitor its market exposure and counterparty risk through the use of various credit exposure reporting and control procedures.

#### Derivative activities

The Fund considers the notional amounts at December 31, 2015, categorized by primary underlying risk, to be representative of the volume of its derivative activities during the year ended December 31, 2015.

| <u>Contract type</u> | <u>Long Exposure</u>        |                                |
|----------------------|-----------------------------|--------------------------------|
|                      | <u>Notional<br/>Amounts</u> | <u>Number of<br/>Contracts</u> |
| Futures contracts:   |                             |                                |
| Equity index         | <u>\$12,718,750</u>         | <u>125</u>                     |

At December 31, 2015, the fair values of the futures contracts are included in unrealized loss on future contracts on the statement of assets and liabilities.

The effect of derivative instruments by contract type on the statement of operations for the year ended December 31, 2015 is as follows:

| <u>Contract<br/>Type</u> | <u>Statement of<br/>Operations</u>   | <u>Realized<br/>Gain</u> | <u>Statement of<br/>Operations</u> | <u>Unrealized<br/>Loss</u> |
|--------------------------|--------------------------------------|--------------------------|------------------------------------|----------------------------|
| Future                   | Net realized gain<br>from investment |                          | Net unrealized<br>depreciation     |                            |
| contracts                | transactions                         | <u>\$642,717</u>         | on investments                     | <u>\$(675,990)</u>         |

## Goldman Navigator Fund, LP

### Notes to Financial Statements

The Fund considers the notional amounts at December 31, 2014, categorized by primary underlying risk, to be representative of the volume of its derivative activities during the year ended December 31, 2014.

| <u>Contract type</u> | <u>Long Exposure</u>        |                                |
|----------------------|-----------------------------|--------------------------------|
|                      | <u>Notional<br/>Amounts</u> | <u>Number of<br/>Contracts</u> |
| Futures contracts:   |                             |                                |
| Equity index         | <u>\$19,703,040</u>         | <u>192</u>                     |

At December 31, 2014, the fair values of the futures contracts are included in unrealized gain on future contracts on the statement of assets and liabilities.

The effect of derivative instruments by contract type on the statement of operations for the year ended December 31, 2014 is as follows:

| <u>Contract<br/>Type</u> | <u>Statement of<br/>Operations</u>   | <u>Realized<br/>Gain</u> | <u>Statement of<br/>Operations</u> | <u>Unrealized<br/>Loss</u> |
|--------------------------|--------------------------------------|--------------------------|------------------------------------|----------------------------|
| Future                   | Net realized gain<br>from investment |                          | Net unrealized<br>depreciation     |                            |
| contracts                | transactions                         | <u>\$3,429,318</u>       | on investments                     | <u>\$(358,720)</u>         |

#### Note 4 - Partners' capital

As of the end of each calendar month, the change in the net asset value of the Partnership from the first business day of such month shall be allocated pro rata among the limited partners based on the respective balance in each partners' capital account, except for the management fee paid to the CTA. Management fees paid to the CTA by the Partnership are allocated specifically to those partners' capital accounts on whose behalf the payments were made.

Interests will generally be redeemable by limited partners as of the end of any calendar month, provided the limited partner has given 5 calendar days written notice to the General Partner. Limited partners may make contributions at the beginning of any month with approval by the General Partner.

#### Note 5 - Related party transactions

The CTA receives a monthly management fee of 0.08333% (1% annually), which is based on the ending value of each limited partners' capital account. The management fee is accrued monthly and paid quarterly.

## Goldman Navigator Fund, LP

### Notes to Financial Statements

At each year's end, an incentive allocation of 20% of the increase in value of each limited partners' capital account attributable to the limited partner's share of the Partnership's net new profits will be allocated to the General Partner's capital account. The amounts of the incentive allocations were \$7,298 and \$497,708 at December 31, 2015 and 2014, respectively.

#### Note 6 - Financial highlights

Financial highlights of the Partnership for the years ended December 31, 2015 and 2014 are as follows:

| Limited<br>Partners                          | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|
| Ratios to average limited partners' capital: |              |              |
| Net investment loss                          | (0.86)%      | (0.91)%      |
| Expenses                                     | 0.97         | 1.11         |
| Expense and incentive allocation:            |              |              |
| Expenses                                     | 0.97%        | 1.11%        |
| Incentive allocation                         | <u>0.04</u>  | <u>1.88</u>  |
| Total expenses and incentive allocation      | <u>1.01%</u> | <u>2.99%</u> |

The above ratios of net investment loss to average limited partners' capital does not reflect the effects of any performance allocation to the General Partner, nor does it include the effects of any realized and unrealized gains or losses on investments, which are included in the total return calculations that follow.

The above ratios are calculated for the limited partner class as a whole. The computation of such ratios based on the amount of expenses and performance allocation assessed to an individual investor's capital may vary from these ratios based on different management fee and incentive arrangements and the timing of capital transactions.

| Limited<br>Partners                      | <u>2015</u>    | <u>2014</u>   |
|--|----------------|---------------|
| Total return:                            |                |               |
| Total return before incentive allocation | (1.36)%        | 10.68%        |
| Incentive allocation                     | <u>(0.05)</u>  | <u>(1.88)</u> |
| Total return after incentive allocation  | <u>(1.41)%</u> | <u>8.80%</u>  |

## **Goldman Navigator Fund, LP**

### **Notes to Financial Statements**

Total return is calculated for the limited partner class taken as a whole. An individual investor's return may vary from these returns based on different management fee and incentive arrangements and the timing of capital transactions.

#### **Note 7 – Subsequent events**

The Partnership has evaluated subsequent events through February 19, 2016, which is the date financial statements were available to be issued.

During the period from January 1, 2016 through February 19, 2016, the Partnership received payments totaling \$58,500 from two limited partners who were paid capital withdrawals in excess of their respective capital balances during the year ended December 31, 2015. The amount was recorded as receivable from limited partners in the statement of assets and liabilities as of December 31, 2015.

During the period from January 1, 2016 through February 19, 2016, the Partnership had capital withdrawals of approximately \$168,000.

**Goldman Navigator Fund, LP**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**Year Ended December 31, 2016**



# Goldman Navigator Fund, LP

This Annual Report for Goldman Navigator Fund, LP is comprised of Section I, containing the financial statements of Goldman Navigator Fund, LP as of and for the year ended December 31, 2016, and Section II, containing the financial statements of Goldman Navigator Fund, LP as of and for the years ended December 31, 2015 and 2014.

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## SECTION I

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## SECTION II

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Financial statements of Goldman Navigator Fund, LP as of and for the years ended December 31, 2015 and 2014.



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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Goldman Navigator Fund, LP

We have audited the accompanying financial statements of Goldman Navigator Fund, LP, which comprise the statement of financial condition, including the schedule of investments, as of December 31, 2016, and the related statements of operations and changes in partners' capital (net asset value) for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goldman Navigator Fund, LP as of December 31, 2016, and the results of its operations and the changes in its net asset value for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in the notes to the financial statements, we previously issued an unqualified opinion dated March 1, 2017 for our audit of the financial statements of Goldman Navigator Fund, LP as of and for the year ended December 31, 2016. Such financial statements were subsequently amended in order to provide certain additional requested disclosures. Such additional disclosures do not change the amounts of previously reported net asset value or net income.

As discussed in the subsequent events footnote to the financial statements, the General Partner intends to convert Goldman Navigator Fund, LP to a registered investment company in October 2017.

/s/ Arthur F. Bell, Jr. & Associates, L.L.C.  
Hunt Valley, Maryland  
September 21, 2017

Goldman Navigator Fund, LP

Statement of Financial Condition  
December 31, 2016

|   | <u>2016</u>          |
|---|----------------------|
| <u>Assets</u>   |                      |
| Cash and cash equivalents                                 | \$ 3,669,534         |
| United States government securities (cost - \$14,967,518) | <u>14,992,384</u>    |
| Totals  | <u>\$ 18,661,918</u> |
| <u>Liabilities and Partners' Capital</u>                  |                      |
| Liabilities:  |                      |
| Unrealized loss on futures contracts                      | \$ 261,998           |
| Management fees payable                                   | 33,922               |
| Accrued expenses  | <u>14,700</u>        |
| Total liabilities   | <u>310,620</u>       |
| Partners' capital (net asset value):                      |                      |
| General Partner   | 233,409              |
| Limited Partners  | <u>18,117,889</u>    |
| Total partners' capital (net asset value)                 | <u>18,351,298</u>    |
| Totals  | <u>\$ 18,661,918</u> |

See Notes to Financial Statements.

Goldman Navigator Fund, LP

Schedule of Investments  
December 31, 2016

**UNITED STATES GOVERNMENT SECURITIES**

| <u>Face Value</u>  | <u>Maturity Date</u> | <u>Description</u> | <u>Fair Value</u>           | <u>% of Net Asset Value</u> |
|--|----------------------|--------------------|-----------------------------|-----------------------------|
| \$ 14,000,000  | 2/19/2017            | U.S. Treasury Bill | \$ 13,993,698               | 76.25%                      |
| 1,000,000  | 4/6/2017             | U.S. Treasury Bill | 998,686                     | 5.44%                       |
| <b>Total United States government securities<br/>(cost - \$14,967,518)</b> |                      |                    | <b><u>\$ 14,992,384</u></b> | <b><u>81.69%</u></b>        |

**LONG FUTURES CONTRACTS**

|  | <u>Fair Value</u>          | <u>% of Net Asset Value</u> |
|--|----------------------------|-----------------------------|
| Unrealized loss on futures contracts:                  |                            |                             |
| United States:   |                            |                             |
| Equity Index (March 2017 E-Mini S&P500, 165 Contracts) | \$ (261,998)               | -1.43%                      |
| <b>Total long futures contracts</b>                    | <b><u>\$ (261,998)</u></b> | <b><u>-1.43%</u></b>        |

See Notes to Financial Statements.

Goldman Navigator Fund, LP

Statement of Operations  
Year Ended December 31, 2016

|   | <u>2016</u>         |
|---|---------------------|
| Investment income - interest  | <u>\$ 32,663</u>    |
| Expenses:   |                     |
| Management fees   | 132,422             |
| Professional fees   | 40,226              |
| Brokerage commissions and clearing fees   | <u>5,468</u>        |
| Total expenses  | <u>178,116</u>      |
| Net investment loss   | <u>(145,453)</u>    |
| Realized and unrealized gain (loss) on investments:                             |                     |
| Net realized gain from investment transactions                                  | 1,807,877           |
| Net change in unrealized loss on investments                                    | <u>(251,767)</u>    |
| Net realized and unrealized gain on investments                                 | <u>1,556,110</u>    |
| Net increase in partners' capital resulting from operations                     | 1,410,657           |
| Less incentive allocation to the General Partner                                | <u>135,913</u>      |
| Net increase in partners' capital after General Partner<br>incentive allocation | <u>\$ 1,274,744</u> |

See Notes to Financial Statements.

Goldman Navigator Fund, LP

Statement of Changes in Partners' Capital  
Year Ended December 31, 2016

|  | General<br>Partner | Limited<br>Partners  | Total                |
|--|--------------------|----------------------|----------------------|
| Balance, January 1, 2016                             | 96,521             | 16,848,545           | 16,945,066           |
| Capital contributions                                | -                  | 518,590              | 518,590              |
| Capital withdrawals                                  | (7,298)            | (515,717)            | (523,015)            |
| Net increase in partners' capital<br>from operations | 8,273              | 1,402,384            | 1,410,657            |
| General Partner incentive allocation                 | 135,913            | (135,913)            | -                    |
| Balance, December 31, 2016                           | <u>\$ 233,409</u>  | <u>\$ 18,117,889</u> | <u>\$ 18,351,298</u> |

See Notes to Financial Statements.

# Goldman Navigator Fund, LP

## Notes to Financial Statements

### Note 1 - Organization

Goldman Navigator Fund, LP (the "Partnership") is a Delaware limited partnership formed on December 2, 2011. The Partnership engages in the speculative trading of commodity interests with the objective of capital appreciation. The Partnership is subject to the regulations of the Commodity Futures Trading Commission ("CFTC"), an agency of the U.S. Government which regulates most aspects of the commodity futures industry; rules of the National Futures Association, an industry self-regulatory organization; and the requirements of the commodity exchanges and futures commission merchant (broker) through which the Partnership trades. The Partnership commenced trading operations in February 2012.

Goldman Fund Management, LLC (the "General Partner") is the General Partner of the Partnership and is registered as a commodity pool operator. Goldman Management, Inc. is the Partnership's Commodity Trading Advisor (the "CTA").

### Note 2 - Significant accounting policies Method of reporting

The Partnership's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) is the single source of U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Pursuant to the *Cash Flows* Topic of the Codification, the Partnership qualifies for an exemption from the requirement to provide a statement of cash flows and has elected not to provide a statement of cash flows:

The financial statements of the Partnership as of and for the year ended December 31, 2016 were previously issued under the date of March 1, 2017. In order to comply with the standard financial statement presentation for mutual funds, certain additional requested disclosures were made subsequent to March 1, 2017. Such revisions do not change the amounts of previously reported net asset value or net income.

### Investment company

The Partnership follows the accounting and reporting guidance in FASB Accounting Standards Codification 946.

### Fair value measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable

## Goldman Navigator Fund, LP Notes to Financial Statements

inputs). Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
- a. Quoted prices for similar assets or liabilities in active markets
  - b. Quoted prices for identical or similar assets or liabilities in markets that are not active
  - c. Inputs other than quoted prices that are observable for the asset or liability
  - d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3: Inputs are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, market participant assumptions cannot be ignored and, accordingly, the reporting entity's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

The following summarizes the Partnership's asset and liabilities accounted for at fair value at December 31, 2016 using the fair value hierarchy:

| <u>Description</u>         | <u>December 31, 2016</u> |                |                |              |
|----------------------------|--------------------------|----------------|----------------|--------------|
|                            | <u>Level 1</u>           | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <u>Assets</u>              |                          |                |                |              |
| U.S. government securities |                          |                |                |              |
| Treasury Bills             | 14,992,384               | 0              | 0              | 14,992,384   |

## Goldman Navigator Fund, LP Notes to Financial Statements

|                                  |                   |          |          |                   |
|----------------------------------|-------------------|----------|----------|-------------------|
| Total U.S. government securities | <u>14,992,384</u> | <u>0</u> | <u>0</u> | <u>14,992,384</u> |
| <u>Liabilities</u>               |                   |          |          |                   |
| Futures contracts                |                   |          |          |                   |
| Equity Index                     | <u>(261,998)</u>  | <u>0</u> | <u>0</u> | <u>(261,998)</u>  |
| Total futures contracts          | <u>(261,998)</u>  | <u>0</u> | <u>0</u> | <u>(261,998)</u>  |

### Investments valuation

Futures contracts are traded on commodities futures exchanges and stated at the last reported sales price on the valuation date. The unrealized gain or loss on open futures contracts is the difference between contract trade price and quoted market price.

United States government securities are stated at fair value based on the midpoint of bid/ask quotations reported daily at 3pm EST by Thomson Reuters.

### Investment transactions and related investment income

Transactions are recorded on the trade date. Interest income is recognized on the accrual basis. The net realized gain or loss on sales of investments is determined on a first-in, first-out basis. Any change in net unrealized gain or loss from the preceding period is reported in the statement of operations. Brokerage commissions on futures contracts include other trading fees and are charged to expense when contracts are opened.

### Cash and cash equivalents

The Partnership considers all U.S. Treasury debt instruments and certificates of deposit with a maturity of three months or less at the time of acquisition to be cash equivalents. The Partnership considers investments in short-term money market funds to be cash equivalents. The Partnership maintains its deposits in banks and its temporary investments in brokers that, at times, may exceed Federally insured limits.

### Income taxes

The Partnership is not subject to income taxes; its taxable income is allocated to the individual partners for tax reporting purposes.

Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Generally, the Partnership is no longer subject to income tax examinations by major taxing authorities before 2013.

The Partnership recognized interest and penalties associated with tax matters, if applicable, as part of other expenses and includes accrued interest and penalties in accrued expenses in the statement of financial condition. The Partnership did not recognize any interest or penalties associated with tax matters for the year ended December 31, 2016.

### Note 3 - Derivative financial instruments and off-balance sheet risk

In the normal course of business, the Partnership utilizes derivative financial instruments in connection with its proprietary trading activities. Derivative financial instruments derive their value from an underlying asset, index or reference rate. Derivative instruments are recognized as either assets or liabilities in the statement of financial condition and are recorded at fair value (see Note 2). The notional or contractual amount of derivative financial instruments only

## **Goldman Navigator Fund, LP**

### **Notes to Financial Statements**

provides a measure of the involvement in these types of transactions and does not represent the amounts subject to market risk or credit risk.

Derivative instruments, similar to other securities in the Partnership's investment portfolio, are subject to risks, such as market and credit risk. Market risk is the potential adverse change in value caused by unfavorable movements in interest rates, foreign exchange rates or market prices of other financial instruments. Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Partnership's exposure to credit risk is limited to those contracts in which it currently has a gain position reduced by such gains received in cash, if any, from the daily mark-to-market mechanism on exchange-traded futures or as agreed to in industry standard agreements with the respective counterparty. The Partnership's counterparties are major brokerage firms and banks located in the United States of America.

The Partnership is subject to off-balance sheet risk, which refers to situations where the maximum potential loss on a particular investment is greater than the value of the asset or liability reflected on the statement of financial condition.

While certain derivative activities of the Partnership's may possess the substance of an economic hedge, the Partnership does not hold derivative instruments that, pursuant to accounting standards, are accounted for as hedging instruments. The derivative contracts in which the Partnership invests are as follows:

#### **Futures contracts and options on futures contracts**

The Partnership may enter into financial futures contracts for hedging or speculation purposes. Upon entering into a financial futures contract, the Partnership is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Subsequent payments, known as variation margin, are made or received by the Partnership each day, depending on the daily fluctuations in the fair value of the underlying security. The Partnership recognizes a gain or loss equal to the daily variation margin. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. If futures contracts are used for hedging and market conditions move unexpectedly, the Partnership may not achieve the anticipated benefits of the financial futures contracts and may realize a loss.

The Partnership is subject to certain inherent credit risks arising from its transactions involving derivative financial instruments. In the event a counterparty to the agreement does not fulfill its obligations, the Partnership may be required to fulfill the obligations at an amount in excess of the liability reflected in the financial statements. The Partnership's policy is to monitor its market exposure and counterparty risk through the use of various credit exposure reporting and control procedures.

#### **Derivative activities**

The Fund considers the notional amounts at December 31, 2016, categorized by primary underlying risk, as well as the number of contracts closed during the year, to be representative of the volume of its derivative activities during the year ended December 31, 2016.

# Goldman Navigator Fund, LP

## Notes to Financial Statements

| <u>Contract type</u> | Long Exposure               |                                | <u>Number of<br/>Contracts Closed</u> |
|----------------------|-----------------------------|--------------------------------|---------------------------------------|
|                      | <u>Notional<br/>Amounts</u> | <u>Number of<br/>Contracts</u> |                                       |
| Futures contracts:   |                             |                                |                                       |
| Equity index         | <u>\$18,470,348</u>         | <u>165</u>                     | <u>707</u>                            |

At December 31, 2016, the fair values of the futures contracts are included in unrealized loss on futures contracts on the statement of financial condition.

The effect of derivative instruments by contract type on the statement of operations for the year ended December 31, 2016 is as follows:

| <u>Contract<br/>Type</u>             | <u>Statement of<br/>Operations</u>                   | <u>Realized<br/>Gain</u> | <u>Statement of<br/>Operations</u>                 | <u>Change in<br/>Unrealized<br/>Loss</u> |
|--------------------------------------|--|--------------------------|--|--|
| Equity index<br>futures<br>contracts | Net realized gain<br>from investment<br>transactions | <u>\$1,807,877</u>       | Net change in<br>unrealized loss<br>on investments | <u>\$(251,767)</u>                       |

The Fund uses ADM Investor Services, Inc. to act as broker. Cash and U.S. government securities on deposit with the broker substantially exceed the net unrealized loss on futures contracts on deposit with such broker.

### Note 4 - Partners' capital

As of the end of each calendar month, the change in the net asset value of the Partnership from the first business day of such month shall be allocated pro rata among the limited partners based on the respective balance in each partners' capital account, prior to the management fee paid to the CTA and the incentive allocation to the General Partner.

Interests will generally be redeemable by limited partners as of the end of any calendar month, provided the limited partner has given 5 calendar days written notice to the General Partner. Limited partners may make contributions at the beginning of any month with approval by the General Partner.

### Note 5 - Related party transactions

The CTA receives a monthly management fee of 0.08333% (1% annually), which is based on the ending value of each limited partners' capital account. The management fee is accrued monthly and paid quarterly. The CTA, in its sole discretion, may waive or reduce the management fee for any limited partner.

At each year's end, an incentive allocation of 20% of the increase in value of each limited partners' capital account attributable to the limited partner's share of the Partnership's net new profits will be allocated to the General Partner's capital account. For the year ended December 31, 2016, the incentive allocation earned by the General Partner was \$135,913. The General Partner, in its sole discretion, may waive or reduce the incentive allocation for any limited partner.

# Goldman Navigator Fund, LP

## Notes to Financial Statements

### Note 6 - Indemnifications

In the normal course of business, the Partnership enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. The Partnership expects the risk of any future obligation under these indemnifications to be remote.

### Note 7 - Financial highlights

Financial highlights of the Partnership for the year ended December 31, 2016 is as follows:

| Limited<br><u>Partners</u>                   | <u>2016</u>  |
|--|--------------|
| Ratios to average limited partners' capital: |              |
| Net investment loss                          | (0.86)%      |
| Expenses                                     | 1.05         |
| Incentive allocation                         | <u>0.80</u>  |
| Total expenses and incentive allocation      | <u>1.85%</u> |

The above ratios of net investment gain/loss to average limited partners' capital does not reflect the effects of any incentive allocation to the General Partner, nor does it include the effects of any realized and change in unrealized gains or losses on investments, which are included in the total return calculations that follow.

The above ratios are calculated for the limited partner class as a whole. The computation of such ratios based on the amount of expenses and incentive allocation assessed to an individual investor's capital may vary from these ratios based on different management fee and incentive arrangements and the timing of capital transactions.

| Limited<br><u>Partners</u>               | <u>2016</u>   |
|--|---------------|
| Total return:                            |               |
| Total return before incentive allocation | 8.42%         |
| Incentive allocation                     | <u>(0.81)</u> |
| Total return after incentive allocation  | <u>7.61%</u>  |

Total return is calculated for the limited partner class taken as a whole. An individual investor's return may vary from these returns based on different management fee and incentive arrangements and the timing of capital transactions.

### Note 8 – Subsequent events

During September 2017, the General Partner notified the limited partners that the General Partner plans on converting the Partnership to a registered investment company (mutual fund) in October 2017.

## **Goldman Navigator Fund, LP**

### **Notes to Financial Statements**

The General Partner has evaluated subsequent events through September 21, 2017, the date the statements were available to be issued, and has determined that there are no other material events requiring disclosure in the Partnership's financial statements.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Partners  
Goldman Navigator Fund, LP

We have audited the financial statements of Goldman Navigator Fund, LP as of and for the year ended December 31, 2016, and have issued our report thereon dated September 21, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to September 21, 2017.

The supplementary information on Page 15, schedule of partners' capital accounts, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Arthur F. Bell, Jr. & Associates, L.L.C.

Hunt Valley, Maryland  
September 21, 2017

Goldman Navigator Fund, LP

Schedule of Partners' Capital Accounts  
December 31, 2016

| <u>Partner<br/>Identification<br/>Number *</u> | <u>2016</u>          |
|--|----------------------|
| 2  | 7,283,241            |
| 9  | 1,942,520            |
| 14   | 973,481              |
| 1  | 897,703              |
| 15   | 784,473              |
| 61   | 733,345              |
| 13   | 709,638              |
| 51   | 698,250              |
| 7  | 670,612              |
| 81   | 646,199              |
| 4  | 434,834              |
| 8  | 434,834              |
| 82   | 322,463              |
| 83   | 314,447              |
| 79   | 269,928              |
| 53   | 261,743              |
| 52   | 239,036              |
| 73   | 233,409              |
| 76   | 176,833              |
| 77   | 120,288              |
| 78   | 108,609              |
| 80   | 95,412               |
| Totals   | <u>\$ 18,351,298</u> |

See Independent Auditor's Report on Supplementary Information.

\* Partner identification numbers agree to respective partner's December 2016 account statement.

**Goldman Navigator Fund, LP**

**Financial Statements  
(With Supplementary Information)**

**As of May 31, 2017 (Unaudited)**

## Goldman Navigator Fund, LP

|  |      |
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Goldman Navigator Fund, LP

Statement of Assets and Liabilities  
May 31, 2017 (Unaudited)

| <u>Assets</u>   |                      |
|---|----------------------|
| Cash and cash equivalents   | \$ 3,322,294         |
| United States government securities<br>(cost, including accrued interest- \$15,720,510) | 15,720,510           |
| Unrealized gain on futures contracts  | <u>394,506</u>       |
| Totals  | <u>\$ 19,437,310</u> |
|   |                      |
| Liabilities and Partners' Capital   |                      |
| Liabilities:  |                      |
| Incentive fees payable  | \$ 171,182           |
| Management fees payable   | 94,278               |
| Accrued expenses  | <u>9,151</u>         |
| Total liabilities   | 274,611              |
|   |                      |
| Net asset value consist of:   |                      |
| Paid in capital   | 17,902,589           |
| Accumulated net investment loss   | (220,777)            |
| Accumulated net realized gain   | 824,384              |
| Net unrealized (appreciation) on:<br>Investments  | <u>656,503</u>       |
| Net asset value   | <u>\$ 19,162,699</u> |

See Notes to Financial Statements.

Goldman Navigator Fund, LP

Schedule of Investments  
May 31, 2017 (Unaudited)

UNITED STATES GOVERNMENT  
SECURITIES

| Face Value   | Maturity Date | Description        | Fair Value           | % of Net Asset Value |
|--|---------------|--------------------|----------------------|----------------------|
| \$ 14,750,000  | 8/17/2017     | U.S. Treasury Bill | \$ 14,721,467        | 76.83%               |
| 1,000,000  | 4/6/2017      | U.S. Treasury Bill | 999,043              | 5.21%                |
| <b>Total United States government securities</b><br>(cost, including accrued interest- \$15,720,510) |               |                    | <b>\$ 15,720,510</b> | <b>82.04%</b>        |

LONG FUTURE CONTRACTS

|   | Net Unrealized Gain (Loss) / Fair Value | Percent of Partners' Capital (Net Assets) |
|---|---|---|
| <b>Equity in broker trading account: commodities</b>  |   |   |
| Unrealized gain on future contracts: United States:   |   |   |
| Equity Index (June 2017 E-Mini S&P500, 163 Contracts) | \$ 394,506                              | 2.06%                                     |
| <b>Total long futures contracts</b>                   | <b>\$ 394,506</b>                       | <b>2.06%</b>                              |

See Notes to Financial Statements.

**Goldman Navigator Fund, LP**

**Statement of Operations**  
**For the period January 1, 2017 through May 31, 2017 (Unaudited)**

|  |                     |
|--|---------------------|
| Investment income - interest   | <u>\$ 28,519</u>    |
| Expenses:  |                     |
| Management fees  | 60,356              |
| Professional fees  | 16,075              |
| Brokerage commissions and clearing fees                                      | <u>1,683</u>        |
| Total expenses   | <u>78,114</u>       |
| Net investment loss  | <u>(49,595)</u>     |
| Realized and unrealized gain on investments:                                 |                     |
| Net realized gain from investment transactions                               | 824,384             |
| Net unrealized appreciation on investments                                   | <u>656,503</u>      |
| Net realized and unrealized gain on investments                              | <u>1,480,887</u>    |
| Net increase in partners' capital resulting from operations                  | 1,431,292           |
| Less incentive allocation to the General Partner                             | <u>171,182</u>      |
| Net increase in partners' capital after General Partner incentive allocation | <u>\$ 1,260,110</u> |

See Notes to Financial Statements.

## Goldman Navigator Fund, LP

### Statement of Changes in Partners' Capital (Net Asset Value) For the period January 1, 2017 through May 31, 2017 (Unaudited)

|  | General<br>Partner | Limited<br>Partners  | Total                |
|--|--------------------|----------------------|----------------------|
| Balance, January 1, 2017                             | 97,496             | 18,117,889           | 18,215,385           |
| Capital contributions                                | -                  | 7,806,522            | 7,806,522            |
| Capital withdrawals                                  | -                  | (8,119,318)          | (8,119,318)          |
| Net increase in partners' capital<br>from operations | 8,057              | 1,252,053            | 1,260,110            |
| General Partner incentive allocation                 | -                  | -                    | -                    |
| Balance, May 31, 2017                                | <u>\$ 105,553</u>  | <u>\$ 19,057,146</u> | <u>\$ 19,162,699</u> |

See Notes to Financial Statements.

## Goldman Navigator Fund, LP

### Notes to Financial Statements (Unaudited)

#### Note 1 - Organization

Goldman Navigator Fund, LP (the "Partnership") is a Delaware limited partnership formed on December 2, 2011. The Partnership engages in the speculative trading of commodity interests with the objective of capital appreciation. The Partnership is subject to the regulations of the Commodity Futures Trading Commission ("CFTC"), an agency of the U.S. Government which regulates most aspects of the commodity futures industry; rules of the National Futures Association, an industry self-regulatory organization; and the requirements of the commodity exchanges and futures commission merchants through which the Partnership trades. The Partnership commenced trading operations in February 2012.

Goldman Fund Management, LLC (the "General Partner") is the General Partner of the Partnership and is registered as a commodity pool operator. Goldman Management, Inc. is the Partnership's Commodity Trading Advisor (the "CTA").

#### Note 2 - Significant accounting policies

##### Method of Reporting

The partnership's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (the codification) is the single source of U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Pursuant to the *Cash Flow Topic of the Codification*, the Partnership qualifies for an exemption from the requirements to provide a statement of cash flows and has elected not to provide a statement of cash flow.

##### Investment company

The Partnership follows the accounting and reporting guidance in FASB Accounting Standards Codification 946.

##### Fair value measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions

## Goldman Navigator Fund, LP

### Notes to Financial Statements (Unaudited)

developed based on the best information available in the circumstances (unobservable inputs). Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
- a. Quoted prices for similar assets or liabilities in active markets
  - b. Quoted prices for identical or similar assets or liabilities in markets that are not active
  - c. Inputs other than quoted prices that are observable for the asset or liability
  - d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3: Inputs are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, market participant assumptions cannot be ignored and, accordingly, the reporting entity's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

The following summarizes the Partnership's asset and liabilities accounted for at fair value at May 31, 2017 using the fair value hierarchy:

# Goldman Navigator Fund, LP

## Notes to Financial Statements (Unaudited)

| May 31, 2017                                  | Level 1      | Level 2 | Level 3 | Total         |
|---|--------------|---------|---------|---------------|
| Assets:                                       |              |         |         |               |
| U.S. government securities                    |              |         |         |               |
| Treasury Bills                                | \$15,720,510 | \$ -    | \$ -    | \$ 15,720,510 |
| Equity in broker trading account:             |              |         |         |               |
| Net unrealized gain on open futures contracts | 394,506      | -       | -       | 394,506       |
| Total assets at fair value                    | \$16,115,016 | \$ -    | \$ -    | \$ 16,115,016 |

### Securities valuation

Futures contracts are traded on commodities futures exchanges and stated at the last reported sales price on the valuation date. The unrealized gain or loss on open futures contracts is the difference between contract trade price and quoted market price.

United States government securities are stated at fair value based on the midpoint of bid/ask quotations reported daily at 3pm EST by Thomson Reuters.

### Securities transactions and related investment income

Securities transactions are recorded on the trade date. Interest income is recognized on the accrual basis. The net realized gain or loss on sales of investments is determined on a first-in, first-out basis. Any change in net unrealized gain or loss from the preceding period is reported in the statement of operations. Brokerage commissions on futures contracts include other trading fees and are charged to expense when contracts are opened.

### Cash and cash equivalents

The Partnership considers all U.S. Treasury debt instruments and certificates of deposit with a maturity of three months or less at the time of acquisition to be cash equivalents. The Partnership considers investments in short-term money market funds to be cash equivalents. The Partnership maintains its deposits in banks and its temporary investments in financial institutions that, at times, may exceed Federally insured limits.

### Income taxes

The Partnership is not subject to income taxes; its taxable income is allocated to the individual partners for tax reporting purposes.

Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Generally, the Partnership is no longer subject to income tax examinations by major taxing authorities before 2013.

The Partnership recognized interest and penalties associated with tax matters, if applicable, as part of other expenses and includes accrued interest and penalties in accrued expenses in the statements of assets and liabilities. The Partnership did not recognize any interest or penalties associated with tax matters for the period January 1, 2017 through May 31, 2017.

## Goldman Navigator Fund, LP

### Notes to Financial Statements (Unaudited)

#### Note 3 - Derivative financial instruments and off-balance sheet risk

In the normal course of business, the Partnership utilizes derivative financial instruments in connection with its proprietary trading activities. Derivative financial instruments derive their value from an underlying asset, index or reference rate. Derivative instruments are recognized as either assets or liabilities in the statements of assets and liabilities and are recorded at fair value (see Note 2). The notional or contractual amount of derivative financial instruments only provides a measure of the involvement in these types of transactions and does not represent the amounts subject to market risk or credit risk.

Derivative instruments, similar to other securities in the Partnership's investment portfolio, are subject to risks, such as market and credit risk. Market risk is the potential adverse change in value caused by unfavorable movements in interest rates, foreign exchange rates or market prices of other financial instruments. Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Partnership's exposure to credit risk is limited to those contracts in which it currently has a gain position reduced by such gains received in cash, if any, from the daily mark-to-market mechanism on exchange-traded futures or as agreed to in industry standard agreements with the respective counterparty. The Partnership's counterparties are major brokerage firms and banks located in the United States of America.

The Partnership is subject to off-balance sheet risk, which refers to situations where the maximum potential loss on a particular investment is greater than the value of the asset or liability reflected on the statements of assets and liabilities.

While certain derivative activities of the Partnership's may possess the substance of an economic hedge, the Partnership does not hold derivative instruments that, pursuant to accounting standards, are accounted for as hedging instruments. The derivative contracts in which the Partnership invests are as follows:

#### Derivative activities

The Fund considers the notional amounts at May 31, 2017, categorized by primary underlying risk, as well as the number of contracts closed during the period, to be representative of the volume of its derivative activities during the period January 1<sup>st</sup> through May 31<sup>st</sup> 2017.

| <u>Contract type</u> | <u>Long Exposure</u>        |                                | <u>Number of<br/>Contracts Closed</u> |
|----------------------|-----------------------------|--------------------------------|---------------------------------------|
|                      | <u>Notional<br/>Amounts</u> | <u>Number of<br/>Contracts</u> |                                       |
| Futures contracts:   |                             |                                |                                       |
| Equity index         | <u>\$21,396,344</u>         | <u>163</u>                     | <u>819</u>                            |

At May 31, 2017, the fair values of the futures contracts are included in unrealized gain on futures contracts on the statement of assets and liabilities.

## Goldman Navigator Fund, LP

### Notes to Financial Statements (Unaudited)

#### Futures contracts and options on futures contracts

The Partnership may enter into financial futures contracts for hedging or speculation purposes. Upon entering into a financial futures contract, the Partnership is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Subsequent payments, known as variation margin, are made or received by the Partnership each day, depending on the daily fluctuations in the fair value of the underlying security. The Partnership recognizes a gain or loss equal to the daily variation margin. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. If futures contracts are used for hedging and market conditions move unexpectedly, the Partnership may not achieve the anticipated benefits of the financial futures contracts and may realize a loss.

The Partnership is subject to certain inherent credit risks arising from its transactions involving derivative financial instruments. In the event a counterparty to the agreement does not fulfill its obligations, the Partnership may be required to fulfill the obligations at an amount in excess of the liability reflected in the financial statements. The Partnership's policy is to monitor its market exposure and counterparty risk through the use of various credit exposure reporting and control procedures.

The effect of derivative instruments by contract type on the statement of operations for the period January 1<sup>st</sup> through May 31<sup>st</sup> 2017, is as follows:

| <u>Contract Type</u>           | <u>Statement of Operations</u>                 | <u>Realized Gain</u> | <u>Statement of Operations</u>             | <u>Unrealized Gain</u> |
|--------------------------------|--|----------------------|--|------------------------|
| Equity Index futures contracts | Net realized gain from investment transactions | \$824,384            | Net unrealized appreciation on investments | \$656,503              |

The Fund uses ADM Investor Services, Inc. to act as broker. Cash and U.S. government securities on deposit with the broker substantially exceed the net unrealized loss on futures contracts on deposit with such broker.

#### Note 4 - Partners' capital

As of the end of each calendar month, the change in the net asset value of the Partnership from the first business day of such month shall be allocated pro rata among the limited partners based on the respective balance in each partners' capital account, prior to the management fee paid to the CTA and the incentive allocation to the General Partner.

Interests will generally be redeemable by limited partners as of the end of any calendar month, provided the limited partner has given 5 calendar days written notice to the General Partner. Limited partners may make contributions at the beginning of any month with approval by the General Partner.

## Goldman Navigator Fund, LP

### Notes to Financial Statements (Unaudited)

#### Note 5 - Related party transactions

The CTA receives a monthly management fee of 0.08333% (1% annually), which is based on the ending value of each limited partners' capital account. The management fee is accrued monthly and paid quarterly. The CTA, in its sole discretion, may waive or reduce the management fee for any limited partner.

At each year's end, an incentive allocation of 20% of the increase in value of each limited partners' capital account attributable to the limited partner's share of the Partnership's net new profits will be allocated to the General Partner's capital account. The General Partner, in its sole discretion, may waive or reduce the incentive allocation for any limited partner.

#### Note 6 - Indemnifications

In the normal course of business, the Partnership enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. The Partnership expects the risk of any future obligation under these indemnifications to be remote.

#### Note 7 – Financial highlights

Financial highlights of the Partnership for the period January 1, 2017 through May 31, 2017 is as follows:

|  | <b>For the period<br/>January 1st<br/>through May<br/>31<sup>st</sup>, 2017</b> |
|--|---|
| Total return before incentive allocation | 7.84%   |
| Incentive allocation %                   | -0.94%  |
| Total return after incentive allocation  | <u>6.90%</u>  |
| Ratios to average net asset value:       |   |
| Net investment Income                    | 7.62%   |
| Expenses                                 | 0.42%   |
| Expense and incentive allocation         |   |
| Expenses                                 | 0.42%   |
| Incentive allocation                     | <u>0.92%</u>  |
| Expenses and incentive allocation        | <u>-0.50%</u>   |

The above ratios of total return on investment before and after incentive fees is calculated by dividing the total gains achieved by the fund before/after incentive fees divided by the limited partners equity.

## **Goldman Navigator Fund, LP**

### **Notes to Financial Statements (Unaudited)**

The above ratios of net investment gain/ loss to average limited partners' capital does not reflect the effects of any performance allocation to the General Partner, nor does it include the effects of any realized and unrealized gains or losses on investments, which are included in the total return calculations that follow.

The above ratios are calculated for the limited partner class as a whole. The computation of such ratios based on the amount of expenses and performance allocation assessed to an individual investor's capital may vary from these ratios based on different management fee and incentive arrangements and the timing of capital transactions.

#### **Note 8 – Subsequent events**

The Company's Management has evaluated subsequent events through September 19, 2017, the date the statements were available to be issued, and has determined that there are no material events requiring disclosure in the Company's financial statements.

**Goldman Navigator Fund, LP**

**Schedules of Partners' Capital Accounts 5/31/2017  
(Unaudited)**

Partner Identification

| <u>Number *</u> | <u>31-May-17</u> |
|-----------------|------------------|
| 84              | 7,782,522        |
| 9               | 2,103,044        |
| 14              | 1,034,027        |
| 1               | 953,537          |
| 15              | 833,265          |
| 61              | 778,956          |
| 51              | 755,952          |
| 13              | 753,774          |
| 7               | 712,321          |
| 81              | 699,599          |
| 4               | 461,879          |
| 8               | 461,879          |
| 83              | 334,003          |
| 79              | 286,716          |
| 53              | 283,372          |
| 52              | 258,789          |
| 76              | 187,831          |
| 77              | 130,229          |
| 80              | 127,868          |
| 78              | 117,583          |
| 73              | 105,553          |

Totals \$ 19,162,699

\* Partner identification numbers agree to partner's account statement.

# B.C. Capital Investors, L.P.

Financial Statements as of and for the  
Period Ended May 31, 2017

*A CLAIM FOR EXEMPTION FROM THE DISCLOSURE, PERIODIC AND ANNUAL  
RECORDKEEPING REQUIREMENTS CONTAINED IN PART 4.13(a)(3) OF THE REGULATIONS  
ADOPTED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION HAS BEEN  
REQUESTED BY THE INVESTMENT MANAGER OF B.C. CAPITAL INVESTORS, L.P.*

# **B.C. CAPITAL INVESTORS, L.P.**

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## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF INVESTMENTS AS OF MAY 31, 2017 (UNAUDITED)

---

|   | Shares or<br>Par Value | Value          |
|---|------------------------|----------------|
| <b>COMMON STOCK — 71.44%</b>                                  |                        |                |
| <b>Aerospace &amp; Defense — 6.06%</b>                        |                        |                |
| RAYTHEON COMPANY  | 5,000                  | \$ 820,050     |
| <b>Banks — 1.94%</b>  |                        |                |
| CITIGROUP INC   | 2,500                  | 151,350        |
| CAPITAL BANK FINANCIAL-CL A                                   | 3,000                  | <u>111,300</u> |
|   |                        | 262,650        |
| <b>Building Products — 2.01%</b>                              |                        |                |
| JOHNSON CONTROLS INTERNATIONAL                                | 6,500                  | 271,440        |
| <b>Commercial Services &amp; Supplies — 3.76%</b>             |                        |                |
| REPUBLIC SERVICES INC   | 8,000                  | 508,880        |
| <b>Construction Materials — 3.68%</b>                         |                        |                |
| VULCAN MATERIALS CO   | 4,000                  | 498,600        |
| <b>Diversified Consumer Services — 6.60%</b>                  |                        |                |
| SERVICE CORP INTERNATIONAL                                    | 28,000                 | 892,640        |
| <b>Food Products — 6.54%</b>                                  |                        |                |
| MONDELEZ INTERNATIONAL INC-A                                  | 19,000                 | 885,210        |
| <b>Internet &amp; Direct Marketing Retail — 1.47%</b>         |                        |                |
| AMAZON.COM INC  | 200                    | 198,924        |
| <b>IT Services — 7.04%</b>                                    |                        |                |
| VISA INC-CLASS A SHARES                                       | 10,000                 | 952,300        |
| <b>Internet Software &amp; Services — 2.24%</b>               |                        |                |
| FACEBOOK INC-A  | 2,000                  | 302,920        |
| <b>Oil, Gas &amp; Consumable Fuels — 1.33%</b>                |                        |                |
| EOG RESOURCES INC   | 2,000                  | 180,620        |
| <b>Pharmaceuticals — 11.90%</b>                               |                        |                |
| JOHNSON & JOHNSON   | 8,000                  | 1,026,000      |
| MYLAN NV  | 15,000                 | <u>584,700</u> |
|   |                        | 1,610,700      |
| <b>Software — 6.97%</b>                                       |                        |                |
| MICROSOFT CORP  | 13,500                 | 942,840        |
| <b>Technology Hardware, Storage &amp; Peripherals — 6.77%</b> |                        |                |
| APPLE INC   | 6,000                  | 916,560        |

The above percentages represent a percentage of partnership net assets.

(Continued)

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF INVESTMENTS AS OF MAY 31, 2017 (UNAUDITED)

|  | Shares or<br>Par Value | Value                       |
|--|------------------------|-----------------------------|
| <b>Textiles, Apparel &amp; Luxury Goods — 3.13%</b>      |                        |                             |
| NIKE INC -CL B   | 8,000                  | 423,920                     |
| <b>Total Common Stock</b>                                |                        | <b><u>\$ 9,668,254</u></b>  |
| <b>EXCHANGE TRADED FUNDS — 9.98%</b>                     |                        |                             |
| MATERIALS SELECT SECTOR SPDR                             | 2,000                  | 106,160                     |
| ISHARES 20+ YEAR TREASURY BO                             | 10,000                 | <u>1,244,000</u>            |
|  |                        | 1,350,160                   |
| <b>MASTER LIMITED PARTNERSHIPS — 8.39%</b>               |                        |                             |
| ENTERPRISE PRODUCTS PARTNERS                             | 30,000                 | 804,300                     |
| MPLX LP  | 10,000                 | <u>330,500</u>              |
|  |                        | 1,134,800                   |
| <b>GOVERNMENT DEBT INSTRUMENTS — 14.74%</b>              |                        |                             |
| US TREASURY N/B 1.000% 12/31/17                          | 400,000                | 399,578                     |
| US TREASURY N/B 0.750% 02/28/18                          | 1,600,000              | <u>1,594,813</u>            |
|  |                        | 1,994,391                   |
| <b>SHORT-TERM SECURITIES — 7.33%</b>                     |                        |                             |
| Goldman Sachs Financial Square Treasury Obligations Fund | 991,306                | 991,306                     |
| <b>TOTAL INVESTMENTS OWNED (COST \$14,364,845)</b>       |                        | <b><u>\$ 15,138,911</u></b> |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS — (11.88)%</b>  |                        | (1,607,829)                 |
| <b>TOTAL PARTNERSHIP NET ASSETS</b>                      |                        | <b><u>\$ 13,531,082</u></b> |

The above percentages represent a percentage of partnership net assets.

(Concluded)

(\*) Non-Income Producing Securities

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF SECURITIES SOLD SHORT AS OF MAY 31, 2017 (UNAUDITED)

|  | Shares or<br>Par Value | Value                               |
|--|------------------------|-------------------------------------|
| <b>SECURITIES SOLD SHORT — (21.72%)</b>                    |                        |                                     |
| <b>COMMON STOCK — (3.30%)</b>                              |                        |                                     |
| <b>Canada</b>  |                        |                                     |
| <b>Banks — (0.18%)</b>                                     |                        |                                     |
| TORONTO-DOMINION BANK                                      | (500)                  | \$ <u>(23,839)</u>                  |
| <b>United States</b>                                       |                        |                                     |
| <b>Auto Components — (2.68%)</b>                           |                        |                                     |
| BORGWARNER INC   | (5,000)                | (212,550)                           |
| VISTEON CORP   | (1,500)                | <u>(150,435)</u>                    |
|  |                        | (362,985)                           |
| <b>Specialty Retail — (0.44%)</b>                          |                        |                                     |
| GROUP 1 AUTOMOTIVE INC                                     | (1,000)                | (60,150)                            |
| <b>Total Common Stock — United States</b>                  |                        | <u>(423,135)</u>                    |
| <b>Total Common Stock</b>                                  |                        | <u>(446,974)</u>                    |
| <b>EXCHANGE-TRADED FUND — (18.42%)</b>                     |                        |                                     |
| ISHARES MSCI EMERGING MARKET                               | (4,000)                | (164,800)                           |
| ISHARES RUSSELL 2000 ETF                                   | (13,000)               | (1,772,160)                         |
| SPDR S&P REGIONAL BANKING                                  | (1,000)                | (51,830)                            |
| FINANCIAL SELECT SECTOR SPDR                               | (10,000)               | (232,500)                           |
| INDUSTRIAL SELECT SECT SPDR                                | (4,000)                | <u>(270,080)</u>                    |
|  |                        | <u>(2,491,370)</u>                  |
| <b>TOTAL INVESTMENTS SOLD SHORT (PROCEEDS \$2,941,602)</b> |                        | <b><u><u>\$ (2,938,344)</u></u></b> |

The above percentages represent a percentage of partnership net assets.

(Concluded)

## B.C. CAPITAL INVESTORS, L.P.

### STATEMENT OF ASSETS AND LIABILITIES AS OF MAY 31, 2017 (UNAUDITED)

---

#### ASSETS

|   |    |                   |
|---|----|-------------------|
| Cash and cash equivalents                                       | \$ | 4,724,403         |
| Restricted cash held as collateral for short positions          |    | 495,669           |
| Restricted foreign currency held as collateral (cost \$104,736) |    | 105,842           |
| Investments owned, at market value (cost \$14,364,845)          |    | 15,138,911        |
| Receivables from broker for securities sold and sold short      |    | 2,084,904         |
| Dividends receivable  |    | 15,674            |
| Interest receivable   |    | <u>4,712</u>      |
| TOTAL ASSETS  | \$ | <u>22,570,115</u> |

#### LIABILITIES AND PARTNERSHIP CAPITAL

|   |    |               |
|---|----|---------------|
| Securities sold short (proceeds \$2,941,602)        | \$ | 2,938,344     |
| Payable for investments purchased and covered short |    | 378,945       |
| Payable for partner withdrawals                     |    | 5,673,605     |
| Payable to General Partner                          |    | 34,104        |
| Dividends payable                                   |    | 940           |
| Accrued expenses                                    |    | <u>13,095</u> |

TOTAL LIABILITIES 9,039,033

#### Partnership capital

|   |  |              |
|---|--|--------------|
| Paid-in Capital                             |  | 6,741,506    |
| Accumulated net investment gains and income |  | 6,011,214    |
| Net unrealized appreciation                 |  |              |
| Investments                                 |  | 774,066      |
| Securities sold short                       |  | 3,258        |
| Foreign currency                            |  | <u>1,038</u> |

Total Partners capital 13,531,082

TOTAL LIABILITIES AND PARTNERSHIP CAPITAL \$ 22,570,115

See notes to financial statements.

## B.C. CAPITAL INVESTORS, L.P.

### STATEMENT OF OPERATIONS AND INCENTIVE ALLOCATION FOR THE PERIOD ENDED MAY 31, 2017 (UNAUDITED)

---

|   |                  |
|---|------------------|
| INVESTMENT INCOME:  |                  |
| Interest  | \$ 4,033         |
| Dividends   | <u>96,417</u>    |
| Total investment income   | <u>100,450</u>   |
| EXPENSES:   |                  |
| Management fees   | 81,104           |
| Investment expenses   | 1,564            |
| Dividend expenses   | 15,952           |
| Fund accounting fees  | 10,129           |
| Accounting expenses   | <u>13,428</u>    |
| Total expenses  | <u>122,177</u>   |
| Net investment loss   | (21,727)         |
| REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS:                          |                  |
| Net realized gains (losses)   |                  |
| Investments   | (20,209)         |
| Securities sold short   | (113,758)        |
| Options written   | (46,615)         |
| Change in unrealized appreciation / depreciation                                |                  |
| Investments   | 258,691          |
| Options written   | (1,369)          |
| Foreign currency  | <u>5,056</u>     |
| Net realized and unrealized gain on investments                                 | <u>81,796</u>    |
| NET INCREASE IN PARTNERSHIP CAPITAL FROM OPERATIONS                             | 60,069           |
| INCENTIVE ALLOCATION  | <u>(1,792)</u>   |
| NET INCREASE IN NET ASSETS AVAILABLE FOR PRO<br>RATA ALLOCATION TO ALL PARTNERS | <u>\$ 58,277</u> |

See notes to financial statements.

**B.C. CAPITAL INVESTORS, L.P.****STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL  
FOR THE YEAR PERIOD MAY 31, 2017 (UNAUDITED)**

|   | <b>General<br/>Partner</b> | <b>Limited<br/>Partners</b> | <b>Total</b>         |
|---|----------------------------|-----------------------------|----------------------|
| BALANCE, DECEMBER 31, 2016  | \$ 196,006                 | \$ 19,644,114               | \$ 19,840,120        |
| Withdrawals   | <u>(196,953)</u>           | <u>(6,172,153)</u>          | <u>(6,369,106)</u>   |
| Net decrease from capital transactions  | (196,953)                  | (6,172,153)                 | (6,369,106)          |
| Net investment loss   | 384                        | (22,111)                    | (21,727)             |
| Realized losses on futures  | -                          | -                           | -                    |
| Net realized losses on investments, securities sold short,<br>options contracts, and foreign currency transactions                  | (1,126)                    | (179,457)                   | (180,583)            |
| Change in unrealized appreciation on investments,<br>securities sold short, options contracts, and foreign<br>currency transactions | <u>886</u>                 | <u>261,492</u>              | <u>262,378</u>       |
| Net increase from operations  | <u>144</u>                 | <u>59,924</u>               | <u>60,068</u>        |
| Incentive allocation  | <u>1,792</u>               | <u>(1,792)</u>              | <u>-</u>             |
| BALANCE, MAY 31, 2017   | <u>\$ 989</u>              | <u>\$ 13,530,093</u>        | <u>\$ 13,531,082</u> |

See notes to financial statements.

**B.C. CAPITAL INVESTORS, L.P.****STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <b>General<br/>Partner</b> | <b>Limited<br/>Partners</b> | <b>Total</b>         |
|---|----------------------------|-----------------------------|----------------------|
| BALANCE, DECEMBER 31, 2015  | \$173,365                  | \$21,061,345                | \$21,234,710         |
| Withdrawals   | <u>-</u>                   | <u>(1,636,688)</u>          | <u>(1,636,688)</u>   |
| Net decrease from capital transactions  | -                          | (1,636,688)                 | (1,636,688)          |
| Net investment loss   | 563                        | (159,227)                   | (158,664)            |
| Realized gains on futures   | 20                         | 1,963                       | 1,983                |
| Net realized gains on investments, securities sold short,<br>options contracts, and foreign currency transactions                   | 1,718                      | 223,774                     | 225,492              |
| Change in unrealized appreciation on investments,<br>securities sold short, options contracts, and foreign<br>currency transactions | <u>1,398</u>               | <u>171,889</u>              | <u>173,287</u>       |
| Net increase from operations  | <u>3,699</u>               | <u>238,399</u>              | <u>242,098</u>       |
| Incentive allocation  | <u>18,942</u>              | <u>(18,942)</u>             | <u>-</u>             |
| BALANCE, DECEMBER 31, 2016  | <u>\$ 196,006</u>          | <u>\$ 19,644,114</u>        | <u>\$ 19,840,120</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS, L.P.

### FINANCIAL HIGHLIGHTS FOR THE PERIOD ENDED MAY 31, 2017 (UNAUDITED)

---

|   |          |
|---|----------|
| Total return <sup>(1)(5)</sup>  | 0.29 %   |
| Total return before incentive allocation <sup>(1)(2)(5)</sup>                             | 0.32 %   |
| Ratio of net expenses and incentive allocation to average net assets <sup>(3)(4)(5)</sup> | 0.64 %   |
| Ratio of net expenses to average net assets <sup>(2)(3)(4)(5)</sup>                       | 0.58 %   |
| Ratio of net investment loss to average net assets <sup>(3)(4)(5)</sup>                   | (0.32) % |

- (1) Total return is calculated based on the change in value during the year of a hypothetical investment, adjusted for contributions and withdrawals, as appropriate, made at the beginning of the year by a Limited Partner. An individual Limited Partners's return may vary from this return based on the timing of capital transactions, participation or non-participation in new issues and the extent to which an individual Limited Partner's reallocation of profits to the Investment Manager differs from the average reallocation for all Limited Partners
- (2) Excludes incentive allocation to Investment Manager
- (3) Income and expense ratios are calculated using average net assets.
- (4) Average net assets are calculated as the average of monthly partnership capital balances.
- (5) Returns calculated for the period to date May 31, 2017 are cumulative and not comparable to annualized return values

## B.C. CAPITAL INVESTORS, L.P.

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

|  |          |
|--|----------|
| Total return <sup>(1)</sup>  | 1.03 %   |
| Total return before incentive allocation <sup>(1)(2)</sup>                             | 1.12 %   |
| Ratio of net expenses and incentive allocation to average net assets <sup>(3)(4)</sup> | 1.55 %   |
| Ratio of net expenses to average net assets <sup>(2)(3)(4)</sup>                       | 1.45 %   |
| Ratio of net investment loss to average net assets <sup>(3)(4)</sup>                   | (0.77) % |

- (1) Total return is calculated based on the change in value during the year of a hypothetical investment, adjusted for contributions and withdrawals, as appropriate, made at the beginning of the year by a Limited Partner. An individual Limited Partners's return may vary from this return based on the timing of capital transactions, participation or non-participation in new issues and the extent to which an individual Limited Partner's reallocation of profits to the Investment Manager differs from the average reallocation for all Limited Partners
- (2) Excludes incentive allocation to Investment Manager
- (3) Income and expense ratios are calculated using average net assets.
- (4) Average net assets are calculated as the average of monthly limited partner capital balances.

# B.C. CAPITAL INVESTORS, L.P.

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE PERIOD ENDED MAY 31, 2017 (UNAUDITED)

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### 1. ORGANIZATION

**General** — B.C. Capital Investors LP, (the “Fund”) is a Delaware limited partnership that operates as a private investment fund. The Fund was formed under the B.C. Capital Investors, L.P. Limited Partnership Agreement (the “LP Agreement”) effective January 1, 2012, between B.C. Holdings, Inc. (the “Investment Manager” and “General Partner”) and the Limited Partners. Prior to January 1, 2012, B.C. Capital Investors, L.P. was a Delaware limited liability company named B.C. Capital Investors, LLC (the “LLC”). The term of the Partnership commenced on the date the LLC’s Certificate of Formation was filed with Secretary of State of the State of Delaware, and shall continue until December 31, 2032, unless sooner terminated by the dissolution and winding-up of the Fund, as set forth by the LP Agreement.

The Fund’s investment objective is to achieve capital appreciation by investing in and trading equities, fixed-income securities, and commodities including, but not limited to, long positions in equities, short positions in equities, convertible bonds, preferred shares, high yield fixed income securities, commodity futures, and options. The Fund’s investment strategy is to identify and take advantage of pricing inefficiencies that exist from time to time in various market sectors where the Investment Manager believes that financial assets have become undervalued or overvalued.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the Fund follows the Financial Accounting Standards Board’s guidance for investment companies found at ASC 946. The following is a summary of significant accounting policies followed by the Fund:

**Basis of Presentation** — The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**Capital Contributions** — Limited Partners, at the discretion of the Investment Manager, may be admitted to the Fund at the beginning of any calendar month or on such other dates as the Investment Manager may determine. Effective March 2013 the Fund began offering a new share class “Class B” and it will no longer be offering the former shares “Class A” to new Limited Partners of the Fund. Existing Limited Partners as of March 2013 will continue receiving Class A shares for subsequent contributions. The Fund has no Class B shares issued or outstanding and thus has elected not to disclose the separate capital activity to this class. The new shares have different minimum contribution and lock-up requirements than Class A shares, as well as higher management and performance fees.

Limited Partners are not required to make any additional capital contributions beyond their initial minimum contribution of \$1,000,000 and \$500,000 for Class A and Class B shares, respectively. Additional contributions of at least \$50,000 may be made by Limited Partners at the discretion of the Investment Manager. Any contributions received in advance of a calendar quarter are reflected on the statement of assets and liabilities as contributions received in advance.

**Withdrawals** — Upon 45 days prior written notice, a Limited Partner may withdraw all or any portion of his or her Capital Account in the Fund as of the close of business on the last day of each calendar quarter or at such other time as the Investment Manager may determine in its sole discretion (each a “Withdrawal Date”); provided, however, that a Limited Partner may not withdraw capital prior to the end of the first 12-month and 6-month periods for Class A and Class B shares, respectively, following such Limited Partner’s initial investment in the Fund. Withdrawals that reduce a Limited Partner’s

capital account below the minimum investment (or the amount of such Limited Partner's capital account below the minimum investment (or the amount of such Limited Partner's initial subscription, if less) shall not be permitted unless the Limited Partner is withdrawing in full. The minimum withdrawal amount is \$25,000. The Investment Manager may, in its sole discretion, waive the notice period and other withdrawal provisions.

**Incentive Allocation** — The Investment Manager receives, as of each year ending December 31 or any Withdrawal Date (with respect to the capital withdrawn), an incentive allocation equal to 10% for Class A shares of any net increase in net assets credited to each Limited Partner's capital account during such calendar year (i.e., the Investment Manager receives 10% of the amount by which a Limited Partner's Capital Account balance as of the end of a calendar year exceeds the balance of such Limited Partner's Capital Account as of the end of the preceding year, after reduction for the incentive allocation then made and as adjusted for new subscriptions and withdrawals during such calendar year). For Class A shares if there is a net decrease in net assets debited to a capital account during a calendar year, such loss will not be carried forward to the next calendar year for purposes of calculating the incentive allocation for such year. For Class B shares the Investment Manager receives an incentive allocation equal to 15% of any increase in net assets credited to each Limited Partner's capital account that exceeds the balance in the loss carryforward account for such Limited Partner that is allocated as of each December 31 and any withdrawal date (i.e., the Investment Manager receives 15% of the amount by which a Limited Partner's capital account balance as of the end of a calendar year exceeds the balance of such Limited Partner's capital account as of the end of the preceding year, after reduction for the incentive allocation then made and as adjusted for new subscriptions and withdrawals during such calendar year, plus any losses realized in prior years which reduced the balance of the Limited Partner's capital account "loss carryforward." Net Assets, for purposes of calculating the incentive allocation, excludes liability for the incentive allocation then being calculated and due to the Investment Manager. The Incentive Allocation is calculated separately with respect to each Limited Partner's Capital Account and with respect to each calendar year.

**Cash** — Cash includes cash on hand and cash in the bank.

**Investments** — All investments are stated at fair value based on the following:

- Securities listed on a national securities exchange or NASDAQ are valued at their last sale price on their principal exchange or market, or if no sales occurred, at the mean between the bid and ask prices on such date.
- Securities not listed on a national securities exchange or NASDAQ are valued at their last sale price of the day as supplied by the National Association of Securities Dealers or other sources, or if no sales occurred on the valuation date, at the mean between the bid and ask prices on such date.
- Securities listed on a foreign securities exchange are valued at their last sale price of the day as supplied by their principal exchange or market, and are translated into U.S. dollar amounts at the date of valuation.
- Securities without an active trading market and all other securities are valued at the fair value determined in good faith by the Investment Manager.

In accordance with FASB ASC 820- Fair Value Measurement, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. In accordance with fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the

Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

*Level 2* — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable.

*Level 3* — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

During the period ended May 31, 2017 there were no transfers between levels. The Fund's policy is to reflect transfers at the beginning of the reporting period. The following is a summary of the inputs used to value the Fund's investments as of May 31, 2017:

| <b>Assets</b>               | <b>Level 1</b>        | <b>Level 2</b>      | <b>Level 3</b> | <b>Total</b>          |
|-----------------------------|-----------------------|---------------------|----------------|-----------------------|
| Common Stock                | \$ 9,668,254          | \$ -                | \$ -           | \$ 9,668,254          |
| Exchange Traded Funds       | 1,350,160             | -                   | -              | 1,350,160             |
| Limited Partnership         | 1,134,800             | -                   | -              | 1,134,800             |
| Government Debt Instruments | -                     | 1,994,391           | -              | 1,994,391             |
| Short-Term Securities       | 991,306               | -                   | -              | 991,306               |
| Total                       | <u>\$ 13,144,520</u>  | <u>\$ 1,994,391</u> | <u>\$ -</u>    | <u>\$ 15,138,911</u>  |
| <b>Liabilities</b>          |                       |                     |                |                       |
| Common Stock                | \$ (446,974)          | \$ -                | \$ -           | \$ (446,974)          |
| Exchange-Traded Funds       | (2,491,370)           | -                   | -              | (2,491,370)           |
| Total                       | <u>\$ (2,938,344)</u> | <u>\$ -</u>         | <u>\$ -</u>    | <u>\$ (2,938,344)</u> |

Investment transactions are recorded on the trade date. Dividend income and expense are recognized on the ex-dividend date and interest income is recognized on an accrual basis. Premiums and discounts on securities purchased are amortized using the effective interest method.

**Short Sale Transactions** — The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A realized gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

**Option Writing** — When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. The difference between the premium received and the amount paid upon closing the purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

**Foreign Currency and Foreign Investment Transactions** — The books and records are maintained in U.S. dollars. Foreign currency denominated transactions (i.e. fair value of investment securities, foreign currencies, assets and liabilities, purchases and sales of investment securities, and income and expenses) are translated into U.S. dollars at the current rate of exchange.

The Fund does not isolate the portion of gains and losses on investments in securities and foreign currencies that is due to changes in the foreign exchange rates from that which is due to change in fair value of securities. Such amounts are categorized as gain or loss on investment and foreign currency transactions for financial reporting purposes.

**Futures Transactions** — The Fund may purchase or sell futures contracts. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Such collateral is reflected in the statement of assets and liabilities as margin deposit for futures contracts. Pursuant to the contract, the Fund agrees to receive from or pay the broker an amount equal to the daily value fluctuation of the contract. Such receipts and payments are known as variation margin and are recorded by the Fund as unrealized gains and losses. When the contract is closed, the Fund records realized gains and or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

**Income Taxes** — In accordance with FASB ASC 740- Income Taxes, all net income or loss is passed through to the Investment Manager and the Limited Partners; therefore, no provisions for income taxes have been made by the Fund. The Fund has adopted standards regarding how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Management has evaluated the implications of these rules for all open tax years, and has determined there is no impact to the Fund's financial statements as of May 31, 2017. The Fund's federal and state income tax returns for which the applicable statutes of limitations have not expired (2013, 2014, 2015, and 2016) are subject to examination by the Internal Revenue Service and various state departments of revenue.

**Use of Estimates** — The Fund's financial statements and financial highlights are prepared in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 3. MARGIN BORROWING

The Fund conducts its investment activities with two brokers that act as the Fund's prime brokers and custodians. As of May 31, 2017, R.J. O'Brien & Associates LLC and Goldman Sachs & Co were the Fund's prime brokers for all futures investment activity and Cantor Fitzgerald & Co was the Fund's prime broker for all other investment activity. The clearing and depository (custodian) operations for the Fund's investment activities are performed pursuant to agreements with the prime brokers. Amounts borrowed are collateralized by securities held at the prime brokers, however; the prime brokers have the right to request additional collateral at any time at their sole discretions. Not all securities held at the prime brokers are eligible as collateral or "marginable" and the prime brokers require any transactions on margin to be collateralized 50% by eligible securities or cash. The Fund may borrow funds from time to time in order to finance security transactions. Amounts due under the margin arrangement vary with the value of the Fund's investment securities. Furthermore, the Fund's borrowing capacity can be further reduced at the discretion of the Fund's lenders, R.J. O'Brien & Associates LLC, Goldman, Sachs & Co and Cantor Fitzgerald & Co. The interest rate charged if there are outstanding borrowings is the Federal Funds Rate, plus .65%. As of May 31, 2017, the Fund had no outstanding borrowings.

### 4. MANAGEMENT FEE

The Fund pays the Investment Manager a quarterly management fee equal to  $\frac{1}{4}$  of 1% on Class A shares and  $\frac{1}{4}$  of 1.25% on Class B shares. The management fee is payable quarterly in advance. The fee is

calculated based on the combined total net asset value of each share class at the beginning of each quarter. See Note 2 for a discussion of incentive allocation. The Investment Manager at its discretion has the authority to waive or reduce any portion of the standard management fee. There were no waived expenses for the period ended May 31, 2017.

#### 5. OFF-BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

The Fund may engage in the short sale of securities. Securities sold short, not yet purchased, represent obligations of the Fund, which result in off-balance sheet risk as the ultimate obligation may exceed the amount currently in the financial statements due to increases in the fair value of these securities. To manage this risk, the Fund may hold securities which can be used to hedge or settle obligations and monitor its exposure daily, adjusting positions as deemed necessary.

Since the Fund does not clear its own investment transactions, it has established an account with its prime brokerage firms (Cantor Fitzgerald & Co and Goldman, Sachs & Co.) for this purpose. This can, and often does, result in a concentration of credit risk. Such risk, however, is mitigated by the broker's obligation to comply with the rules and regulations of the Securities Act of 1934. These rules generally require maintenance of minimum net capital and segregation of customers' funds from the holdings of the brokerage firm. Substantially all of the assets of the Fund are held on account or due from Cantor Fitzgerald & Co or Goldman, Sachs & Co.

#### 6. DERIVATIVE CONTRACTS

The Fund has adopted authoritative standards of accounting for derivative instruments which establish disclosure requirements for derivative instruments. These standards improve financial reporting for derivative instruments by requiring enhanced disclosures that enables Limited Partners to understand how and why a fund uses derivatives instruments, how derivatives instruments are accounted for and how derivative instruments affect a fund's financial position and results of operations.

The Fund uses derivative instruments as part of its hedging strategy to achieve its investment objective.

Options contracts are included within the schedule of investments and as a line item within the statement of assets and liabilities. The Fund did not hold any open futures contract as of May 31, 2017.

|                                      | <b>Asset Derivatives</b>      |                          |                    |
|--------------------------------------|-------------------------------|--------------------------|--------------------|
|                                      | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Equity Risk</b> |
| Purchased put options <sup>(1)</sup> | -                             | -                        | -                  |
| Total                                | \$ -                          | \$ -                     | \$ -               |
|                                      | <b>Liability Derivatives</b>  |                          |                    |
|                                      | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Equity Risk</b> |
| Written put options <sup>(1)</sup>   | \$-                           | -                        | -                  |
| Total                                | \$ -                          | \$ -                     | \$ -               |

<sup>(1)</sup> Reported on the schedule of investments.

“Realized Gains (Losses)” in derivative instruments during the period ended May 31, 2017, were as follows:

|                   | <b>Commodity<br/>Risk</b> | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Index<br/>Risk</b> | <b>Equity<br/>Risk</b> | <b>Total</b> |
|-------------------|---------------------------|-------------------------------|--------------------------|-----------------------|------------------------|--------------|
| Futures Contracts | \$ -                      | \$ -                          | \$ -                     | \$ -                  | \$ -                   | \$ -         |
| Options Contracts | -                         | (5,780)                       | -                        | (32,401)              | (8,434)                | (46,615)     |
| Total Realized    |                           |                               |                          |                       |                        |              |
| Losses            | \$ -                      | \$ (5,780)                    | \$ -                     | \$ (32,401)           | \$ (8,434)             | \$ (46,615)  |

“Unrealized Gains (Losses)” in derivative instruments during the period ended May 31, 2017, were as follows:

|                   | <b>Commodity<br/>Risk</b> | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Index<br/>Risk</b> | <b>Equity<br/>Risk</b> | <b>Total</b> |
|-------------------|---------------------------|-------------------------------|--------------------------|-----------------------|------------------------|--------------|
| Futures Contracts | \$ -                      | \$ -                          | \$ -                     | \$ -                  | \$ -                   | \$ -         |
| Options Contracts | -                         | -                             | -                        | (1,369)               | -                      | (1,369)      |
| Total Unrealized  |                           |                               |                          |                       |                        |              |
| Gains (Losses)    | \$ -                      | \$ -                          | \$ -                     | \$ (1,369)            | \$ -                   | \$ (1,369)   |

7. NEW ISSUES

Financial Industry Regulatory Authority (“FINRA”) rules prohibit certain categories of financial professionals and their associates from participating in securities which constitute “New Issues” within the meaning of FINRA rules (generally, initial public offerings) (“New Issues”). The LP Agreement provides for a special allocation with respect to securities which constitute New Issues; when the Fund acquires New Issues, they will be held in a special account in which only those Limited Partners who are not so restricted have an interest. Unless otherwise determined by the Investment Manager, restricted persons shall receive no compensation for the use of their capital to purchase New Issues. The Fund did not hold any New Issues during the period ended May 31, 2017.

8. SUBSEQUENT EVENTS

The Fund has adopted authoritative standards of accounting for and disclosure of events that occur after the statement of assets and liabilities date but before financial statements are issued or are available to be issued. These standards require the Fund to recognize in the financial statements the effects of all recognized subsequent events that provide additional evidence about conditions that existed at the date of the statement of assets and liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, the Fund is required to disclose the date through which subsequent events have been evaluated. As of September 8, 2017, no subsequent events have occurred that the Fund deems material to disclose.

\* \* \* \* \*

# B.C. Capital Investors, L.P.

Financial Statements as of and for the  
Year Ended December 31, 2016, and  
Independent Auditors' Report

*A CLAIM FOR EXEMPTION FROM THE DISCLOSURE, PERIODIC AND ANNUAL  
RECORDKEEPING REQUIREMENTS CONTAINED IN PART 4.13(a)(3) OF THE REGULATIONS  
ADOPTED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION HAS BEEN  
REQUESTED BY THE INVESTMENT MANAGER OF B.C. CAPITAL INVESTORS, L.P.*

# B.C. CAPITAL INVESTORS, L.P.

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## **INDEPENDENT AUDITORS' REPORT**

To the General Partner of B.C. Capital Investors, L.P.:

We have audited the accompanying financial statements of B.C. Capital Investors, L.P. (the "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2016, and the related statements of operations and incentive allocation for the year then ended, changes in partnership capital for each of the two years in the period then ended, and the financial highlights for each of the two years in the period then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and financial highlights in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the Fund's preparation and fair presentation of financial statements and financial highlights that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and financial highlights. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and financial highlights, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements and financial highlights in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2016, and the results of its operations, changes in its partnership capital (net assets), and financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

Milwaukee, Wisconsin  
September 8, 2017

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF INVESTMENTS AS OF DECEMBER 31, 2016

|   | Shares or<br>Par Value | Value                      |
|---|------------------------|----------------------------|
| <b>COMMON STOCK — 37.02%</b>                        |                        |                            |
| <b>Banks — 2.06%</b>                                |                        |                            |
| ZIONS BANCORPORATION                                | 9,500                  | \$ 408,880                 |
| <b>Capital Markets — 1.75%</b>                      |                        |                            |
| E*TRADE FINANCIAL CORP*                             | 10,000                 | 346,500                    |
| <b>Commercial Services &amp; Supplies — 3.01%</b>   |                        |                            |
| REPUBLIC SERVICES INC                               | 8,000                  | 456,400                    |
| WASTE MANAGEMENT INC                                | 2,000                  | <u>141,820</u>             |
|   |                        | 598,220                    |
| <b>Construction Materials — 0.56%</b>               |                        |                            |
| MARTIN MARIETTA MATERIALS                           | 500                    | 110,765                    |
| <b>Diversified Consumer Services — 5.01%</b>        |                        |                            |
| SERVICE CORP INTERNATIONAL                          | 35,000                 | 994,000                    |
| <b>Food Products — 1.12%</b>                        |                        |                            |
| MONDELEZ INTERNATIONAL INC-A                        | 5,000                  | 221,650                    |
| <b>Health Care Providers &amp; Services — 4.34%</b> |                        |                            |
| PATTERSON COS INC                                   | 21,000                 | 861,630                    |
| <b>Internet &amp; Catalog Retail — 0.38%</b>        |                        |                            |
| AMAZON.COM INC*                                     | 100                    | 74,987                     |
| <b>IT Services — 1.97%</b>                          |                        |                            |
| VISA INC-CLASS A SHARES                             | 5,000                  | 390,100                    |
| <b>Oil, Gas &amp; Consumable Fuels — 3.81%</b>      |                        |                            |
| EOG RESOURCES INC                                   | 2,000                  | 202,200                    |
| MARATHON PETROLEUM CORP                             | 11,000                 | <u>553,850</u>             |
|   |                        | 756,050                    |
| <b>Road &amp; Rail — 2.18%</b>                      |                        |                            |
| NORFOLK SOUTHERN CORP                               | 4,000                  | 432,280                    |
| <b>Software — 7.67%</b>                             |                        |                            |
| MICROSOFT CORP                                      | 24,500                 | 1,522,430                  |
| <b>Specialty Retail — 0.06%</b>                     |                        |                            |
| BARNES & NOBLE INC                                  | 1,000                  | 11,150                     |
| <b>Textiles, Apparel &amp; Luxury Goods — 1.28%</b> |                        |                            |
| NIKE INC -CL B                                      | 5,000                  | 254,150                    |
| <b>Trading Companies &amp; Distributors — 1.82%</b> |                        |                            |
| HD SUPPLY HOLDINGS INC*                             | 8,500                  | 361,335                    |
| <b>Total Common Stock</b>                           |                        | <b><u>\$ 7,344,127</u></b> |

The above percentages represent a percentage of partnership net assets.

(Continued)

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF INVESTMENTS AS OF DECEMBER 31, 2016

|  | Shares or<br>Par Value | Value                       |
|--|------------------------|-----------------------------|
| <b>MASTER LIMITED PARTNERSHIPS — 4.36%</b>                                   |                        |                             |
| ENTERPRISE PRODUCTS PARTNERS   | 32,000                 | \$ 865,280                  |
| <b>GOVERNMENT DEBT INSTRUMENTS — 20.14%</b>                                  |                        |                             |
| TREASURY BILL 02/02/17   | 2,000,000              | 1,999,296                   |
| US TREASURY N/B 1.000% 12/31/17  | 400,000                | 400,312                     |
| US TREASURY N/B 0.750% 02/28/18  | 1,600,000              | <u>1,596,250</u>            |
|  |                        | 3,995,858                   |
| <b>SHORT-TERM SECURITIES — 28.70%</b>  |                        |                             |
| Goldman Sachs Financial Square Treasury Obligations                          | 5,694,703              | 5,694,703                   |
| <b>PURCHASED PUT OPTIONS ON FUTURES — 0.13%</b>                              |                        |                             |
| S&P500 E-Mini Option/ Expiration date: January 2017*<br>Exercise price: 22.2 | 20                     | 25,000                      |
| <b>TOTAL INVESTMENTS OWNED (COST \$17,409,616)</b>                           |                        | <u><u>\$ 17,924,968</u></u> |
| <b>OTHER ASSETS IN EXCESS OF LIABILITIES — 9.65%</b>                         |                        | 1,915,152                   |
| <b>TOTAL PARTNERSHIP NET ASSETS</b>  |                        | <u><u>\$ 19,840,120</u></u> |

The above percentages represent a percentage of partnership net assets.

(Concluded)

(\*) Non-Income Producing Securities

B.C. CAPITAL INVESTORS LP

**SCHEDULE OF SECURITIES SOLD SHORT  
AS OF DECEMBER 31, 2016**

|  | Shares or<br>Par Value | Value                        |
|--|------------------------|------------------------------|
| <b>SECURITIES SOLD SHORT — (11.24%)</b>                    |                        |                              |
| <b>COMMON STOCK — (0.85)%</b>                              |                        |                              |
| <b>Road &amp; Rail — (0.85)%</b>                           |                        |                              |
| CANADIAN NATL RAILWAY CO                                   | (2,500)                | \$ (168,500)                 |
| <b>EXCHANGE-TRADED FUND — (10.39%)</b>                     |                        |                              |
| ISHARES MSCI SOUTH KOREA CAP                               | (2,500)                | (133,050)                    |
| ISHARES RUSSELL 2000 ETF                                   | (3,000)                | (404,550)                    |
| ISHARES TRANSPORTATION AVERA                               | (2,500)                | (407,100)                    |
| SPDR S&P 500 ETF TRUST                                     | (5,000)                | (1,117,650)                  |
|  |                        | <u>(2,062,350)</u>           |
| <b>TOTAL INVESTMENTS SOLD SHORT (PROCEEDS \$2,235,565)</b> |                        | <b><u>\$ (2,230,850)</u></b> |

The above percentages represent a percentage of partnership net assets.

(Concluded)

B.C. CAPITAL INVESTORS LP

SCHEDULE OF OPTIONS WRITTEN  
AS OF DECEMBER 31, 2016

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|  | Contracts | Value              |
|--|-----------|--------------------|
| <b>WRITTEN PUT OPTIONS (PROCEEDS \$15,184)</b>       |           |                    |
| S&P500 E-Mini Option / Expiration date: January 2017 | (20)      |                    |
| Exercise price: 21.8                                 |           | <u>\$ (15,250)</u> |

(Concluded)

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF ASSETS AND LIABILITIES AS OF DECEMBER 31, 2016

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#### ASSETS

|   |           |                   |
|---|-----------|-------------------|
| Cash and cash equivalents                                       | \$        | 4,115,425         |
| Restricted cash held as collateral for short positions          |           | 408,671           |
| Restricted foreign currency held as collateral (cost \$104,736) |           | 100,718           |
| Investments owned, at market value (cost \$17,409,616)          |           | 17,924,968        |
| Receivables from broker for securities sold and sold short      |           | 1,219,324         |
| Interest receivable   |           | 6,088             |
| Dividends receivable  |           | 4,140             |
|   |           | 4,140             |
| <b>TOTAL ASSETS</b>   | <b>\$</b> | <b>23,779,334</b> |

#### LIABILITIES AND PARTNERSHIP CAPITAL

|   |    |           |
|---|----|-----------|
| Securities sold short (proceeds \$2,235,565)        | \$ | 2,230,850 |
| Foreign currency (proceeds \$699)                   |    | 699       |
| Written put options (proceeds \$15,184)             |    | 15,250    |
| Payable for investments purchased and covered short |    | 587,020   |
| Payable for partner withdrawals                     |    | 1,036,252 |
| Payable to General Partner                          |    | 34,104    |
| Dividends payable                                   |    | 6,645     |
| Accrued expenses                                    |    | 28,394    |
|   |    | 28,394    |

TOTAL LIABILITIES 3,939,214

#### Partnership capital

|   |  |            |
|---|--|------------|
| Paid-in Capital                             |  | 10,762,201 |
| Accumulated net investment gains and income |  | 8,561,935  |
| Net unrealized appreciation / depreciation  |  |            |
| Investments                                 |  | 515,352    |
| Written options                             |  | (65)       |
| Securities sold short                       |  | 4,715      |
| Foreign currency                            |  | (4,018)    |
|   |  | (4,018)    |

Total Partners capital 19,840,120

**TOTAL LIABILITIES AND PARTNERSHIP CAPITAL** **\$ 23,779,334**

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF OPERATIONS AND INCENTIVE ALLOCATION FOR THE YEAR ENDED DECEMBER 31, 2016

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|   |                   |
|---|-------------------|
| INVESTMENT INCOME:  |                   |
| Interest  | \$ 15,714         |
| Dividends   | <u>126,456</u>    |
| Total investment income   | <u>142,170</u>    |
| EXPENSES:   |                   |
| Management fees   | 209,210           |
| Investment expenses   | 14,440            |
| Dividend expenses   | 27,714            |
| Administration fees   | 30,343            |
| Other expenses  | <u>19,127</u>     |
| Total expenses  | <u>300,834</u>    |
| Net investment loss   | (158,664)         |
| REALIZED AND UNREALIZED GAINS ON INVESTMENTS:                                   |                   |
| Realized gains on futures   | 1,983             |
| Net realized gains / (loss)   |                   |
| Investments   | 777,083           |
| Options written   | 69,453            |
| Securities sold short   | (618,088)         |
| Foreign currency  | (2,956)           |
| Change in unrealized appreciation / depreciation                                |                   |
| Investments   | 206,402           |
| Options written   | (4,669)           |
| Securities sold short   | (24,532)          |
| Foreign currency  | <u>(3,914)</u>    |
| Net realized and unrealized gain on investments                                 | <u>400,762</u>    |
| NET INCREASE IN PARTNERSHIP CAPITAL FROM OPERATIONS                             | 242,098           |
| INCENTIVE ALLOCATION  | <u>(18,942)</u>   |
| NET INCREASE IN NET ASSETS AVAILABLE FOR PRO<br>RATA ALLOCATION TO ALL PARTNERS | <u>\$ 223,156</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2016

|   | General<br>Partner | Limited<br>Partners  | Total                |
|---|--------------------|----------------------|----------------------|
| BALANCE, DECEMBER 31, 2015  | \$173,365          | \$21,061,345         | \$21,234,710         |
| Withdrawals   | <u>-</u>           | <u>(1,636,688)</u>   | <u>(1,636,688)</u>   |
| Net decrease from capital transactions  | -                  | (1,636,688)          | (1,636,688)          |
| Net investment loss   | 563                | (159,227)            | (158,664)            |
| Realized gains on futures   | 20                 | 1,963                | 1,983                |
| Net realized gains on investments, securities sold short,<br>options contracts, and foreign currency transactions                   | 1,718              | 223,774              | 225,492              |
| Change in unrealized appreciation on investments,<br>securities sold short, options contracts, and foreign<br>currency transactions | <u>1,398</u>       | <u>171,889</u>       | <u>173,287</u>       |
| Net increase from operations  | <u>3,699</u>       | <u>238,399</u>       | <u>242,098</u>       |
| Incentive allocation  | <u>18,942</u>      | <u>(18,942)</u>      | <u>-</u>             |
| BALANCE, DECEMBER 31, 2016  | <u>\$ 196,006</u>  | <u>\$ 19,644,114</u> | <u>\$ 19,840,120</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015

|   | General<br>Partner | Limited<br>Partners  | Total                |
|---|--------------------|----------------------|----------------------|
| BALANCE, DECEMBER 31, 2014  | \$264,975          | \$27,817,608         | \$28,082,583         |
| Withdrawals   | <u>(100,000)</u>   | <u>(6,741,712)</u>   | <u>(6,841,712)</u>   |
| Net decrease from capital transactions  | (100,000)          | (6,741,712)          | (6,841,712)          |
| Net investment loss   | 404                | (262,934)            | (262,530)            |
| Realized gains on futures   | 5,739              | 104,728              | 110,467              |
| Net realized gains on investments, securities<br>sold short, options contracts, and foreign currency<br>transactions                | 3,046              | 991,329              | 994,375              |
| Change in unrealized depreciation<br>on futures contracts   | (186)              | (54,944)             | (55,130)             |
| Change in unrealized depreciation on investments,<br>securities sold short, options contracts, and foreign<br>currency transactions | <u>(5,514)</u>     | <u>(787,829)</u>     | <u>(793,343)</u>     |
| Net increase (decrease) from operations   | <u>3,489</u>       | <u>(9,650)</u>       | <u>(6,161)</u>       |
| Incentive allocation  | <u>4,901</u>       | <u>(4,901)</u>       | <u>-</u>             |
| BALANCE, DECEMBER 31, 2015  | <u>\$ 173,365</u>  | <u>\$ 21,061,345</u> | <u>\$ 21,234,710</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2016

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|  |          |
|--|----------|
| Total return <sup>(1)</sup>  | 1.03 %   |
| Total return before incentive allocation <sup>(1)(2)</sup>                             | 1.12 %   |
| Ratio of net expenses and incentive allocation to average net assets <sup>(3)(4)</sup> | 1.55 %   |
| Ratio of net expenses to average net assets <sup>(2)(3)(4)</sup>                       | 1.45 %   |
| Ratio of net investment loss to average net assets <sup>(3)(4)</sup>                   | (0.77) % |

- (1) Total return is calculated based on the change in value during the year of a hypothetical investment, adjusted for contributions and withdrawals, as appropriate, made at the beginning of the year by a Limited Partner. An individual Limited Partners's return may vary from this return based on the timing of capital transactions, participation or non-participation in new issues and the extent to which an individual Limited Partner's reallocation of profits to the Investment Manager differs from the average reallocation for all Limited Partners
- (2) Excludes incentive allocation to Investment Manager
- (3) Income and expense ratios are calculated using average net assets.
- (4) Average net assets are calculated as the average of monthly limited partner capital balances.

## B.C. CAPITAL INVESTORS LP

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015

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|  |          |
|--|----------|
| Total return <sup>(1)</sup>  | (0.09) % |
| Total return before incentive allocation <sup>(1)(2)</sup>                             | (0.08) % |
| Ratio of net expenses and incentive allocation to average net assets <sup>(3)(4)</sup> | 1.77 %   |
| Ratio of net expenses to average net assets <sup>(2)(3)(4)</sup>                       | 1.75 %   |
| Ratio of net investment loss to average net assets <sup>(3)(4)</sup>                   | (1.06) % |

- (1) Total return is calculated based on the change in value during the year of a hypothetical investment, adjusted for contributions and withdrawals, as appropriate, made at the beginning of the year by a Limited Partner. An individual Limited Partners's return may vary from this return based on the timing of capital transactions, participation or non-participation in new issues and the extent to which an individual Limited Partner's reallocation of profits to the Investment Manager differs from the average reallocation for all Limited Partners
- (2) Excludes incentive allocation to Investment Manager
- (3) Income and expense ratios are calculated using average net assets.
- (4) Average net assets are calculated as the average of monthly limited partner capital balances.

# B.C. CAPITAL INVESTORS, L.P.

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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### 1. ORGANIZATION

**General** — B.C. Capital Investors LP, (the “Fund”) is a Delaware limited partnership that operates as a private investment fund. The Fund was formed under the B.C. Capital Investors, L.P. Limited Partnership Agreement (the “LP Agreement”) effective January 1, 2012, between B.C. Holdings, Inc. (the “Investment Manager” and “General Partner”) and the Limited Partners. Prior to January 1, 2012,

B.C. Capital Investors, L.P. was a Delaware limited liability company named B.C. Capital Investors, LLC (the “LLC”). The term of the Partnership commenced on the date the LLC’s Certificate of Formation was filed with Secretary of State of the State of Delaware, and shall continue until December 31, 2032, unless sooner terminated by the dissolution and winding-up of the Fund, as set forth by the LP Agreement.

The Fund’s investment objective is to achieve capital appreciation by investing in and trading equities, fixed-income securities, and commodities including, but not limited to, long positions in equities, short positions in equities, convertible bonds, preferred shares, high yield fixed income securities, commodity futures, and options. The Fund’s investment strategy is to identify and take advantage of pricing inefficiencies that exist from time to time in various market sectors where the Investment Manager believes that financial assets have become undervalued or overvalued.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the Fund follows the Financial Accounting Standards Board’s guidance for investment companies found at ASC 946. The following is a summary of significant accounting policies followed by the Fund:

**Basis of Presentation** — The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**Capital Contributions** — Limited Partners, at the discretion of the Investment Manager, may be admitted to the Fund at the beginning of any calendar month or on such other dates as the Investment Manager may determine. Effective March 2013 the Fund began offering a new share class “Class B” and it will no longer be offering the former shares “Class A” to new Limited Partners of the Fund. Existing Limited Partners as of March 2013 will continue receiving Class A shares for subsequent contributions. The Fund has no Class B shares issued or outstanding and thus has elected not to disclose the separate capital activity to this class. The new shares have different minimum contribution and lock-up requirements than Class A shares, as well as higher management and performance fees.

Limited Partners are not required to make any additional capital contributions beyond their initial minimum contribution of \$1,000,000 and \$500,000 for Class A and Class B shares, respectively. Additional contributions of at least \$50,000 may be made by Limited Partners at the discretion of the Investment Manager. Any contributions received in advance of a calendar quarter are reflected on the statement of assets and liabilities as contributions received in advance.

**Withdrawals** — Upon 45 days prior written notice, a Limited Partner may withdraw all or any portion of his or her Capital Account in the Fund as of the close of business on the last day of each calendar quarter or at such other time as the Investment Manager may determine in its sole discretion (each a “Withdrawal Date”); provided, however, that a Limited Partner may not withdraw capital prior to the end of the first 12-month and 6-month periods for Class A and Class B shares, respectively, following such Limited Partner’s initial investment in the Fund. Withdrawals that reduce a Limited Partner’s

capital account below the minimum investment (or the amount of such Limited Partner's capital account below the minimum investment (or the amount of such Limited Partner's initial subscription, if less) shall not be permitted unless the Limited Partner is withdrawing in full. The minimum withdrawal amount is \$25,000. The Investment Manager may, in its sole discretion, waive the notice period and other withdrawal provisions.

**Incentive Allocation** — The Investment Manager receives, as of each year ending December 31 or any Withdrawal Date (with respect to the capital withdrawn), an incentive allocation equal to 10% for Class A shares of any net increase in net assets credited to each Limited Partner's capital account during such calendar year (i.e., the Investment Manager receives 10% of the amount by which a Limited Partner's Capital Account balance as of the end of a calendar year exceeds the balance of such Limited Partner's Capital Account as of the end of the preceding year, after reduction for the incentive allocation then made and as adjusted for new subscriptions and withdrawals during such calendar year). For Class A shares if there is a net decrease in net assets debited to a capital account during a calendar year, such loss will not be carried forward to the next calendar year for purposes of calculating the incentive allocation for such year. For Class B shares the Investment Manager receives an incentive allocation equal to 15% of any increase in net assets credited to each Limited Partner's capital account that exceeds the balance in the loss carryforward account for such Limited Partner that is allocated as of each December 31 and any withdrawal date (i.e., the Investment Manager receives 15% of the amount by which a Limited Partner's capital account balance as of the end of a calendar year exceeds the balance of such Limited Partner's capital account as of the end of the preceding year, after reduction for the incentive allocation then made and as adjusted for new subscriptions and withdrawals during such calendar year, plus any losses realized in prior years which reduced the balance of the Limited Partner's capital account "loss carryforward." Net Assets, for purposes of calculating the incentive allocation, excludes liability for the incentive allocation then being calculated and due to the Investment Manager. The Incentive Allocation is calculated separately with respect to each Limited Partner's Capital Account and with respect to each calendar year.

**Cash** — Cash includes cash on hand and cash in the bank.

**Investments** — All investments are stated at fair value based on the following:

- Securities listed on a national securities exchange or NASDAQ are valued at their last sale price on their principal exchange or market, or if no sales occurred, at the mean between the bid and ask prices on such date.
- Securities not listed on a national securities exchange or NASDAQ are valued at their last sale price of the day as supplied by the National Association of Securities Dealers or other sources, or if no sales occurred on the valuation date, at the mean between the bid and ask prices on such date.
- Securities listed on a foreign securities exchange are valued at their last sale price of the day as supplied by their principal exchange or market, and are translated into U.S. dollar amounts at the date of valuation.
- Securities without an active trading market and all other securities are valued at the fair value determined in good faith by the Investment Manager.

In accordance with FASB ASC 820- Fair Value Measurement, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. In accordance with fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the

Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

*Level 2* — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable.

*Level 3* — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

During the year ended December 31, 2016 there were no transfers between levels. The Fund's policy is to reflect transfers at the beginning of the reporting period. The following is a summary of the inputs used to value the Fund's investments as of December 31, 2016:

| Assets                      | Level 1               | Level 2             | Level 3     | Total                 |
|-----------------------------|-----------------------|---------------------|-------------|-----------------------|
| Common Stock                | \$ 7,344,127          | \$ -                | \$ -        | \$ 7,344,127          |
| Limited Partnership         | 865,280               | -                   | -           | 865,280               |
| Government Debt Instruments | -                     | 3,995,858           | -           | 3,995,858             |
| Short-Term Securities       | 5,694,703             | -                   | -           | 5,694,703             |
| Purchased Put Options       | 25,000                | -                   | -           | 25,000                |
| <b>Total</b>                | <b>\$ 13,929,110</b>  | <b>\$ 3,995,858</b> | <b>\$ -</b> | <b>\$ 17,924,968</b>  |
| <b>Liabilities</b>          |                       |                     |             |                       |
| Common Stock                | \$ (168,500)          | \$ -                | \$ -        | \$ (168,500)          |
| Exchange-Traded Funds       | (2,062,350)           | -                   | -           | (2,062,350)           |
| Written Put Options         | (15,250)              | -                   | -           | (15,250)              |
| <b>Total</b>                | <b>\$ (2,246,100)</b> | <b>\$ -</b>         | <b>\$ -</b> | <b>\$ (2,246,100)</b> |

Investment transactions are recorded on the trade date. Dividend income and expense are recognized on the ex-dividend date and interest income is recognized on an accrual basis. Premiums and discounts on securities purchased are amortized using the effective interest method.

**Short Sale Transactions** — The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A realized gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

**Option Writing** — When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. The difference between the premium received and the amount paid upon closing the purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The

Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

**Foreign Currency and Foreign Investment Transactions** — The books and records are maintained in

U.S. dollars. Foreign currency denominated transactions (i.e. fair value of investment securities, foreign currencies, assets and liabilities, purchases and sales of investment securities, and income and expenses) are translated into U.S. dollars at the current rate of exchange.

The Fund does not isolate the portion of gains and losses on investments in securities and foreign currencies that is due to changes in the foreign exchange rates from that which is due to change in fair value of securities. Such amounts are categorized as gain or loss on investment and foreign currency transactions for financial reporting purposes.

**Futures Transactions** — The Fund may purchase or sell futures contracts. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Such collateral is reflected in the statement of assets and liabilities as margin deposit for futures contracts. Pursuant to the contract, the Fund agrees to receive from or pay the broker an amount equal to the daily value fluctuation of the contract. Such receipts and payments are known as variation margin and are recorded by the Fund as unrealized gains and losses. When the contract is closed, the Fund records realized gains and or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

**Income Taxes** — In accordance with FASB ASC 740- Income Taxes, all net income or loss is passed through to the Investment Manager and the Limited Partners; therefore, no provisions for income taxes have been made by the Fund. The Fund has adopted standards regarding how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Management has evaluated the implications of these rules for all open tax years, and has determined there is no impact to the Fund's financial statements as of December 31, 2016. The Fund's federal and state income tax returns for which the applicable statutes of limitations have not expired (2013, 2014, 2015, and 2016) are subject to examination by the Internal Revenue Service and various state departments of revenue.

**Use of Estimates** — The Fund's financial statements and financial highlights are prepared in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 3. MARGIN BORROWING

The Fund conducts its investment activities with two brokers that act as the Fund's prime brokers and custodians. As of December 31, 2016, R.J. O'Brien & Associates LLC and Goldman Sachs & Co were the Fund's prime brokers for all futures investment activity and Cantor Fitzgerald & Co was the Fund's prime broker for all other investment activity. The clearing and depository (custodian) operations for the Fund's investment activities are performed pursuant to agreements with the prime brokers. Amounts borrowed are collateralized by securities held at the prime brokers, however; the prime brokers have the right to request additional collateral at any time at their sole discretions. Not all securities held at the prime brokers are eligible as collateral or "marginable" and the prime brokers require any transactions on margin to be collateralized 50% by eligible securities or cash. The Fund may borrow funds from time to time in order to finance security transactions. Amounts due under the margin arrangement vary with the value of the Fund's investment securities. Furthermore, the Fund's borrowing capacity can be further reduced at the discretion of the Fund's lenders, R.J. O'Brien & Associates LLC, Goldman, Sachs & Co and Cantor Fitzgerald & Co. The interest rate charged if there are outstanding borrowings is the Federal Funds Rate, plus .65%. As of December 31, 2016, the Fund had no outstanding borrowings.

#### 4. MANAGEMENT FEE

The Fund pays the Investment Manager a quarterly management fee equal to ¼ of 1% on Class A shares and ¼ of 1.25% on Class B shares. The management fee is payable quarterly in advance. The fee is calculated based on the combined total net asset value of each share class at the beginning of each quarter. See Note 2 for a discussion of incentive allocation. The Investment Manager at its discretion has the authority to waive or reduce any portion of the standard management fee. There were no waived expenses for the year ended December 31, 2016.

#### 5. OFF-BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

The Fund may engage in the short sale of securities. Securities sold short, not yet purchased, represent obligations of the Fund, which result in off-balance sheet risk as the ultimate obligation may exceed the amount currently in the financial statements due to increases in the fair value of these securities. To manage this risk, the Fund may hold securities which can be used to hedge or settle obligations and monitor its exposure daily, adjusting positions as deemed necessary.

Since the Fund does not clear its own investment transactions, it has established an account with its prime brokerage firms (Cantor Fitzgerald & Co and Goldman, Sachs & Co.) for this purpose. This can, and often does, result in a concentration of credit risk. Such risk, however, is mitigated by the broker's obligation to comply with the rules and regulations of the Securities Act of 1934. These rules generally require maintenance of minimum net capital and segregation of customers' funds from the holdings of the brokerage firm. Substantially all of the assets of the Fund are held on account or due from Cantor Fitzgerald & Co or Goldman, Sachs & Co.

#### 6. DERIVATIVE CONTRACTS

The Fund has adopted authoritative standards of accounting for derivative instruments which establish disclosure requirements for derivative instruments. These standards improve financial reporting for derivative instruments by requiring enhanced disclosures that enables Limited Partners to understand how and why a fund uses derivatives instruments, how derivatives instruments are accounted for and how derivative instruments affect a fund's financial position and results of operations.

The Fund uses derivative instruments as part of its hedging strategy to achieve its investment objective.

Options contracts are included within the schedule of investments. The Fund did not hold any open futures contract as of December 31, 2016.

| <b>Asset Derivatives</b>             |                               |                          |                    |
|--------------------------------------|-------------------------------|--------------------------|--------------------|
|                                      | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Equity Risk</b> |
| Purchased put options <sup>(1)</sup> | -                             | -                        | 25,000             |
| Total                                | \$ -                          | \$ -                     | \$ 25,000          |
| <b>Liability Derivatives</b>         |                               |                          |                    |
|                                      | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Equity Risk</b> |
| Written put options <sup>(1)</sup>   | \$-                           | \$-                      | \$ (15,250)        |
| Total                                | \$ -                          | \$ -                     | \$ (15,250)        |

<sup>(1)</sup> Reported on the schedule of investments.

The Funds have adopted the disclosure provisions of FASB Accounting Standard Codification 815, Derivatives and Hedging (“ASC 815”). ASC 815 requires enhanced disclosures about the Funds’ use of and accounting for derivative instruments and the effect of derivative instruments on the Funds’ results of operations and financial position.

The Fund is required to disclose any collateral on written options because they obligate the Fund to buy or sell, within a limited time, a financial instrument, commodity, or currency at a contracted price and settled from cash balances or assets held. The Fund’s ownership of written put options extends from its engagement in a “put spread strategy” that involves the simultaneous purchase of put options at a specific strike price and sell of the same number of put options at a different strike price. Both options are for the same underlying asset and have the same expiration date. As such, the Fund is currently not compelled to hold collateral cash balances or assets necessary to settle its written option contracts.

As of December 31, 2016, the fund was both long and short an equal number of CME Standard & Poor's 500 Emini End of Month put option contracts that expire January 2017.

“Realized Gains (Losses)” in derivative instruments during the year ended December 31, 2016, were as follows:

|  | <b>Commodity Risk</b> | <b>Interest Rate Risk</b> | <b>Currency Risk</b> | <b>Index Risk</b>  | <b>Equity Risk</b> | <b>Total</b>     |
|--|-----------------------|---------------------------|----------------------|--------------------|--------------------|------------------|
| Futures Contracts                      | \$ 2,235              | \$ (18,910)               | \$ (1,001)           | \$ 19,659          | \$ -               | \$ 1,983         |
| Options Contracts                      | 86,929                | 614                       | -                    | (40,804)           | 22,733             | 69,472           |
| <b>Total Unrealized Gains (Losses)</b> | <b>\$ 89,164</b>      | <b>\$ (18,296)</b>        | <b>\$ (1,001)</b>    | <b>\$ (21,145)</b> | <b>\$ 22,733</b>   | <b>\$ 71,455</b> |

“Unrealized Gains (Losses)” in derivative instruments during the year ended December 31, 2016, were as follows:

|  | <b>Commodity Risk</b> | <b>Interest Rate Risk</b> | <b>Currency Risk</b> | <b>Index Risk</b> | <b>Equity Risk</b> | <b>Total</b>      |
|--|-----------------------|---------------------------|----------------------|-------------------|--------------------|-------------------|
| Futures Contracts                      | \$ -                  | \$ -                      | \$ -                 | \$ -              | \$ -               | \$ -              |
| Options Contracts                      | -                     | -                         | -                    | 1,370             | (5,291)            | (3,921)           |
| <b>Total Unrealized Gains (Losses)</b> | <b>\$ -</b>           | <b>\$ -</b>               | <b>\$ -</b>          | <b>\$ 1,370</b>   | <b>\$ (5,291)</b>  | <b>\$ (3,921)</b> |

## 7. NEW ISSUES

Financial Industry Regulatory Authority (“FINRA”) rules prohibit certain categories of financial professionals and their associates from participating in securities which constitute “New Issues” within the meaning of FINRA rules (generally, initial public offerings) (“New Issues”). The LP Agreement provides for a special allocation with respect to securities which constitute New Issues; when the Fund acquires New Issues, they will be held in a special account in which only those Limited Partners who are not so restricted have an interest. Unless otherwise determined by the Investment Manager, restricted persons shall receive no compensation for the use of their capital to purchase New Issues. The Fund did not hold any New Issues during the year ended December 31, 2016.

## 8. SUBSEQUENT EVENTS

The Fund has adopted authoritative standards of accounting for and disclosure of events that occur after the statement of assets and liabilities date but before financial statements are issued or are available to be

issued. These standards require the Fund to recognize in the financial statements the effects of all recognized subsequent events that provide additional evidence about conditions that existed at the date of the statement of assets and liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, the Fund is required to disclose the date through which subsequent events have been evaluated. As of September 8, 2017, no subsequent events have occurred that the Fund deems material to disclose.

\* \* \* \* \*

# B.C. Capital Investors, L.P.

Financial Statements as of and for the  
Year Ended December 31, 2015, and  
Independent Auditors' Report

*A CLAIM FOR EXEMPTION FROM THE DISCLOSURE, PERIODIC AND ANNUAL  
RECORDKEEPING REQUIREMENTS CONTAINED IN PART 4.13(a)(3) OF THE REGULATIONS  
ADOPTED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION HAS BEEN  
REQUESTED BY THE INVESTMENT MANAGER OF B.C. CAPITAL INVESTORS, L.P.*

# B.C. CAPITAL INVESTORS, L.P.

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## **INDEPENDENT AUDITORS' REPORT**

To the General Partner of B.C. Capital Investors, L.P.:

We have audited the accompanying financial statements of B.C. Capital Investors, L.P. (the "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2015, and the related statements of operations and incentive allocation for the year then ended, changes in partnership capital for each of the two years in the period then ended, and the financial highlights for each of the two years in the period then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements and financial highlights in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the Fund's preparation and fair presentation of financial statements and financial highlights that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and financial highlights. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and financial highlights, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements and financial highlights in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2015, and the results of its operations, changes in its partnership capital (net assets), and financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

Milwaukee, Wisconsin  
September 8, 2017

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF INVESTMENTS AS OF DECEMBER 31, 2015

|  | Shares or<br>Par Value | Value                      |
|--|------------------------|----------------------------|
| <b>COMMON STOCK — 34.96%</b>   |                        |                            |
| <b>United States</b>   |                        |                            |
| <b>Aerospace/Defense — 4.24%</b>   |                        |                            |
| LOCKHEED MARTIN CORP   | 4,150                  | \$ 901,173                 |
| <b>Building Materials — 3.92%</b>  |                        |                            |
| VULCAN MATERIALS CO  | 8,773                  | 833,171                    |
| <b>Chemicals — 0.92%</b>   |                        |                            |
| FMC CORP   | 5,000                  | 195,650                    |
| <b>Cosmetics and Personal Care — 3.74%</b>                                     |                        |                            |
| PROCTER & GAMBLE CO/THE  | 10,000                 | 794,100                    |
| <b>Diversified Financial Services — 4.04%</b>                                  |                        |                            |
| VISA INC-CLASS A SHARES  | 11,050                 | 856,928                    |
| <b>Internet — 6.79%</b>  |                        |                            |
| ALPHABET INC-CL C*   | 1,900                  | 1,441,872                  |
| <b>The above percentages represent a percentage of partnership net assets.</b> |                        |                            |
| MURPHY USA INC*  | 6,000                  | 364,440                    |
| OCCIDENTAL PETROLEUM CORP  | 5,000                  | 338,050                    |
| <b>Pharmaceuticals — 2.59%</b>   |                        |                            |
| VCA INC*   | 10,000                 | 550,000                    |
| <b>Retail— 4.00%</b>   |                        |                            |
| FIESTA RESTAURANT GROUP*   | 14,000                 | 470,400                    |
| VISTA OUTDOOR INC*   | 8,500                  | 378,335                    |
|  |                        | <u>848,735</u>             |
| <b>Total Common Stock — United States</b>                                      |                        | <b><u>\$ 7,124,119</u></b> |

The above percentages represent a percentage of partnership net assets.

(Continued)

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF INVESTMENTS AS OF DECEMBER 31, 2015

|   | Shares or<br>Par Value | Value                       |
|---|------------------------|-----------------------------|
| <b>United Kingdom</b>                                 |                        |                             |
| <b>Auto Parts&amp;Equipment — 1.41%</b>               |                        |                             |
| DELPHI AUTOMOTIVE PLC                                 | 3,500                  | \$ 300,055                  |
| <b>Total Common Stock</b>                             |                        | <u><b>7,424,174</b></u>     |
| <b>MASTER LIMITED PARTNERSHIPS — 4.34%</b>            |                        |                             |
| <b>United States</b>                                  |                        |                             |
| ENTERPRISE PRODUCTS PARTNERS                          | 25,200                 | 644,616                     |
| SUNOCO LP   | 7,000                  | <u>277,270</u>              |
|   |                        | 921,886                     |
| <b>CORPORATE DEBT INSTRUMENTS — 2.35%</b>             |                        |                             |
| <b>United States</b>                                  |                        |                             |
| <b>Banks — 2.35%</b>                                  |                        |                             |
| JP MORGAN CHASE JPM FLOAT 06/13/16                    | 500,000                | 499,257                     |
| <b>GOVERNMENT DEBT INSTRUMENTS — 47.05%</b>           |                        |                             |
| <b>United States — 47.05%</b>                         |                        |                             |
| TREASURY BILL 02/11/16                                | 2,000,000              | 1,999,722                   |
| TREASURY BILL 02/25/16                                | 5,000,000              | 4,999,395                   |
| TREASURY BILL 06/30/16                                | 3,000,000              | <u>2,992,815</u>            |
|   |                        | 9,991,932                   |
| <b>PURCHASED PUT OPTIONS</b>                          |                        |                             |
| <b>United States</b>                                  |                        |                             |
| Apple Inc/Expiration date: January 2016*              | 100                    | \$ 18,800                   |
| Exercise price: 105                                   |                        |                             |
| <b>TOTAL INVESTMENTS OWNED (COST \$18,547,099)</b>    |                        | <u><b>\$ 18,856,049</b></u> |
| <b>OTHER ASSETS IN EXCESS OF LIABILITIES — 11.20%</b> |                        | 2,378,661                   |
| <b>TOTAL PARTNERSHIP NET ASSETS</b>                   |                        | <u><b>\$ 21,234,710</b></u> |

The above percentages represent a percentage of partnership net assets.

(Continued)

(\*) Non-Income Producing Securities

## B.C. CAPITAL INVESTORS LP

### SCHEDULE OF SECURITIES SOLD SHORT AS OF DECEMBER 31, 2015

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|  | Shares or<br>Par Value | Value                        |
|--|------------------------|------------------------------|
| <b>SECURITIES SOLD SHORT — (7.26%)</b>                     |                        |                              |
| <b>COMMON STOCK — (3.22%)</b>                              |                        |                              |
| <b>Apparel — (1.14%)</b>                                   |                        |                              |
| UNDER ARMOUR INC-CLASS A                                   | (3,000)                | (241,830)                    |
| <b>Transportation — (2.08%)</b>                            |                        |                              |
| UNITED PARCEL SERVICE-CL B                                 | (4,600)                | <u>(442,658)</u>             |
| <b>Total Common Stocks</b>                                 |                        | <u>(684,488)</u>             |
| <br>   |                        |                              |
| <b>EXCHANGE-TRADED FUND — (4.04%)</b>                      |                        |                              |
| ISHARES RUSSELL 2000 ETF                                   | (4,000)                | (450,480)                    |
| SPDR S&P 500 ETF TRUST                                     | (2,000)                | <u>(407,740)</u>             |
| <b>Total Exchange-traded Funds</b>                         |                        | <u>(858,220)</u>             |
| <br>   |                        |                              |
| <b>TOTAL INVESTMENTS SOLD SHORT (PROCEEDS \$1,571,955)</b> |                        | <b><u>\$ (1,542,708)</u></b> |

The above percentages represent a percentage of partnership net assets.

(Concluded)

B.C. CAPITAL INVESTORS LP

SCHEDULE OF OPTIONS WRITTEN  
AS OF DECEMBER 31, 2015

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|  | Contracts | Value             |
|--|-----------|-------------------|
| <b>WRITTEN PUT OPTIONS (PROCEEDS \$10,796)</b> |           |                   |
| Apple Inc/Expiration date: January 2016        | (100)     |                   |
| Exercise price: 100                            |           | <u>\$ (6,100)</u> |

(Concluded)

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF ASSETS AND LIABILITIES AS OF DECEMBER 31, 2015

---

#### ASSETS

|  |              |
|--|--------------|
| Cash and cash equivalents                                  | \$ 8,694,183 |
| Foreign currency (cost \$76,241)                           | 76,137       |
| Investments owned, at market value (cost \$18,547,099)     | 18,856,049   |
| Receivables from broker for securities sold and sold short | 245,813      |
| Interest receivable  | 158          |
| Dividends receivable                                       | <u>2,325</u> |

TOTAL ASSETS \$ 27,874,665

#### LIABILITIES AND PARTNERSHIP CAPITAL

|   |               |
|---|---------------|
| Securities sold short (proceeds \$1,571,955)        | \$ 1,542,708  |
| Written put options (proceeds \$10,796)             | 6,100         |
| Payable for investments purchased and covered short | 4,532,527     |
| Payable for partner withdrawals                     | 471,007       |
| Payable to General Partner                          | 34,104        |
| Payable for management expense                      | 665           |
| Accrued expenses                                    | <u>52,844</u> |

TOTAL LIABILITIES 6,639,955

#### Partnership capital

|   |              |
|---|--------------|
| Paid-in Capital                             | 12,175,636   |
| Accumulated net investment gains and income | 8,716,285    |
| Net unrealized appreciation / depreciation  |              |
| Investments                                 | 308,950      |
| Written options                             | 4,696        |
| Securities sold short                       | 29,247       |
| Foreign currency                            | <u>(104)</u> |

Total partnership capital 21,234,710

TOTAL LIABILITIES AND PARTNERSHIP CAPITAL \$ 27,874,665

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF OPERATIONS AND INCENTIVE ALLOCATION FOR THE YEAR ENDED DECEMBER 31, 2015

---

|   |                    |
|---|--------------------|
| INVESTMENT INCOME:  |                    |
| Dividend income   | \$ 116,493         |
| Interest income   | <u>60,146</u>      |
| Total investment income   | <u>176,639</u>     |
| EXPENSES:   |                    |
| Management fee  | 248,065            |
| Investment expenses   | 127,481            |
| Administration fees   | 20,000             |
| Other expenses  | <u>43,623</u>      |
| Total expenses  | <u>439,169</u>     |
| Net investment loss   | (262,530)          |
| REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS:                          |                    |
| Realized gains on futures   | 110,467            |
| Net realized gains / (loss)   |                    |
| Investments   | 970,120            |
| Options written   | (2,963)            |
| Securities sold short   | 45,047             |
| Foreign currency  | (17,829)           |
| Change in unrealized depreciation on futures contracts                          | (55,130)           |
| Change in unrealized appreciation / depreciation                                |                    |
| Investments   | (820,229)          |
| Options written   | (5,109)            |
| Securities sold short   | 29,772             |
| Foreign currency  | <u>2,223</u>       |
| Net realized and unrealized gain on investments                                 | <u>256,369</u>     |
| NET DECREASE IN PARTNERSHIP CAPITAL FROM OPERATIONS                             | (6,161)            |
| INCENTIVE ALLOCATION  | <u>(4,901)</u>     |
| NET DECREASE IN NET ASSETS AVAILABLE FOR PRO<br>RATA ALLOCATION TO ALL PARTNERS | <u>\$ (11,062)</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2015

|   | General<br>Partner | Limited<br>Partners  | Total                |
|---|--------------------|----------------------|----------------------|
| BALANCE, DECEMBER 31, 2014  | \$264,975          | \$27,817,608         | \$28,082,583         |
| Withdrawals   | <u>(100,000)</u>   | <u>(6,741,712)</u>   | <u>(6,841,712)</u>   |
| Net decrease from capital transactions  | (100,000)          | (6,741,712)          | (6,841,712)          |
| Net investment loss   | 404                | (262,934)            | (262,530)            |
| Realized gains on futures   | 5,739              | 104,728              | 110,467              |
| Net realized gains on investments, securities<br>sold short, options contracts, and foreign currency<br>transactions                | 3,046              | 991,329              | 994,375              |
| Change in unrealized depreciation<br>on futures contracts   | (186)              | (54,944)             | (55,130)             |
| Change in unrealized depreciation on investments,<br>securities sold short, options contracts, and foreign<br>currency transactions | <u>(5,514)</u>     | <u>(787,829)</u>     | <u>(793,343)</u>     |
| Net increase (decrease) from operations   | <u>3,489</u>       | <u>(9,650)</u>       | <u>(6,161)</u>       |
| Incentive allocation  | <u>4,901</u>       | <u>(4,901)</u>       | <u>-</u>             |
| BALANCE, DECEMBER 31, 2015  | <u>\$ 173,365</u>  | <u>\$ 21,061,345</u> | <u>\$ 21,234,710</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### STATEMENT OF CHANGES IN PARTNERSHIP CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014

|   | General<br>Partner | Limited<br>Partners  | Total                |
|---|--------------------|----------------------|----------------------|
| BALANCE, DECEMBER 31, 2013  | \$888,363          | \$44,328,969         | \$45,217,332         |
| Contributions   | -                  | 300,000              | 300,000              |
| Withdrawals   | <u>(800,000)</u>   | <u>(18,151,175)</u>  | <u>(18,951,175)</u>  |
| Net decrease from capital transactions  | (800,000)          | (17,851,175)         | (18,651,175)         |
| Net investment loss   | (1,455)            | (296,457)            | (297,912)            |
| Realized gains on futures   | 74                 | 666,552              | 666,626              |
| Net realized gains on investments, securities<br>sold short, options contracts, and foreign currency<br>transactions                | 42,117             | 5,507,726            | 5,549,843            |
| Change in unrealized depreciation<br>on futures contracts   | (4,659)            | (180,384)            | (185,043)            |
| Change in unrealized depreciation on investments,<br>securities sold short, options contracts, and foreign<br>currency transactions | <u>(9,486)</u>     | <u>(4,207,602)</u>   | <u>(4,217,088)</u>   |
| Net increase from operations  | <u>26,591</u>      | <u>1,489,835</u>     | <u>1,516,426</u>     |
| Incentive allocation  | <u>150,021</u>     | <u>(150,021)</u>     | <u>-</u>             |
| BALANCE, DECEMBER 31, 2014  | <u>\$ 264,975</u>  | <u>\$ 27,817,608</u> | <u>\$ 28,082,583</u> |

See notes to financial statements.

## B.C. CAPITAL INVESTORS LP

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2015

---

|  |          |
|--|----------|
| Total return <sup>(1)</sup>  | (0.09) % |
| Total return before incentive allocation <sup>(1)(2)</sup>                             | (0.08) % |
| Ratio of net expenses and incentive allocation to average net assets <sup>(3)(4)</sup> | 1.77 %   |
| Ratio of net expenses to average net assets <sup>(2)(3)(4)</sup>                       | 1.75 %   |
| Ratio of net investment loss to average net assets <sup>(3)(4)</sup>                   | (1.06) % |

(1) Total return is calculated based on the change in value during the year of a hypothetical investment, adjusted for contributions and withdrawals, as appropriate, made at the beginning of the year by a Limited Partner. An individual Limited Partners's return may vary from this return based on the timing of capital transactions, participation or non-participation in new issues and the extent to which an individual Limited Partner's reallocation of profits to the Investment Manager differs from the average reallocation for all Limited Partners

(2) Excludes incentive allocation to Investment Manager

(3) Income and expense ratios are calculated using average netassets.

(4) Average net assets are calculated as the average of monthly limited partner capital balances.

## B.C. CAPITAL INVESTORS LP

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2014

---

|  |          |
|--|----------|
| Total return <sup>(1)</sup>  | 3.25 %   |
| Total return before incentive allocation <sup>(1)(2)</sup>                             | 3.62 %   |
| Ratio of net expenses and incentive allocation to average net assets <sup>(3)(4)</sup> | 1.91 %   |
| Ratio of net expenses to average net assets <sup>(2)(3)(4)</sup>                       | 1.53 %   |
| Ratio of net investment loss to average net assets <sup>(3)(4)</sup>                   | (0.75) % |

(1) Total return is calculated based on the change in value during the year of a hypothetical investment, adjusted for contributions and withdrawals, as appropriate, made at the beginning of the year by a Limited Partner. An individual Limited Partners's return may vary from this return based on the timing of capital transactions, participation or non-participation in new issues and the extent to which an individual Limited Partner's reallocation of profits to the Investment Manager differs from the average reallocation for all Limited Partners

(2) Excludes incentive allocation to Investment Manager

(3) Income and expense ratios are calculated using average netassets.

(4) Average net assets are calculated as the average of monthly limited partner capital balances.

# B.C. CAPITAL INVESTORS, L.P.

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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### 1. ORGANIZATION

**General** — B.C. Capital Investors LP, (the “Fund”) is a Delaware limited partnership that operates as a private investment fund. The Fund was formed under the B.C. Capital Investors, L.P. Limited Partnership Agreement (the “LP Agreement”) effective January 1, 2012, between B.C. Holdings, Inc. (the “Investment Manager” and “General Partner”) and the Limited Partners. Prior to January 1, 2012, B.C. Capital Investors, L.P. was a Delaware limited liability company named B.C. Capital Investors, LLC (the “LLC”). The term of the Partnership commenced on the date the LLC’s Certificate of Formation was filed with Secretary of State of the State of Delaware, and shall continue until December 31, 2032, unless sooner terminated by the dissolution and winding-up of the Fund, as set forth by the LP Agreement.

The Fund’s investment objective is to achieve capital appreciation by investing in and trading equities, fixed-income securities, and commodities including, but not limited to, long positions in equities, short positions in equities, convertible bonds, preferred shares, high yield fixed income securities, commodity futures, and options. The Fund’s investment strategy is to identify and take advantage of pricing inefficiencies that exist from time to time in various market sectors where the Investment Manager believes that financial assets have become undervalued or overvalued.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the Fund follows the Financial Accounting Standards Board’s guidance for investment companies found at ASC 946. The following is a summary of significant accounting policies followed by the Fund:

**Basis of Presentation** — The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

**Capital Contributions** — Limited Partners, at the discretion of the Investment Manager, may be admitted to the Fund at the beginning of any calendar month or on such other dates as the Investment Manager may determine. Effective March 2013 the Fund began offering a new share class “Class B” and it will no longer be offering the former shares “Class A” to new Limited Partners of the fund. Existing Limited Partners as of March 2013 will continue receiving Class A shares for subsequent contributions. The Fund has no Class B shares issued or outstanding and thus has elected not to disclose the separate capital activity to this class. The new shares have different minimum contribution and lock-up requirements than Class A shares, as well as higher management and performance fees.

Limited Partners are not required to make any additional capital contributions beyond their initial minimum contribution of \$1,000,000 and \$500,000 for Class A and Class B shares, respectively. Additional contributions of at least \$50,000 may be made by Limited Partners at the discretion of the Investment Manager. Any contributions received in advance of a calendar quarter are reflected on the statement of assets and liabilities as contributions received in advance.

**Withdrawals** — Upon 45 days prior written notice, a Limited Partner may withdraw all or any portion of his or her Capital Account in the Fund as of the close of business on the last day of each calendar quarter or at such other time as the Investment Manager may determine in its sole discretion (each a “Withdrawal Date”); provided, however, that a Limited Partner may not withdraw capital prior to the end of the first 12-month and 6-month periods for Class A and Class B shares, respectively, following such Limited Partner’s initial investment in the Fund. Withdrawals that reduce a Limited Partner’s

capital account below the minimum investment (or the amount of such Limited Partner's capital account below the minimum investment (or the amount of such Limited Partner's initial subscription, if less) shall not be permitted unless the Limited Partner is withdrawing in full. The minimum withdrawal amount is \$25,000. The Investment Manager may, in its sole discretion, waive the notice period and other withdrawal provisions.

**Incentive Allocation** — The Investment Manager receives, as of each year ending December 31 or any Withdrawal Date (with respect to the capital withdrawn), an incentive allocation equal to 10% for Class A shares of any net increase in net assets credited to each Limited Partner's capital account during such calendar year (*i.e.*, the Investment Manager receives 10% of the amount by which a Limited Partner's Capital Account balance as of the end of a calendar year exceeds the balance of such Limited Partner's Capital Account as of the end of the preceding year, after reduction for the incentive allocation then made and as adjusted for new subscriptions and withdrawals during such calendar year). For Class A shares if there is a net decrease in net assets debited to a capital account during a calendar year, such loss will not be carried forward to the next calendar year for purposes of calculating the incentive allocation for such year. For Class B shares the Investment Manager receives an incentive allocation equal to 15% of any increase in net assets credited to each Limited Partner's capital account that exceeds the balance in the loss carryforward account for such Limited Partner that is allocated as of each December 31 and any withdrawal date (*i.e.*, the Investment Manager receives 15% of the amount by which a Limited Partner's capital account balance as of the end of a calendar year exceeds the balance of such Limited Partner's capital account as of the end of the preceding year, after reduction for the incentive allocation then made and as adjusted for new subscriptions and withdrawals during such calendar year, plus any losses realized in prior years which reduced the balance of the Limited Partner's capital account "loss carryforward." Net Assets, for purposes of calculating the incentive allocation, excludes liability for the incentive allocation then being calculated and due to the Investment Manager. The Incentive Allocation is calculated separately with respect to each Limited Partner's Capital Account and with respect to each calendar year.

**Cash** — Cash includes cash on hand and cash in the bank.

**Investments** — All investments are stated at fair value based on the following:

- Securities listed on a national securities exchange or NASDAQ are valued at their last sale price on their principal exchange or market, or if no sales occurred, at the mean between the bid and ask prices on such date.
- Securities not listed on a national securities exchange or NASDAQ are valued at their last sale price of the day as supplied by the National Association of Securities Dealers or other sources, or if no sales occurred on the valuation date, at the mean between the bid and ask prices on such date.
- Securities listed on a foreign securities exchange are valued at their last sale price of the day as supplied by their principal exchange or market, and are translated into U.S. dollar amounts at the date of valuation.
- Securities without an active trading market and all other securities are valued at the fair value determined in good faith by the Investment Manager.

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the

Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.

*Level 2* — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable.

*Level 3* — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

During the year ended December 31, 2015 there were no transfers between levels. The Fund's policy is to reflect transfers at the beginning of the reporting period. The following is a summary of the inputs used to value the Fund's investments as of December 31, 2015:

| <b>Assets</b>               | <b>Level 1</b>        | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>          |
|-----------------------------|-----------------------|----------------------|----------------|-----------------------|
| Common Stock                | \$ 7,424,174          | \$ -                 | \$ -           | \$ 7,424,174          |
| Limited Partnership         | 921,886               | -                    | -              | 921,886               |
| Corporate Debt Instruments  | -                     | 499,257              | -              | 499,257               |
| Government Debt Instruments | -                     | 9,991,932            | -              | 9,991,932             |
| Purchased Put Options       | 18,800                | -                    | -              | 18,800                |
| <b>Total</b>                | <b>\$ 8,364,860</b>   | <b>\$ 10,491,189</b> | <b>\$ -</b>    | <b>\$ 18,856,049</b>  |
| <b>Liabilities</b>          |                       |                      |                |                       |
| Common Stock                | \$ (684,488)          | \$ -                 | \$ -           | \$ (684,488)          |
| Exchange-Traded Funds       | (858,220)             | -                    | -              | (858,220)             |
| Written Put Options         | (6,100)               | -                    | -              | (6,100)               |
| <b>Total</b>                | <b>\$ (1,548,808)</b> | <b>\$ -</b>          | <b>\$ -</b>    | <b>\$ (1,548,808)</b> |

Investment transactions are recorded on the trade date. Dividend income and expense are recognized on the ex-dividend date and interest income is recognized on an accrual basis. Premiums and discounts on securities purchased are amortized using the effective interest method.

**Short Sale Transactions** — The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A realized gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale.

**Option Writing** — When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from investments. The difference between the premium received and the amount paid upon closing the purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

**Foreign Currency and Foreign Investment Transactions** — The books and records are maintained in U.S. dollars. Foreign currency denominated transactions (i.e. fair value of investment securities, foreign currencies, assets and liabilities, purchases and sales of investment securities, and income and expenses) are translated into U.S. dollars at the current rate of exchange.

The Fund does not isolate the portion of gains and losses on investments in securities and foreign currencies that is due to changes in the foreign exchange rates from that which is due to change in fair value of securities. Such amounts are categorized as gain or loss on investment and foreign currency transactions for financial reporting purposes.

**Futures Transactions** — The Fund may purchase or sell futures contracts. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Such collateral is reflected in the statement of assets and liabilities as margin deposit for futures contracts. Pursuant to the contract, the Fund agrees to receive from or pay the broker an amount equal to the daily value fluctuation of the contract. Such receipts and payments are known as variation margin and are recorded by the Fund as unrealized gains and losses. When the contract is closed, the Fund records realized gains and or losses equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

**Income Taxes** — All net income or loss is passed through to the Investment Manager and the Limited Partners; therefore, no provisions for income taxes have been made by the Fund. The Fund has adopted standards regarding how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Management has evaluated the implications of these rules for all open tax years, and has determined there is no impact to the Fund's financial statements as of December 31, 2015. The Fund's federal and state income tax returns for which the applicable statutes of limitations have not expired (2012, 2013, 2014, and 2015) are subject to examination by the Internal Revenue Service and various state departments of revenue.

**Use of Estimates** — The Fund's financial statements and financial highlights are prepared in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### 3. MARGIN BORROWING

The Fund conducts its investment activities with two brokers that act as the Fund's prime brokers and custodians. As of December 31, 2015, Goldman Sachs & Co was the Fund's prime broker for all futures investment activity and UBS Securities LLC was the Fund's prime broker for all other investment activity. The clearing and depository (custodian) operations for the Fund's investment activities are performed pursuant to agreements with the prime brokers. Amounts borrowed are collateralized by securities held at the prime brokers, however; the prime brokers have the right to request additional collateral at any time at their sole discretions. Not all securities held at the prime brokers are eligible as collateral or "marginable" and the prime brokers require any transactions on margin to be collateralized 50% by eligible securities or cash. The Fund may borrow funds from time to time in order to finance security transactions. Amounts due under the margin arrangement vary with the value of the Fund's investment securities. Furthermore, the Fund's borrowing capacity can be further reduced at the discretion of the Fund's lenders, Goldman, Sachs & Co and UBS Securities LLC. The interest rate charged if there are outstanding borrowings is the Federal Funds Rate, plus .65%. As of December 31, 2015, the Fund had no outstanding borrowings.

### 4. MANAGEMENT FEE

The Fund pays the Investment Manager a quarterly management fee equal to  $\frac{1}{4}$  of 1% on Class A shares and  $\frac{1}{4}$  of 1.25% on Class B shares. The management fee is payable quarterly in advance. The fee is

calculated based on the combined total net asset value of each share class at the beginning of each quarter. See Note 2 for a discussion of incentive allocation. The Investment Manager at its discretion has the authority to waive or reduce any portion of the standard management fee. There were no waived expenses for the year ended December 31, 2015.

#### 5. OFF-BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

The Fund may engage in the short sale of securities. Securities sold short, not yet purchased, represent obligations of the Fund, which result in off-balance sheet risk as the ultimate obligation may exceed the amount currently in the financial statements due to increases in the fair value of these securities. To manage this risk, the Fund may hold securities which can be used to hedge or settle obligations and monitor its exposure daily, adjusting positions as deemed necessary.

Since the Fund does not clear its own investment transactions, it has established an account with its prime brokerage firms (UBS Securities LLC and Goldman, Sachs & Co.) for this purpose. This can, and often does, result in a concentration of credit risk. Such risk, however, is mitigated by the broker's obligation to comply with the rules and regulations of the Securities Act of 1934. These rules generally require maintenance of minimum net capital and segregation of customers' funds from the holdings of the brokerage firm. Substantially all of the assets of the Fund are held on account or due from UBS Securities LLC or Goldman, Sachs & Co.

#### 6. DERIVATIVE CONTRACTS

The Fund has adopted authoritative standards of accounting for derivative instruments which establish disclosure requirements for derivative instruments. These standards improve financial reporting for derivative instruments by requiring enhanced disclosures that enables Limited Partners to understand how and why a fund uses derivatives instruments, how derivatives instruments are accounted for and how derivative instruments affect a fund's financial position and results of operations.

The Fund uses derivative instruments as part of its hedging strategy to achieve its investment objective.

Options contracts are included within the schedule of investments. The Fund did not hold any open futures contract as of December 31, 2015.

|                                      | <b>Asset Derivatives</b>      |                          |                    |
|--------------------------------------|-------------------------------|--------------------------|--------------------|
|                                      | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Equity Risk</b> |
| Purchased put options <sup>(1)</sup> | -                             | -                        | 18,800             |
| Total                                | \$ -                          | \$ -                     | \$ 18,800          |
|                                      | <b>Liability Derivatives</b>  |                          |                    |
|                                      | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Equity Risk</b> |
| Written put options <sup>(1)</sup>   | \$ -                          | \$ -                     | \$ (6,100)         |
| Total                                | \$ -                          | \$ -                     | \$ (6,100)         |

(1) Reported on the schedule of investments.

The Funds have adopted the disclosure provisions of FASB Accounting Standard Codification 815, Derivatives and Hedging ("ASC 815"). ASC 815 requires enhanced disclosures about the Funds' use of and accounting for derivative instruments and the effect of derivative instruments on the Funds' results of operations and financial position.

The Fund is required to disclose any collateral on written options because they obligate the Fund to buy or sell, within a limited time, a financial instrument, commodity, or currency at a contracted price and settled from cash balances or assets held. The Fund's ownership of written put options extends from its engagement in a "put spread strategy" that involves the simultaneous purchase of put options at a specific strike price and sell of the same number of put options at a different strike price. Both options are for the same underlying asset and have the same expiration date. As such, the Fund is currently not compelled to hold collateral cash balances or assets necessary to settle its written option contracts.

As of December 31, 2015, the fund was both long and short an equal number of Apple Inc put option contracts that expire January 2016.

"Realized Gains (Losses)" in derivative instruments during the year ended December 31, 2015, were as follows:

|  | <b>Commodity<br/>Risk</b> | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Index<br/>Risk</b> | <b>Equity<br/>Risk</b> | <b>Total</b>      |
|--|---------------------------|-------------------------------|--------------------------|-----------------------|------------------------|-------------------|
| Futures Contracts                        | \$ 947                    | \$ 93,930                     | \$ 49,245                | \$ (33,655)           | \$ -                   | \$ 110,467        |
| Option Contracts                         | -                         | 17,021                        | (4,306)                  | (1,970)               | (13,708)               | (2,963)           |
| <b>Total Realized<br/>Gains (Losses)</b> | <b>\$ 947</b>             | <b>\$ 110,951</b>             | <b>\$ 44,939</b>         | <b>\$ (35,625)</b>    | <b>\$ (13,708)</b>     | <b>\$ 107,504</b> |

"Unrealized Gains (Losses)" in derivative instruments during the year ended December 31, 2015, were as follows:

|  | <b>Commodity<br/>Risk</b> | <b>Interest<br/>Rate Risk</b> | <b>Currency<br/>Risk</b> | <b>Index<br/>Risk</b> | <b>Equity<br/>Risk</b> | <b>Total</b>        |
|--|---------------------------|-------------------------------|--------------------------|-----------------------|------------------------|---------------------|
| Futures Contracts                          | \$ -                      | \$ (27,217)                   | \$ (27,913)              | \$ -                  | \$ -                   | \$ (55,130)         |
| Options Contracts                          | -                         | (238)                         | -                        | -                     | (188,689)              | (188,927)           |
| <b>Total Unrealized<br/>Gains (Losses)</b> | <b>\$ -</b>               | <b>\$ (27,455)</b>            | <b>\$ (27,913)</b>       | <b>\$ -</b>           | <b>\$ (188,689)</b>    | <b>\$ (244,057)</b> |

## 7. NEW ISSUES

Financial Industry Regulatory Authority ("FINRA") rules prohibit certain categories of financial professionals and their associates from participating in securities which constitute "New Issues" within the meaning of FINRA rules (generally, initial public offerings) ("New Issues"). The LP Agreement provides for a special allocation in respect of securities which constitute New Issues; when the Fund acquires New Issues, they will be held in a special account in which only those Limited Partners who are not so restricted have an interest. Unless otherwise determined by the Investment Manager, restricted persons shall receive no compensation for the use of their capital to purchase New Issues. The Fund did not hold any New Issues during the year ended December 31, 2015.

## 8. SUBSEQUENT EVENTS

The Fund has adopted authoritative standards of accounting for and disclosure of events that occur after the statement of assets and liabilities date but before financial statements are issued or are available to be

issued. These standards require the Fund to recognize in the financial statements the effects of all recognized subsequent events that provide additional evidence about conditions that existed at the date of the statement of assets and liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, the Fund is required to disclose the date through which subsequent events have been evaluated. As of September 8, 2017, no subsequent events have occurred that the Fund deems material to disclose.

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