



## **DISCLOSURE DOCUMENT**

**February 1, 2009**

**Live Performance Information from November 2007 through Present  
Simulated Performance Information from January 2004 through October 2007**

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## **RISK DISCLOSURE STATEMENT**

THE RISK OF LOSS IN TRADING FOREX CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:

IF YOU MAKE A PURCHASE OR SALE IN THE FOREX MARKET YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED.

UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION.

THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT" ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN FOREX TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED FOREX ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND PERFORMANCE FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE FOREX MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND FOREX TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THE INVESTMENT CONTAINED IN THIS DOCUMENT

TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET, MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE YOUR TRANSACTIONS MAY BE EFFECTED. BEFORE YOU TRADE YOU SHOULD INQUIRE ABOUT ANY RULES RELEVANT TO YOUR PARTICULAR CONTEMPLATED TRANSACTIONS AND ASK THE FIRM WITH WHICH YOU INTEND TO TRADE FOR DETAILS ABOUT THE TYPES OF REDRESS AVAILABLE IN BOTH YOUR LOCAL AND OTHER RELEVANT JURISDICTIONS.

THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING FOREX INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THESE TRADING PROGRAMS DIRECTLY WITH A FUTURES COMMISSION MERCHANT.

## **INVARIANT CAPITAL MANAGEMENT, LLC.**

**Overview of the Company.** Invariant Capital Management LLC is a United States-based alternative asset manager. The two principals are Justin Fauci and Christopher Muir. Invariant specializes in managing institutional and individual capital in the foreign exchange market. Invariant has developed and implemented proprietary trading techniques that focus on medium-term trend trading, counter-trend trading, and momentum trading.

Invariant Capital Investor Services is available to answer your questions by telephone during U.S. business hours or via e-mail at [info@invariant-capital.com](mailto:info@invariant-capital.com). You may also visit Invariant's web site at [www.invariant-capital.com](http://www.invariant-capital.com) for current information on performance, the organization, and the firm's trading methodology. The site, updated on at least a monthly basis, is a comprehensive resource for information on Invariant Capital beyond that which is presented in this Disclosure Document.

**History and Registrations.** Prior to forming Invariant Capital Management, both principals managed portfolios at Citigroup for high net worth and institutional clients. Christopher Muir and Justin Fauci maintain full ownership of the company. Invariant is not, nor is it required to be, registered with the NFA or the CFTC.

**Offices.** Written inquiries should be addressed to Investor Services at Invariant Capital's principal office in New York, NY:

Investor Services; Invariant Capital Management; 350 Fifth Avenue; 59<sup>th</sup> Floor; New York, NY 10018

## **INVESTMENT PHILOSOPHY AND METHODOLOGY**

**Investment Philosophy.** The Invariant investment philosophy has been based on the premise that market prices, rather than market fundamentals, are the key aggregator of information necessary to make investment decisions and that prices, which may at first seem random, actually move through time in complex, but discernible ways.

This philosophy is based on analysis of historical data that revealed that market adjustments sometimes form price movements that can be exploited for profit. Invariant believes there is an inherent return opportunity in participating in price movements that its systematic models have identified. Invariant trading programs may participate in either rising or falling trends; they do not have a directional bias nor do they try to forecast or predict market turning points.

Once a program has established a position in a market, no pre-set price target for profits is established given the highly variable nature of market trends. Invariant believes the behavior of markets is based on investor expectations, which may at times adjust slowly through time and manifest themselves in longer-term price movements. Additionally, markets do not always adjust immediately to new information.

Invariant Capital's investment decision process has been designed to find and exploit these trends, changes in trend, and periods of sudden momentum. Invariant's investment philosophy maintains that market prices initially react to new or emerging information or events, but the aggregate impact on price may be a lengthy process. While prices may at first represent an over or under reaction to new information, prices eventually will reflect all relevant information. In other words, anything that could possibly affect the market price of a forex instrument – including fundamental, political, or psychological factors – eventually will be reflected in the price of that instrument, but this dynamic process may lead to the adjustment of prices over an extended period. The foundation for Invariant's analysis is, therefore, a study of market price, rather than market fundamentals or the prediction of trends.

Invariant Capital believes that the price adjustment process takes time, since reactions of market participants to changing market dynamics initially may be inefficient; that is, investors may not react immediately to information because of differing evaluation processes, differing levels of risk tolerance, or uncertainty. Gradual price adjustments manifest themselves in trends, which themselves can influence the course of events and from which profit opportunities can arise. Invariant believes that such market inefficiencies can be exploited through a combination of price analysis and risk management.

**Price Analysis.** Invariant’s research is based on the belief that prices move in trends that are often highly complex and difficult to identify. There is some statistical evidence to suggest that trends exist in many markets. However, trends may be difficult to detect and it is not clear that Invariant’s methodologies can find all of the trends present. There is also no guarantee that Invariant will be able to profit from all of the trends that may be present or identified. Since the firm’s founding, Invariant has consistently employed its systematic methods to identify medium-term trends, changes in trend, and periods of momentum. Comprehensive research undertaken by the firm’s founders, Justin Fauci and Christopher Muir, led to the development of disciplined and systematic quantitative models. Invariant Capital’s models examine market data for systematic price behavior or price relationships that will characterize one of these movements. Once one is identified, the trading system generates potential buy and sell signals for initiating trades. The strict application of these signals is one of the most important aspects of Invariant’s investment process.

Invariant Capital considers that price is the combination of the signal plus “noise”, where the signal is the trend information and the “noise” is the market volatility surrounding the trend or movement. Prices are an aggregator of market information, but “noisy” price signals have to be filtered to discover the underlying price trend. The Invariant Capital systems examine market data for relationships among movements in prices, detecting repetitive behavior hidden within thousands of pieces of raw price data. Invariant’s trading models seek to identify signals by separating short-term market noise from relevant information, and locating a directional opportunity that has favorable risk characteristics. Invariant systems may dictate that positions be closed with a loss in order to provide downside protection, but the systems may also provide discipline to stay in markets that are inactive for longer periods of time in order to achieve possible longer-term gain. Invariant’s investment decisions reflect the trading models’ assessment of the market itself, not an emotional response to recent economic or political data.

Invariant models do not follow price movements based on short-term volatility. Instead, the models seek to identify changes in systematic price behavior over longer time periods, which will characterize a directional opportunity.

**Risk Management.** Given the volatility of prices (see “Price Analysis”), Invariant Capital does not expect that all signals will lead to profitable trades. Stop-losses are used in all models and managed in a proprietary manner to balance the potential loss on any trade versus the opportunity for maximum profit. Stop-losses may not necessarily limit losses, since they become market orders upon execution; as a result, a stop-loss order may not be executed at the stop-loss price.

There are no systematic constraints on portfolio volatility or the maximum drawdown for any program. Volatility will not cause systematic adjustments to be made to existing positions. All programs consider volatility in determining the size of positions initiated.

Portfolio management techniques are used in an effort to construct an overall diversified portfolio for each Invariant trading program. These techniques will attempt to take into account the volatility and correlation of the markets that are included in the program. However, no assurances can be made that historical market correlations and diversification will occur or persist in all market conditions. Consistent with Invariant’s view of markets, portfolios are managed to meet longer-term risk and volatility tolerances, rather than trading on the basis of short-term trends or short-term volatility.

**Disciplined Investment Process.** Invariant Capital believes that an investment strategy can only be as successful as the discipline of the manager to adhere to its requirements in the face of market adversity. Unlike discretionary traders, who may be subject to behavioral biases, Invariant practices a disciplined investment process.

By quantifying the circumstances under which key investment decisions are made, the Invariant methodology offers investors a consistent approach to markets, unaffected by judgmental bias.

**Disciplined Adaptation to Changing Market Conditions.** Invariant Capital seeks to maintain a commitment to consistent portfolio construction and program integrity. Invariant has not changed the fundamental elements of the models due to short-term performance, although adjustments may be made over time. In addition, Invariant has not changed the basic methodologies that identify signals in the markets for each program. Invariant believes that its

success is a result of the adherence to its models during and after periods of negative returns; however, adherence to its strategy may lead to prolonged periods of market losses and high risk.

**Research.** Invariant Capital's research may include analysis of the dynamic elements of the Invariant investment process, including refining risk management techniques and monitoring market capacity to the extent consistent with basic Invariant methodologies. Research also includes the examination of profit opportunities in markets not currently traded by Invariant programs and in new instruments as they become available. Proprietary research related to trading program development, design and composition may also be conducted or supervised by Mr. Muir and Mr. Fauci.

**Trade Placement.** Whether entering or exiting the markets, Invariant Capital's trading follows specific procedures designed to help minimize the impact of any immediate adverse price developments. Invariant trades electronically on behalf of its client accounts. Invariant, in its discretion, may also continue to place orders by traditional means, including telephone and telecopy. Invariant believes that electronic trading provides a faster method of accessing the variety of markets that it trades than the traditional method of placing trade orders over the telephone.

Electronic trading provides for greater order execution risk controls to be incorporated into electronic order placement which should reduce the potential for errors during the order placement process. Electronic trading also increases the overall level of confidentiality for Invariant with respect to the marketplace and it will also prevent miscommunication of instructions between Invariant and the executing brokers. Trade processing efficiency is another key benefit to electronic trading.

Invariant Capital places forex trades for all accounts that it manages, as well as for the accounts of Mr. Muir and Mr. Fauci, as "bunched orders" or "block orders", in which trades for all accounts are placed for execution in a group or bunch, and then are allocated to individual accounts when the order has been completed. This process improves the efficiency of trade placement, and is intended to provide better pricing and execution of orders for all accounts.

Invariant Capital provides the brokerage firms with allocated fills pursuant to Invariant's allocation methodology. Invariant will make available to any customer upon request (1) the general nature of the allocation methodology Invariant uses; and (2) summary or composite execution and allocation data sufficient for that customer to compare the results of execution and allocation for its account with those for the accounts of comparable customers and any proprietary account participating in the bunched order process.

Invariant Capital is obligated to make all post-order allocations fair and equitable, so that no account or group of accounts consistently receives favorable or unfavorable treatment. In addition, Invariant's allocation methodology must be sufficiently objective and specific to permit independent verification of the fairness of the allocation and reconstruction of the allocation methodology.

## **POTENTIAL INVESTMENT BENEFITS**

An investment with Invariant Capital may provide several potential benefits to you, including:

- Diversification across a broad spectrum of worldwide markets;
- Ability to profit in rising or declining markets;
- Potential to earn competitive returns;
- Liquidity;
- A systematic and disciplined trading methodology;
- May improve risk/reward profile when added to an equity and fixed income portfolio.

## **INVESTMENT POLICIES**

**Commencement of Trading.** Each new account will encounter a startup period during which it may incur certain risks related to the initial investment of assets. Invariant Capital, at its discretion, may delay the actual start of trading for an account for an extended period of time or adjust position size in relation to account equity. These procedures may be modified from time to time.

**Duration of Positions Held.** Market exposure to profitable positions is not changed based on the time horizon of the trade. Losing positions are generally reversed or eliminated relatively quickly because a trend did not extend for a requisite period of time, with most closing within a few days or weeks. However, if the Invariant system detects a profitable underlying opportunity, a position trading at a loss may be retained to capture the potential benefits of participating in that opportunity. Throughout the investment process, trading methodologies have been designed to reduce the possibility of an extraordinary loss on a single position; however, significant profit givebacks or losses may be incurred under volatile market conditions.

**Program Modifications.** Proprietary research may be conducted to refine the Invariant Capital investment strategies. The potential benefits to a program of employing more than one investment methodology, applying investment methodologies in varying combinations, and the possible substitution of alternative investment methodologies with respect to particular contracts may be assessed through the testing of different methodologies, along with the possible benefits of such modifications to improve program performance over historical levels. In addition, risk management research and investment program analysis may suggest modifications regarding the relative weighting among various contracts, modifying the style and/or timing used by an investment program to trade a particular contract, the addition or deletion of a contract traded by an investment program, or a change in position size in relation to account equity.

All cash in an Invariant Capital investment program is available for trading, although the amounts committed to margin will vary from time to time.

**Position Size.** Position size adjustments relative to account equity are an integral part of Invariant Capital's investment strategy and historically have been made in a systematic manner as the equity in the account from trading results increases or decreases. Invariant may override indicated systematic position size adjustments when, in its discretion, it deems that is warranted by its assessment of market conditions.

Systematic methods for maintaining or adjusting the trade size to equity in an account may affect performance and will alter the risk exposure of the account, with leverage increasing in down markets until losses are offset, and decreasing in profitable market conditions until systematic adjustments are made.

Invariant may also use discretion to adjust the size of a position in relation to equity in the account. Such adjustments may not be made for all Invariant programs. Factors that may affect decisions to adjust the size of a position in relation to account equity include ongoing research, program volatility, current market volatility, risk exposure, subjective judgment, and evaluation of these and other general market conditions.

Decisions to change the size of a position may positively or negatively affect performance and will alter risk exposure for an account, since such adjustments will also alter the volatility of Invariant programs. Adjustments in position size relative to account equity may lead to greater profits or losses, more frequent and larger margin calls, and greater brokerage expense. No assurance is given that such adjustments will result in increased program profitability. Invariant reserves the right to alter, at its sole discretion and without notification, its policy regarding adjustments in position size relative to account equity.

## **ACCOUNT PROCEDURES**

**Program Availability.** Individually managed accounts may invest in any Invariant Capital program at the sole discretion of Invariant. Pursuant to Invariant's Anti-Money Laundering Procedures, Invariant requires that you must provide our FCM confirmation of your identity, as well as other relevant information, before an account can be opened, an investment accepted, or an advisory agreement signed. You should contact Invariant for the minimum account size necessary to commence trading in a particular investment program.

**Brokerage Arrangements.** Invariant Capital is not financially liable for any losses caused by or arising from errors committed or caused by any FCM, introducing broker, executing broker, or their principals or employees. Invariant's responsibility is limited to communicating accurate and complete orders to the FCM or executing broker. Invariant is responsible only for losses incurred as a result of errors committed or caused by it, its principals, or its employees by communicating improper trading signals or orders to an FCM or executing broker. Attempts by

Invariant to identify and correct any FCM, introducing broker, or executing broker errors are in no way a representation that such efforts will be successful or that Invariant will accept any financial liability if such efforts are unsuccessful.

The FCM, and not Invariant, will have custody of your funds and will furnish you, through an online investment portal, with confirmations of all transactions in your account, reports showing information about trading activities in your account, and other account reports customarily furnished by the FCM to its customers. The furnishing of such reports shall be the sole responsibility of the FCM, and Invariant is not required to furnish these reports to you. You must authorize the FCM to forward to Invariant copies of all confirmations, statements, or reports sent by the FCM to you. Invariant's fees are deducted directly from your brokerage account. You agree to authorize the FCM to remit directly to Invariant payment of Invariant's performance and management fees.

**Withdrawal of Capital.** You should view your account as a long-term investment with the objective of seeking capital appreciation over time. You may wish to withdraw capital from your account at any time but must notify Invariant Capital via your online portal before the effective date of the withdrawal. Investors may not reduce their account size through withdrawals below the minimum size required to commence trading, however, if an account falls below the required minimum as a result of trading losses, it will continue to trade. Any reduction in equity due to withdrawals of capital may materially and adversely affect the diversification and potential profitability of an account. In certain circumstances Invariant may allow, at its discretion, a particular withdrawal to reduce equity to less than the minimum account size for an investment program.

To close your account, you should specify in writing the date on which you want your account liquidated. If you instruct Invariant to liquidate your account "on or before" month end at Invariant's discretion, the account will be liquidated only at month end. Accounts closed within ninety (90) days of the date of the first trade will be assessed a fee of two percent (2%) of the original account size to cover administrative costs.

## **FEE STRUCTURE**

In exchange for its management services, Invariant Capital typically assesses the management and performance fees detailed below:

**Management Fee.** You will pay a quarterly management fee of one fourth of two percent (2% annually) of your account's month end net assets, billed in advance, before the reduction of performance fees. Net assets are defined as the total assets of the account, including all cash and cash equivalents, accrued interest, and all other assets of the account, less accrued commissions payable and accrued management fees payable for the month.

**Performance Fee.** At the end of each calendar month you will pay to Invariant Capital twenty percent (20%) of new net trading profits. New net trading profits are the sum of a) the net of any profits and losses realized by all trades closed out during the month, including any gains and losses recognized due to currency exchange rate movements, and b) cumulative losses, if any, carried forward from preceding months. The performance fee is payable only on cumulative profits in the account. If the account incurs a loss after a performance fee has been paid, Invariant will retain the fee, but will not receive another performance fee until new net trading profits have been earned.

The minimum investment size and account fee structure for each investment program are subject to the sole discretion of Invariant Capital.

## **LEGAL CONCERNS**

There are not now nor has there ever previously been any material administrative, civil, or criminal action against Invariant Capital or its principals.

No principal of Invariant shall have any liability to you under the client account agreement, or in connection with the transactions contemplated by that agreement, except for fraud or willful misconduct by that principal.

Invariant Capital, Mr. Muir and Mr. Fauci may engage in discretionary trading for their own accounts, as long as such trading does not amount to a breach of fiduciary duty. Such trading will be for the purposes of testing new

investment programs and concepts, as well as for proprietary profit. Proprietary trading may involve contract markets that are not traded for client accounts. The reasons for not trading a contract market for clients may include: the contract market does not trade reasonable volume and is not expected to grow such that Invariant could trade significant size with appropriate liquidity; the contract markets are liquid but are highly correlated or redundant to existing markets or sectors traded for clients; or the contract markets have excessively high volatility associated with low liquidity and no historical trends. In the course of trading for their own accounts, Invariant Capital, Mr. Muir and Mr. Fauci may take positions that are the same or opposite from your positions, due to testing a new quantitative model or investment program, an allocation system, and/or trading pursuant to individual discretionary methods.

Trades for the accounts of Invariant, Mr. Muir and Mr. Fauci may on occasion receive better fills than your accounts. Records for these accounts will not be made available to you.

## **PRINCIPAL RISK FACTORS**

An investment in an Invariant Capital investment program is speculative and involves a high degree of risk. Investing in an Invariant investment program is, moreover, designed only for sophisticated investors with speculative capital.

**Equity Drawdowns.** Historically approximately 60% of all trades made pursuant to Invariant Capital's investment programs have been profitable. The greatest cumulative percentage decline in net asset value in any single investment program was nearly 20 percent. Similar or greater drawdowns are possible in the future, and have been observed in historical testing.

**Position Size in Relation to Equity.** Forex trading involves leverage. Positions may be taken with face values several times the equity. Even a relatively small change in the price of a contract can produce a large profit or loss.

**Volatility.** Forex prices are highly volatile and are affected by a wide variety of complex and hard to predict factors; consequently, a primary risk in trading these instruments is rapid fluctuations in market prices in a short time period. Price fluctuations may affect Invariant's ability to earn investment returns for your account. Market volatility may also depart significantly from historical averages, which could affect performance. Volatility could create adverse results for the performance of your account in several ways. A period of substantial volatility shortly after an account has been opened, or additional funds deposited in an account, could adversely affect performance and cause a significant reduction in account equity, making it more difficult to achieve profitability. Substantial volatility prior to the time of a planned withdrawal from an account could adversely affect performance, and could reduce the amount of proceeds actually received when the withdrawal has been completed.

Periodic performance results (annual or monthly) also cannot fully depict volatility in intra-period performance results. Price volatility, as reflected in account performance, can be mitigated or increased by the position size in relation to account equity employed by Invariant Capital. Invariant's historical performance results reflect its approach to position management, which may serve as a contributing factor to Invariant's historical recoveries from performance drawdowns.

**Illiquid Markets and Concentrated Trading.** It is not always possible to execute a buy or sell order at the desired price, or to close an open position due to market conditions and/or price fluctuations. An instance of difficult or impossible execution occurs in thinly traded markets or markets which lack sufficient trading liquidity. Although Invariant Capital intends to purchase and sell forex in liquid markets, no assurance can be given that Invariant orders for your account will be executed at or near the desired price.

**Possible Effects of Other Quantitative Price Analysis Models.** If many traders follow models very similar to those of Invariant Capital, similar buy and sell orders can be placed at or about the same time, making it more difficult to establish or liquidate a position at a given price. While the effect of any increase in the proportion of funds traded pursuant to quantitative trading models in recent years cannot be determined, any such increase could alter market patterns or affect execution of trades to the detriment of your account's performance.

**Reliance on Invariant Capital.** No assurance can be given that the techniques and strategies of Invariant Capital will be profitable in the future, or that the services of Invariant will continue to be available to you. The specific

details of Invariant's investment methods are proprietary; consequently, you will not be able to determine the details of those methods or whether those methods, as described herein, which generated the performance results presented in this disclosure document, are being followed.

Invariant will alter the application of its investment methods when it determines that a change is in the best interest of its clients. From time to time, Invariant or its affiliates manage additional accounts. These accounts increase the level of competition for the same trades made for your account, including the priorities of order entry. There is no specific limit imposed by the client account agreement between you and Invariant as to the number of accounts or total assets under management it (or its affiliates) may manage.

If the services of certain principals were unavailable to Invariant, or were interrupted, the continued ability of Invariant to render services to you might be subject to substantial uncertainty, and the services of Invariant could be terminated completely.

**Failure of Brokerage Firm or Forex Market.** The Commodity Exchange Act requires a broker to segregate all funds received from such broker's customers with respect to transactions from such broker's proprietary funds. If the broker were not to do so to the full extent required by law, the assets of an account might not be fully protected in the event of the bankruptcy of the broker. Furthermore, in the event of a broker's bankruptcy, an account would be limited to recovering only a pro rata share of all available funds segregated on behalf of a broker's combined customer accounts, even though certain property specifically traceable to you (for example, U.S. Treasury bills deposited by you) was held by the broker.

Forex broker bankruptcies have occurred in which customers were unable to recover from the broker's estate the full amount of their funds on deposit with such broker and owed to them. Such situations could arise due to various factors, or a combination of factors, including inadequate broker capitalization, inadequate controls on customer trading and inadequate customer capital. In addition, in the event of the bankruptcy or insolvency of an exchange or an affiliated clearing house, you might experience a loss of funds deposited through your broker as margin with the exchange or affiliated clearing house, a loss of unrealized profits on your open positions, and the loss of funds owed to you as realized profits on closed positions. Such a bankruptcy or insolvency might also cause a substantial delay before you could obtain the return of funds owed to you by a broker who was a member of such an exchange or affiliated clearing house.

**Swap Transactions.** Invariant Capital engages in transactions which are characterized as swap transactions and which may involve interest rates and currencies. Swap contracts are not traded on exchanges and are not regulated by the CFTC. Swap transactions are individually negotiated, non-standardized agreements between two parties to exchange cash flows measured by different interest rates, exchange rates or prices, with payments calculated by reference to a principal amount or quantity. The absence of regulation could expose you to significant losses in the event of trading abuses or financial failure by participants in the swap markets. You would be subject to the inability or refusal to perform with respect to such contracts on the part of the counterparties with which your account may trade.

**Electronic Trading and Order Routing Systems.** Invariant Capital may from time to time trade on electronic trading and order routing systems, which differ from traditional open outcry pit trading and manual order routing methods.

Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, error trade policies and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic mail.

Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure. In the event of system or component failure, it is possible that for a certain time period, it might not be possible to enter new orders, execute existing orders or modify or cancel orders that were previously entered.

System or component failure may also result in loss of orders or order priority. Some contracts offered on an electronic trading system may be traded electronically and through open outcry during the same trading hours.

**Tax Considerations.** You should seek, and must rely on, the advice of your own tax advisors with respect to the possible impact of federal and state tax law and proposed legislative or administrative action on your investment in an Invariant Capital investment program.

**Reliance on Timely and Accurate Market Data.** Invariant Capital's ability to detect market movements and trade them profitably depends on its access to timely and accurate market price data throughout the price analysis and trading processes. If price data is not available or is delayed, Invariant would be unable to trade for client accounts until reliable data sources have been restored.

Inaccurate information may be generated by a data vendor, which could later be cancelled or amended. In addition, Invariant may obtain from third parties, such as clearing firms, information about prices or about contract specifications and changes to them. Inaccurate price information may cause Invariant to enter or close trades that it would not otherwise have entered or closed, to trade or fail to trade at times that would have been indicated by accurate data, or to be completely unable to place a trade. Communications or technical failure may also cause an electronic trading tool to fail, which could cause Invariant to fail to act when a trading stop is reached.

As a result of such potential data problems, client accounts may be unable to exit positions or miss the opportunity to establish new positions. Invariant receives price data electronically. Data providers typically make no representations or warranties about the accuracy or timeliness of the data they provide, and assume no financial liability for lost profits, trading losses or other consequential damages. Data providers also disclaim any responsibility for events of force majeure, as well as for actions (or inaction) of third party information, hardware and software providers, and for interruption of means of communication. Because all of the data required for Invariant's trading is provided from third parties, Invariant, cannot, despite its employment of the precautions described above, make any assurances that its efforts will detect erroneous or incomplete data, or prevent client accounts from incurring losses or missing profit opportunities.

## **MANAGEMENT**

### **PRINCIPALS OF INVARIANT CAPITAL**

#### **Mr. Justin M. Fauci.**

Justin Fauci is President and Co-CEO of Invariant Capital Management. Prior to forming Invariant with Christopher Muir, Justin was a Portfolio Manager at Citigroup specializing in investments for high-net-worth clients. With over seven years of experience in the financial markets, Justin helped design the fundamental strategies at the core of Invariant's trading methodology. Justin is also responsible for day-to-day management and steering the future direction of Invariant Capital.

Justin graduated from Tufts University with a BA in Economics.

#### **Mr. Christopher S. Muir**

Christopher Muir is President and Co-CEO of Invariant Capital Management. Chris brings seven years of trading experience to the company, previously working in Private Wealth Management at Citigroup before co-founding Invariant with Justin Fauci. Along with Justin, Chris is responsible for the strategic growth of Invariant, in addition to the development, testing, and maintenance of the company's trading models.

Chris graduated from Tufts University with a BA in Economics.

## INVARIANT CAPITAL INVESTMENT PROGRAMS

### CONSERVATIVE PROGRAM

**Investment:** Currency

**Duration:** Short to Medium Term

**Liquidity:** Daily

**Annual Management Fee:** 2%

**Performance Fee:** 20%

#### Monthly Performance (Net Of Fees)

2004: 0.45%, -0.31%, 7.51%, 1.92%, 5.62, -0.19%, 0.59%, -8.98%, 2.42%, 3.77%, 0.28%, 6.69%  
2005: 0.63%, 4.86%, 5.64%, -2.90%, 0.22%, 2.41%, 2.97%, 2.55%, 1.94%, -0.13%, 0.88%, 5.54%  
2006: 2.53%, 4.07%, 4.20%, 3.47%, 2.43%, 5.41%, 0.17%, 0.96%, 5.41%, 3.87%, 7.50%, 3.47%  
2007: -4.03%, 12.04%, 5.37%, 1.77%, 0.37%, 1.19%, 6.56%, 5.50%, 5.12%, -2.94%, 3.28%, -0.61%  
2008: 3.18%, -0.60%, 3.52%, 4.71%, -1.75%, 2.23%, -4.29%, 6.99%, 0.55%, 9.85%, -1.01%, 0.64%  
2009: 5.27%

Information from November 2007 until present is based on live trading results. All previous results are based on simulated testing.

#### Monthly

Compound ROR (%): 2.41

Average Gain (%): 3.65

Average Loss (%): -2.31

#### Annualized

Compound ROR (%): 33.10

Standard Deviation (%): 12.23

Gain Deviation (%): 9.11

Loss Deviation (%): 8.93

Sharpe Ratio (4%): 2.10

Sharpe Ratio (0%): 2.42

Sortino Ratio (4%): 4.54

Sortino Ratio (0%): 5.61

#### Most Recent 3 Years

Calmar Ratio: 6.28

Max Drawdown: 6.32

### MODERATE PROGRAM

**Investment:** Currency

**Duration:** Short to Medium Term

**Liquidity:** Daily

**Annual Management Fee:** 2%

**Performance Fee:** 20%

#### Monthly Performance (Net Of Fees)

2004: 1.07 %, -0.47%, 15.63%, 3.94%, 11.64%, -0.20%, 1.35%, -17.24%, 4.92%, 7.83%, 0.68%, 13.69%  
2005: 1.33%, 9.89%, 11.46%, -5.97%, 0.55%, 5.03%, 6.03%, 5.06%, 3.91%, -0.24%, 1.86%, 11.32%

2006: 5.23%, 8.38%, 8.67%, 7.13%, 5.01%, 11.02%, 0.51%, 2.00%, 11.00%, 7.96%, 15.42%, 7.12%  
2007: -7.83%, 24.55%, 11.21%, 3.67%, 0.84%, 2.44%, 13.46%, 11.26%, 10.52%, -5.71%, 6.46%, -1.15%  
2008: 6.53%, -1.06%, 7.23%, 9.58%, -3.50%, 4.40%, -8.50%, 14.58%, 1.19%, 20.80%, -1.93, 1.38  
2009: 11.00%

Information from November 2007 until present is based on live trading results. All previous results are based on simulated testing.

### **Monthly**

Compound ROR (%): 4.90  
Average Gain (%): 7.51  
Average Loss (%): -4.48

### **Annualized**

Compound ROR (%): 77.62  
Standard Deviation (%): 24.78  
Gain Deviation (%): 18.75  
Loss Deviation (%): 17.39  
Sharpe Ratio (4%): 2.33  
Sharpe Ratio (0%): 2.49  
Sortino Ratio (4%): 5.44  
Sortino Ratio (0%): 6.02

### **Most Recent 3 Years**

Calmar Ratio: 7.71  
Max Drawdown: 12.38

### **AGGRESSIVE PROGRAM**

**Investment:** Currency  
**Duration:** Short to Medium Term  
**Liquidity:** Daily  
**Annual Management Fee:** 2%  
**Performance Fee:** 20%

### **Monthly Performance (Net Of Fees)**

2004: 1.69 %, -0.65%, 24.27%, 5.90%, 17.90%, -0.19%, 2.15%, -24.96%, 7.37%, 12.01%, 1.03%, 21.06%  
2005: 1.92%, 14.93%, 17.29%, -9.39%, 0.83%, 7.72%, 9.16%, 7.39%, 5.77%, -0.50%, 2.84%, 17.17%  
2006: 7.93%, 12.78%, 13.29%, 10.85%, 7.57%, 16.69%, 0.85%, 3.01%, 16.64%, 12.13%, 23.60%, 10.81%  
2007: -11.52%, 37.34%, 17.37%, 5.56%, 1.26%, 3.62%, 20.53%, 17.14%, 16.08%, -8.47%, 9.37%, -1.78%  
2008: 10.01%, -1.57%, 10.99%, 14.41%, -5.40%, 6.35%, -12.76%, 22.74%, 1.76%, 32.73%, -2.92%, 2.09%  
2009: 17.11%

Information from November 2007 until present is based on live trading results. All previous results are based on simulated testing.

### **Monthly**

Compound ROR (%): 7.33  
Average Gain (%): 11.45  
Average Loss (%): -6.68

## **Annualized**

Compound ROR (%):133.71  
Standard Deviation (%): 37.71  
Gain Deviation (%): 28.96  
Loss Deviation (%): 25.31  
Sharpe Ratio (4%): 2.40  
Sharpe Ratio (0%): 2.51  
Sortino Ratio (4%): 5.86  
Sortino Ratio (0%): 6.26

## **Most Recent 3 Years**

Calmar Ratio: 9.31  
Max Drawdown: 18.20

## **NOTES TO ALL PERFORMANCE INFORMATION**

### **Composite Performance Presentation**

The composite rates of return indicated should not be taken as representative of any rate of return actually achieved by any single account represented in the records. You are further cautioned that the data set forth in the performance records is not indicative of any results which may be attained by Invariant Capital in the future since past performance is not indicative of future results.

An investor should note that the composite performance presentations include individual accounts, which even though traded according to the same investment program, may have materially different rates of return. The reasons for these material differences among accounts are: a) procedures governing timing for the commencement of trading and means of moving toward full portfolio commitment of new accounts; b) the period during which accounts are active; c) trading size to equity ratio resulting from Invariant procedures for the commencement of trading and full portfolio commitment for new accounts and new capital; d) the size of the account, which can influence the size of positions taken and restrict the account from participating in all markets available to an investment program; e) the amount of interest income earned by an account, which will depend on the rates paid by an FCM on equity deposits and/or on the portion of an account invested in interest-bearing obligations; f) the amount of management and performance fees paid to Invariant; g) the timing of orders to open or close positions; h) the market conditions, which in part determine the quality of trade executions; i) variations in fill prices; and j) the timing of additions and withdrawals. Notwithstanding these material differences among accounts, the composite remains a valid representation of the accounts included therein.

The calculation of management and performance fees is subject to variation due to the agreed upon definitions contained in each account's advisory agreement. From time to time, such variations in advisory fees may have a material impact on the performance of an account.

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