

**AIMA'S ILLUSTRATIVE QUESTIONNAIRE FOR DUE  
DILIGENCE OF**

**MANAGED FUTURES FUND  
MANAGERS/COMMODITY TRADING  
ADVISORS (CTAs)**

Published by

**The Alternative Investment Management Association (AIMA)**

# AIMA's Illustrative Questionnaire for Due Diligence Review of MANAGED FUTURES FUND MANAGERS/COMMODITY TRADING ADVISORS (CTAS)

The purpose of this document is to serve as a guide to investors in their review and assessment of managed futures fund managers/CTAs. This due diligence questionnaire is an unavoidable process that investors must follow in order to choose a manager. It is most important to understand clearly what you plan to invest in. You will also have to:

- identify the markets covered,
- understand what takes place in the portfolio,
- understand the instruments used and how they are used,
- understand how the strategy is operated,
- identify the sources of return,
- understand how ideas are generated,
- check the risk control mechanism,
- know the people you invest with professionally and, sometimes, personally.

Not all of the following questions are applicable to all managers but we recommend that you ask as many questions as possible before making a decision.

## **IMPORTANT**

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## **DISCLAIMER**

Whilst AIMA has used all reasonable efforts to produce a questionnaire of general application in connection with a due diligence appraisal of managed futures fund managers/CTAs, in any particular case an investor is likely to have his own individual requirements and each managed futures fund manager/CTA his own characteristics. As a result, prior to any individual investor sending out the questionnaire, it is strongly recommended that the questions are reviewed and, where necessary, amended to suit his own requirements and his state of knowledge of the managed futures fund manager's/CTA's operations.

In addition, responses to the questionnaire should not be relied upon without review and, where considered appropriate, further investigation. In order to obtain the best possible information on any specific managed futures fund manager additional questions should be raised to clarify any point of uncertainty, and where practicable verbal examination should be undertaken. In particular, AIMA recommends that in respect of special areas of concern, such as fund performance or risk profile, independent third party data should, if possible, be obtained in order to verify these facts.

Accordingly, none of AIMA, its officers, employees or agents make any representation or warranty, express or implied, as to the adequacy, completeness or correctness of the questionnaire. No liability whatsoever is accepted by AIMA, its officers, employees or agents for any loss howsoever arising from any use of this questionnaire or its contents or otherwise arising in connection therewith.

This questionnaire has been developed for Managed Futures Fund Managers/CTAs only and incorporates the input of leading U.S. CTAs and Commodity Pool Operators (CPOs). It is not intended for managers implementing securities-based strategies. A separate questionnaire relating to hedge fund managers is available from AIMA.

**Other AIMA questionnaires available for selection of:**  
**Fund of Funds Custody and Administration**  
**Fund of Funds Managers**  
**Fund Administration (excl. Fund of Funds) for Investors**  
**Fund Administration (excl. Fund of Funds) for Managers**  
**Hedge Fund Managers**  
**Prime Brokers**

# AIMA's Illustrative Questionnaire for Due Diligence Review of MANAGED FUTURES FUND MANAGERS/COMMODITY TRADING ADVISORS (CTAs)

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## BACKGROUND [\(BACK TO CONTENTS\)](#)

### 1.01 ORGANISATION

Company name:	Chesapeake Capital Corporation
Form of organisation (limited partnership, corporation, etc.):	Corporation
Address:	1721 Summit Ave, Richmond, VA 23230
Telephone:	804-836-1617
Fax:	804-836-1610
E-mail:	ClientServices@chesapeakecapital.com
Internet/web-site	<a href="http://www.chesapeakecapital.com">www.chesapeakecapital.com</a>

### COMPANY

1.02 How many employees does the firm currently have?	Fourteen (14)
1.03 What is the greatest and least number of employees the firm has had in the last 3 years? Explain any significant employee turnover:	Chesapeake Capital Corporation's current number of employees is 14. The greatest number of employees employed in the last 3 years is 25. The fewest over this time period is 13.
1.04 List the names of senior managers in charge of the following areas:	<p><b>Trading:</b> R. Jerry Parker, Jr. – CEO and Anil Ladde, President and Director of Trading</p> <p><b>Research and Development:</b> R. Jerry Parker, Jr. – CEO and Michael Ivie, Director of Research</p> <p><b>Marketing and Business Development:</b> Tom Dering</p> <p><b>Administration:</b> Michael Striano, Senior Vice President of Operations</p> <p><b>Programming:</b> Michael Ivie, Director of Research</p> <p><b>Compliance:</b> Sean Stickler, Chief Compliance Officer</p> <p><b>Reporting and Performance:</b> Michael Striano, Senior Vice President of Operations</p> <p><b>Other:</b></p>
<ul style="list-style-type: none"> <li>• Trading:</li> <li>• Research and development:</li> <li>• Marketing and business development:</li> <li>• Administration:</li> <li>• Programming:</li> <li>• Compliance, reporting, performance:</li> <li>• Other (please specify):</li> </ul>	

1.05 Provide a brief background of the registered principals and senior managers (education, career background, etc.). Have any principals or senior managers left the firm since inception? If yes, please explain:

1. **R. Jerry Parker, Jr.** is the Chairman of the Board of Directors and the Chief Executive Officer of Chesapeake and Chesapeake Holding Company. Mr. Parker has overseen Chesapeake's operations and has been heavily involved in its research efforts since its inception in February 1988. Mr. Parker has been registered as an associated person and listed as a Principal of Chesapeake since June 1988 and registered as a swap associated person since November 2014. Mr. Parker commenced his trading career in November 1983 as a member of the Richard Dennis "Turtle" trading program. Prior to starting Chesapeake, Mr. Parker, a CPA, was employed in the public accounting field. Mr. Parker received a Bachelor of Science degree in Commerce, with an emphasis in Accounting, from the University of Virginia in January 1980.

2. **Michael L. Ivie** is the Director of Research of Chesapeake. Mr. Ivie joined Chesapeake in June 1991. Mr. Ivie has been registered as an associated person of Chesapeake since May 21, 1999 and listed as a principal of Chesapeake since May 12, 2008. Mr. Ivie received a Bachelor of Science degree in Mathematics from Louisiana State University in 1989.

3. **Anilchandra G. Ladde** is the President and Director of Trading of Chesapeake. Mr. Ladde joined Chesapeake in April 1993. Mr. Ladde has been registered as an associated person of Chesapeake since November 3, 1994 and listed as a principal of Chesapeake since May 13, 2008. Mr. Ladde received his Bachelor of Science degree in Mathematics from the University of Texas at Arlington in 1990 and an M.B.A. in Finance from The George Washington University in 1992.

4. **Michael Striano** is the Senior Vice President of Operations of Chesapeake. Mr. Striano's duties include general management and overseeing daily operations in administration, marketing and back office. Mr. Striano joined Chesapeake in August 2005. Mr. Striano has been registered as an associated person of Chesapeake since August 12, 2005 and listed as a principal of Chesapeake since May 2, 2014. Mr. Striano received his Bachelor of Science degree in Finance from Siena College in 1992.

5. **Sean R. Stickler** is the Chief Compliance Officer of Chesapeake. Mr. Stickler joined Chesapeake in June 2010. Previous to Chesapeake, Mr. Stickler managed the Corporate Tax Department for The Shaner Group & Rex Energy Corporation. Mr. Stickler is registered as an associated person of Chesapeake and was listed as a principal on November 23, 2015. Mr. Stickler received a Bachelor of Science Degree in Accounting from The Pennsylvania State University in 1994 and an MBA from The Rochester Institute of Technology in 2012.

6. **Chesapeake Holding Company** is a Virginia corporation that owns all of the issued and outstanding shares of stock of Chesapeake Capital Corporation.

**Principals or senior managers who have left the firm since inception:**

**Braxton Glasgow III** - who was listed as a principal of Chesapeake, left the company in March 2001 to pursue other career opportunities.

**Warren K. Coleman** - who served as Chief Financial Officer and was listed as a principal of Chesapeake, left the Company in March 2007 to attend to a family health issue.

**Robert S. Parker, Jr.** - who served as Chief Legal Counsel and was listed as a principal of Chesapeake retired, effective July 1, 2010.

**John M. Hoade** - who served as President Emeritus and was listed as a principal of Chesapeake retired, effective August 31, 2013.

**Richard S. Rusin** - who served as Chief Operating Officer of Chesapeake and was listed as a Principal of Chesapeake, left the company in August 2013 to pursue other career opportunities.

**Brian E. Broadway** - who served as Chief Operating Officer of Chesapeake and was listed as a Principal of Chesapeake, left the company in April 2014 to pursue other career opportunities.

1.06 Provide details of the firm's current ownership structure and any changes in the last 3 years. Are there any pending plans for further ownership changes?	Chesapeake Holding Company, a Virginia corporation, owns 100% of the shares of Chesapeake Capital Corporation.
1.07 What is the firm's approximate net worth? Is the firm subject to any minimum net worth requirements or covenants?	Chesapeake is a privately held company and as such does not disclose financial information. Chesapeake is not subject to any minimum net worth requirements or covenants.
1.08 List all branch or affiliated offices, if any:	The firm's headquarters is located at 1721 Summit Avenue, Richmond, VA 23230. Chesapeake does not have any branch or affiliated offices.
1.09 List the name, location, and function of any non-employee representatives being used:	N/A
1.10 Has the firm ever been registered as any of the following? <ul style="list-style-type: none"> <li>• Commodity Pool Operator (CPO):</li> <li>• Commodity Trading Advisor (CTA):</li> <li>• Futures Commission Merchant (FCM):</li> <li>• Introducing Broker (IB):</li> <li>• Registered Investment Advisor (RIA):</li> <li>• Other (please specify):</li> </ul>	<b>Commodity Pool Operator (CPO):</b> Yes, since May 8, 1991 <b>Commodity Trading Advisor (CTA):</b> Yes, since June 20, 1988 <b>Futures Commission Merchant (FCM):</b> No <b>Introducing Broker (IB):</b> No <b>Registered Investment Advisor (RIA):</b> Yes <b>Other (please specify):</b> Member of the National Futures Association ("NFA") since June 20, 1988
1.11 Has the firm or any of its officers ever been associated or connected with any: <ul style="list-style-type: none"> <li>• Bank:</li> <li>• CPO:</li> <li>• Other CTA:</li> <li>• FCM:</li> <li>• Hedge Fund:</li> <li>• IB:</li> <li>• RIA:</li> <li>• Other investment management activity (please specify):</li> </ul> If yes, please explain:	<b>Bank:</b> No <b>CPO:</b> Yes <b>Other CTA:</b> Yes <b>FCM:</b> Yes <b>Hedge Fund:</b> No <b>IB:</b> No <b>RIA:</b> Yes <b>Other investment management activity:</b> No  <b>If yes, please explain:</b> Jerry Parker was listed as a principal of Vandelay Capital Management ("Vandelay"). Vandelay, a multi-strategy fund of funds, was registered as a CPO with the NFA. Mr. Parker was not involved with the daily operation of Vandelay. Jerry Parker was listed with the NFA as a principal of Chesapeake SP Partners LLC; however, Chesapeake SP Partners LLC never commenced operations and has been dissolved. Michael Striano was employed by Refco, Inc., an FCM, located in New York, NY. While at Refco, Mr. Striano served as an associated person in a trading capacity. Michael Striano was also employed by Two Rivers Asset Management and Fall River Capital, LLC, both of which were registered as CTAs with the NFA. Chesapeake registered as an investment adviser with the SEC on January 5, 2016.
1.12 With which regulatory authority is the firm registered? <ul style="list-style-type: none"> <li>• Date of registration:</li> <li>• Are all employees registered with the same authority?</li> </ul>	National Futures Association ("NFA")  <b>Date of registration:</b> As a CTA from June 20, 1988 and as a CPO from May 8, 1991. As an RIA, from January 5, 2016. <b>Are all employees registered with the same authority?</b> All employees required to register are registered with the NFA.
1.13 List any professional affiliations and memberships of the firm and its principals:	National Futures Association
1.14 List the firm's accountant/CPA, auditors, and attorneys:	<b>Accountant/CPA &amp; Auditor:</b> Arthur F. Bell, Jr. & Associates, LLC, 201 International Circle, Suite 400, Hunt Valley, Maryland 21030, Contact person: Arthur F. Bell, Jr., Fax/Phone: Fax: (410) 321-8359 / Tel: (410) 821-8000. <b>Attorney/Legal counsel:</b> John P. Ziaukas, Esq., 100 Wilshire Boulevard, Suite 940, Santa Monica, CA 90401; Tel: (310) 917-1080 / Fax: 310-861-1080.
1.15 Do any of the firm's principals have other significant business involvements? If yes, please describe them and indicate how much professional time is dedicated to each?	No
1.16 Has an independent auditor ever reviewed the performance record? If yes, please enclose a copy of the most recent Audit Report.	Yes, Chesapeake's auditor, Arthur F. Bell, Jr. & Associates, LLC, has performed a performance review/audit. The Performance Examination dated October 23, 2012 for the period January 1, 2007 through December 31, 2011 is available upon request.
1.17 Has the performance record been included in any public fund prospectus in the past five years? Was there a "comfort letter" given in respect of the record?	Yes, the track record has been included. There were no comfort letters issued.

1.18 Are there any issues from the firm's most recent regulatory review (NFA, SEC, CFTC, etc.) currently unresolved? If yes, please provide a detailed explanation:	Chesapeake was audited by the NFA in June 2010. The final report issued by the NFA noted no deficiencies.
1.19 Does the firm have a current CFTC Reg. 4.21 Disclosure Document or a Reg. 4.7 Disclosure Document? If yes, please provide a copy:	Yes, a copy of Chesapeake's current Reg §4.7 Disclosure Document dated March 30, 2016 is available upon request.
1.20 How soon is the next update due to the firm's Disclosure Document? Are any material disclosure changes anticipated?	Chesapeake's current disclosure document will expire on March 30, 2017 and no material changes are anticipated at this time.
1.21 Does the firm publish any newsletters or other publications? If yes, please provide copies.	Yes, Chesapeake does publish monthly newsletters.
1.22 Provide two samples of reports typically sent to clients:	Monthly newsletters and performance snapshots.
1.23 If not confidential, please provide a partial list of existing clients with an indication of how long they have been clients. Please also show the amount of assets managed for them currently, as well as at the beginning of the last four fiscal years:	Our client list is confidential and as such cannot be disclosed.
1.24 Provide three client references:	Our client list is confidential and as such cannot be disclosed.
1.25 What is the greatest percentage of assets under management represented by any single client?	The largest account is 57.75% of total assets under management (including proprietary) as of 1/31/2016.
1.26 Does the firm manage an account for any government pension plans or entities?	No
1.27 Which investor groups does the firm primarily target?	Chesapeake's investment products are CFTC 4.7 exempt funds and are offered only to Qualified Eligible Participants ("QEP") who are also Reg. D accredited investors and "qualified clients" ("QCs") as that term is defined in Investment Advisers Act Rule 205-3(d). Therefore, our targeted investors tend to be institutional and accredited high net worth investors. We also target fund of funds firms that cater to these types of investments.
1.28 Does the firm permit "feeder funds" into its own investment products?	Yes
1.29 Has the firm made any future capacity commitments in terms of the right to place additional assets under the firm's management?	No

## PERFORMANCE & STATISTICS [\(BACK TO CONTENTS\)](#)

2.01 Attach 13-column composite performance tables for all accounts traded pursuant to each of the firm's programmes (if available – see below):	Performance history available on request.
2.02 List assets under management (and percentage of total assets) for each of the following: <ul style="list-style-type: none"> <li>Public funds:</li> <li>Private pools:</li> <li>Individual accounts:</li> <li>Institutional accounts:</li> <li>Proprietary accounts:</li> <li>Total assets under management:</li> </ul>	<p><b>Public funds:</b> US \$0; 0%</p> <p><b>Private pools:</b> US \$140,984,619; 82.95%</p> <p><b>Individual accounts:</b> US \$0; 0%</p> <p><b>Institutional accounts:</b> US \$0; 0%</p> <p><b>Proprietary accounts:</b> US \$28,970,880; 17.05%</p> <p><b>Total assets under management:</b> US \$169,955,499 as of 1/31/2016</p>
If 13-column tables are not attached, attach a schedule showing month-end assets under management for each programme since inception. <b>Note:</b> indicate any notional funding and any non-standard leverage applied, if any.	
2.03 Is the performance record actual or hypothetical?	The performance is actual and net of all fees and charges.
2.04 Is the performance record in any respect derived or excerpted?	No
2.05 Is proprietary (and, presumably, non-fee-paying) capital included in the performance record? If yes, what amount?	Yes, proprietary capital is included in the performance record. They comprise approximately 14.40% of total assets under management.
2.06 Are there any material differences among the accounts included in the composite tables?	There are some differences in (a) the portfolio of markets traded by different accounts and (b) the size of the different accounts and (c) fee structures. Despite these differences accounts generally exhibit similar performance.
2.07 Are "exempt accounts" included or excluded from the performance record?	Exempt accounts are not included in the performance numbers.
2.08 Does the performance record reflect the full brokerage charged to the client or have certain fund sponsors identified a portion of such brokerage as excludable from the firm's performance calculations?	The performance figures are net of all fees and charges including all brokerage charges.
2.09 List all markets now traded which are not included in the past five years' performance:	Chesapeake constantly monitors new markets as they come on line and seeks approval from clients to trade those markets as soon they have become sufficiently liquid. The list of approved markets that we have traded within the past five years is available upon request.
2.10 What was the peak of assets under management? <ul style="list-style-type: none"> <li>US\$:</li> <li>Date:</li> </ul>	<p><b>US\$:</b> 1.739 billion</p> <p><b>Date:</b> June 2007</p>
2.11 Has the firm ever voluntarily returned assets to investors? If so, when, how much and why?	Chesapeake continuously assesses the cost structure of various accounts that we manage. We consider this to be an important factor in determining whether we will accept an account and also whether we will continue to manage an account, since the cost structure reduces our net performance and decreases the likelihood that the client's investment with Chesapeake will be successful. Over the period of our track record we have returned assets that total close to \$300 million USD for these reasons .
2.12 How many separately managed accounts are currently open, grouped by size? <ul style="list-style-type: none"> <li>\$0 to \$250,000:</li> <li>\$250,001 to \$1,000,000:</li> <li>\$1,000,001 to \$5,000,000:</li> <li>\$5,000,001 to \$10,000,000:</li> <li>\$10,000,001 to \$20,000,000:</li> <li>\$20,000,001 +:</li> <li>Total:</li> </ul>	<p><b>\$0 to \$250,000:</b> Zero</p> <p><b>\$250,001 to \$1,000,000:</b> Zero</p> <p><b>\$1,000,001 to \$5,000,000:</b> Zero</p> <p><b>\$5,000,001 to \$10,000,000:</b> Zero</p> <p><b>\$10,000,001 to \$20,000,000:</b> Three</p> <p><b>\$20,000,001 +:</b> Two</p> <p><b>Total:</b> Five</p>
2.13 What percentage of the assets under management consists of "notional equity"?	0% of total assets under management is notional as of 1/31/2016.
2.14 What is the current equity value and starting date of the oldest continuously traded account?	\$18 million as of 1/31/2016, start date of 3/1/1994.
2.15 Does the performance record include interest income? If yes, explain basis of inclusion.	Yes. Interest income is recorded on the accrual basis of monthly returns.
2.16 Have any agreements or understandings been reached with the CFTC/NFA regarding any aspects of the performance record?	No

2.17 Are there any <i>pro forma</i> adjustments included in the performance record? If so, how are these calculated?	No
2.18 What is the average number of round-turns traded per \$1million per year in each programme?	Diversified Program, most recent 5-year period: 2012: 558 2013: 649 2014: 548 2015: 260 2016: 254 (annualized as of 1/31/2016)
2.19 Approximately how many trades are made in each market, each year, in each programme?	Due to the broad diversification across markets, the large number of markets that we track and the trend-following approach we utilize in managing assets, it would be difficult to make a meaningful estimate. We attempt to balance the portfolio across the various sectors traded (currencies, fixed income, metals, grains, etc.). The number of trades in a particular market will depend upon the number of trends (i.e., opportunities) that develop over the course of a year.
2.20 Does trading frequency tend to increase/decrease during profitable/unprofitable periods?	Generally, trading frequency could increase during unprofitable periods due to the predefined risk (loss) limit in each market, although we have taken measures to combat this by employing techniques to better identify the potential for a winning trade. Also, in very profitable periods, trading frequency could increase due to the profit taking targets that we employ.
2.21 What is the average annual commission as a percentage of assets included in the performance record for each programme? Does this vary significantly from year to year?	Diversified Program, most recent 5-year period: 2012: 0.28% 2013: 0.46% 2014: 0.35% 2015: 0.16% 2016: 0.05%
2.22 What is the average management and performance fee structure included in the performance record?	The standard fees charged to Chesapeake clients in the Diversified Program include a 1% annual management fee and a 10% quarterly incentive fee with a high water mark.
2.23 Do fees and/or commissions vary significantly from year to year? If so, by how much?	No, Chesapeake's fees and the commissions have remained stable during the past few years.
2.24 What is the average percentage of winning and losing trades in each programme since inception? Are these percentages materially different to the past 12 months? If yes, please explain:	The average percentage of winning and losing trades in our Diversified Program since inception are 40% and 60%, respectively. No, these percentages are not materially different over the last 12 months.
2.25 What is the average gain per winning trade and average loss per losing trade? • \$ per contract: • As a % of equity:	<b>\$ per contract:</b> Due to the nature of our trading strategy, using a '\$ per contract' does not produce a meaningful value for the average gain per winning or losing trade. This is because our trading strategy sizes individual trades as a function of volatility.  <b>As a % of equity:</b> The average gain per trade is approximately 1.5% of equity and the average loss per trade is approximately 0.5% of equity.
2.26 What is the average holding period for: • All trades: • Winning trades: • Losing trades:	Our approach is composed of multiple systems and therefore the average length of trades would be as follows for each category: <b>All trades:</b> 10-18 Months <b>Winning trades:</b> 16-24 Months <b>Losing trades:</b> 4-8 Months
2.27 What is the maximum amount of equity that the firm estimates can be traded in each programme?	This is a very difficult question to answer but was eloquently addressed by one of our competitors that trades a portfolio of assets several times larger than the total assets under management at Chesapeake. We could hardly have stated it better: "As background, while it is generally accepted that there must be a finite capacity for any trading strategy, we believe that it is virtually impossible to define or quantify that capacity as it pertains to a single, albeit large, market participant like Campbell & Company with any degree of certainty. Rather, the fundamental notion of capacity is that it is fluid in nature, forever expanding or contracting with the evolution of new or existing markets, the flow of capital across national borders, the occurrence of unforeseen geopolitical, economic or natural events, and the advances of science and technology. Simply put, capacity is not an independent variable; it is a decidedly dependent variable, and for this reason an accurate assessment of capacity is relevant only to a single moment in time. Consequently, any specific asset or trading level may at one moment give comfort, yet at another moment cause concern." Campbell & Company (3/2004) Fortunately, the Diversified Program trades a broadly diversified portfolio of liquid markets. Currently, the portfolio has an average of 80 to 90 market positions at any one time. Chesapeake monitors and has the potential to invest in many more markets depending on market liquidity. As such, Chesapeake has yet to experience any significant capacity constraints.
2.28 What is the annualised standard deviation, Sharpe Ratio and compound annual rate of return for each programme? How do these compare with the firm's objectives?	Statistics for the Diversified Program, calculated using monthly returns, from inception (2/1988) through 1/31/2016 are: Compound annual rate of return: 11.94% Annualised standard deviation: 20.03% Sharpe Ratio 0.47

<p>2.29 List the three <b>largest</b> drawdowns as percentages of equity for each programme. Please also explain why each drawdown occurred, and show the recovery periods:</p>	<p>Three largest drawdowns since inception:</p> <ol style="list-style-type: none"> <li>1. (31.59)% December 2012 - recovered to reach new high in January '15</li> <li>2. (23.36)% August 2007- recovered to reach new high in February '08</li> <li>3. (22.92)% July 2010 – recovered to reach new high in December '10</li> </ol> <p>As with most other losses in Chesapeake's track record, these drawdowns are typically followed by strong periods of profitability. Chesapeake would be happy to review the circumstances of each drawdown in greater detail upon request. Please contact Chesapeake at its address listed in section 1.01.</p>
<p>2.30 What were the three <b>longest</b> drawdowns for each programme? Please explain:</p>	<p>Three longest drawdowns since inception:</p> <ol style="list-style-type: none"> <li>1. Mar-04 to Jan-06: 22 months Recovered in 17 months</li> <li>2. Jul-08 to Nov-10: 29 months Recovered in 5 months</li> <li>3. May-11 to Dec-14: 44 months Recovered in 25 months</li> </ol> <p>Chesapeake would be happy to review the circumstances of each drawdown in greater detail upon request. Please contact Chesapeake at its address listed in section 1.01.</p>
<p>2.31 What were the largest withdrawals in each programme since inception?</p> <ul style="list-style-type: none"> <li>• Date:</li> <li>• % of equity:</li> <li>• Reasons:</li> </ul>	<p><b>Date:</b> 7/2013</p> <p><b>% of equity:</b> 77%</p> <p><b>Reasons:</b> An institutional investor implemented a new protocol which mandated a significantly reduced allocation to CTAs. Chesapeake was one of the many CTAs terminated in the process. The client was invested with Chesapeake for over 20 years and as such had grown to represent a majority of Chesapeake's AUM. This large account withdrew all assets in July 2013, thereby closing the account.</p>
<p>2.32 Has the firm ever permitted a client to intervene during the course of a relationship to adjust leverage or portfolio structure? If yes, please explain:</p>	<p>Chesapeake has not allowed a client to intervene during the course of a relationship to adjust leverage of Chesapeake's trading programs. Chesapeake has permitted a client to adjust the leverage of their individual account that trades pursuant to a Chesapeake trading program. Chesapeake has allowed the exclusion of some markets in certain client managed accounts during its history, but these guidelines have always been established prior to the commencement of Chesapeake's management of the client's assets.</p>
<p>2.33 What do you believe is the most important performance measurement with respect to each programme?</p>	<p>Percentage of profitable 12 month periods. We also strive to see that our winning positions and periods more than offset our losing periods. This is achieved by using superior trend identification methods on the upside and swift and effective risk management on the downside.</p> <p>This is reflected in the fact that over the long term, the number of winning months of our track record is substantially higher than the losing months. The former also has higher average, standard deviation and kurtosis than the latter clearly indicating that most of our returns variability is on the positive side due to a high degree of positive skewness. (Skewness of monthly returns since inception = 1.50)</p> <p>In short, aside from the traditional methods of investment analysis (returns and standard deviation) we also look at higher moments to evaluate our performance.</p>
<p>2.34 What is the projected growth in assets under management over the next twelve months?</p>	<p>\$50-100 Million (not factoring in performance)</p>
<p>2.35 Have there been any material leverage or other adjustments in the past five years, and how have such adjustments affected the performance record?</p>	<p>Over the life of the firm, and including the past five years, adjustments to the system have included the addition of new markets, a reduction in the leverage used over the years, the introduction of filtering techniques to determine which markets have the highest probability of developing into profitable trends and a commitment to being long-term in how trends are identified. Still, the same general approach remains intact. Our research shows that these improvements have helped our performance relative to our former systems.</p>

<b>METHODOLOGY</b> <a href="#" style="color: white; text-decoration: none;">(BACK TO CONTENTS)</a>	
3.01 How would you characterise the firm's basic trading approach (in %)? <ul style="list-style-type: none"> <li>• Discretionary:</li> <li>• Systematic:</li> <li>• Other, please explain:</li> </ul>	<b>Discretionary:</b> 0% <b>Systematic:</b> 100% <b>Other:</b> 0%
3.02 How would you characterise the firm's main decision-making inputs (in %)? <ul style="list-style-type: none"> <li>• Fundamental:</li> <li>• Technical:</li> <li>• Other, please explain:</li> </ul>	<b>Fundamental:</b> 0% <b>Technical:</b> 100% <b>Other:</b> 0%
3.03 Do you believe that one trader can have materially better systems than another? Please explain:	Yes, one trader can have a better system than another trader due to differences in the research results gathered over the years, manager skill, and years of experience. Systems in any firm reflect the capability of the managers and in that sense can differ from trader to trader.
3.04 What other advisors would you compare your firm to as most similar? In what respects?	Chesapeake's Diversified Program utilizes a systematic, trend following investment philosophy. As such, Chesapeake will tend to correlate more highly with other advisors that employ long-term, trend-following methods. We do believe that Chesapeake's trend following approach, broad market diversification and risk management techniques make Chesapeake a unique investment opportunity..
3.05 Which components of the firm's system, if any, do you regard as proprietary (no details necessary)?	Chesapeake considers the actual algorithms that make up our trading systems to be proprietary.
3.06 Why are major financial institutions, with their extensive resources, not implementing the same programmes as the firm in their proprietary trading?	Chesapeake is committed to our systematic, trend-following approach. We cannot, however, speculate on why or whether other firms or institutions may or may not be using a similar approach.
3.07 Are there any "relative value" or "arbitrage" aspects to the programme?	No
3.08 Are calendar spreads or inter-market spreads used?	No
3.09 How would you characterise the firm's trading methodology (in %)? <u>Trend Following</u> <ul style="list-style-type: none"> <li>• Regression analysis:</li> <li>• Moving Average:</li> <li>• Breakout systems:</li> <li>• Pattern recognition:</li> <li>• Oscillators;</li> <li>• Other (please explain):</li> <li>• Cyclical:</li> <li>• Countertrend:</li> <li>• Special Situation:</li> <li>• Arbitrage:</li> <li>• Market Neutral:</li> <li>• Other (please explain):</li> </ul>	Percentages: Our systems are flexible in terms of the percentages allocated to the above strategies depending on market conditions. <b>Regression Analysis:</b> No <b>Moving Average:</b> Yes <b>Breakout systems:</b> Yes <b>Pattern recognition:</b> No <b>Oscillators:</b> No <b>Other:</b> No <b>Cyclical:</b> No <b>Countertrend:</b> No <b>Special Situation:</b> No <b>Arbitrage:</b> No <b>Market Neutral:</b> No <b>Other:</b> No
3.10 How, if at all, is "game theory" incorporated into the firm's trading strategies?	Chesapeake's investment strategy is to identify well-defined trends in various markets and to build a broadly diversified portfolio in these markets. We do not directly use game theory. Price discovery takes place in markets as a result of several forces and actions, some of which may be explained by game theory, e.g., hedgers versus speculators. We believe that the price of a market or commodity reflects all such information and hence we follow prices using technical analysis.
3.11 If the firm operates different programmes, are they managed by "independent account control" or are positions aggregated for Speculative Position Limit purposes?	Positions are aggregated for Speculative Position Limit purposes.
3.12 Do all the programmes use the same trading methodology? If not, please explain.	Yes
3.13 Describe the firm's broad trading philosophy, strategy and core principles in as much detail as possible.	<p>Chesapeake's investment/trading philosophy is grounded in the belief that it is possible to detect price patterns and trends in various markets and to profit from these identified trends using a disciplined, systematic, rigorous, and tested approach. We do not try to predict trends, but using historical data and robust statistical analysis we identify them. With this information, we position our broadly diversified portfolio in such a way as to profit from these trends long term, while attempting to preserve original capital.</p> <p>Chesapeake generally employs a computerized analysis of a large number of interrelated statistical and mathematical formulas and techniques -- based on an extensive proprietary and confidential database of prices, volume, open interest and various other market statistics -- to search for these patterns in data</p>

	<p>and to develop, use and monitor trading strategies.</p> <p>The system we use is a combination of several models that differ primarily in the timing of the initiation or liquidation of trades. The models use various analytical techniques to identify and evaluate price trends. Chesapeake's systems utilize filtering techniques to determine which markets have the highest probability of developing into profitable trends. Once a market meets the filtering criteria defined by the systems, a long or short position in the direction of the trend is established. At predetermined points these models engage, initiating positions in the direction of the trend. If the trend reverses, the positions are liquidated when our stops are hit or in response to extreme market volatility; otherwise we will continue to hold these positions until the models determine that the trend has dissipated or ended, at which time the positions will be liquidated. The models will react in a similar manner going either long or short. (Back to question <a href="#">3.27e</a>, <a href="#">3.05</a>)</p>
<p>3.14 Describe the development of the firm's trading methodology. Please include all material modifications made to the methodology over the period of the performance record:</p>	<p>The history of Chesapeake's trading methodology dates back to the years when one of our principals, R. Jerry Parker, Jr. was inducted into the Turtle program (1983) that introduced him to the trend following approach to money management. The seeds of the disciplined and systematic approach that we use today were sown in that period.</p> <p>Over the years, Chesapeake has periodically adjusted the parameters of its systems to adapt to changing markets. Such changes have included the addition of new markets and a reduction in the leverage used over the years; however, the same general trend following approach remains intact. All changes are proprietary in nature. Changes are anticipated in the future, as we uncover more and better ideas.</p>
<p>3.15 What do you believe gives the firm a competitive advantage or an "edge"?</p>	<p>Chesapeake's edge consists primarily of 3 factors – a commitment to trend following as a strategy, broad market diversification and risk management. One strength of our trading methodology is the superior trend identification systems that allows us to generate returns consistently over the long term. At the same time we also have broad market diversification in the portfolio that serves to lower risk as well as maximize the opportunities to capitalize on large trends. In addition we have well defined risk limits on every position in the portfolio. These limits are designed to preserve capital on the downside. These three attributes together allow us to generate positively skewed returns over the long term.</p>
<p>3.16 What are the strengths and weaknesses of the firm's trading methodology?</p>	<p>For the strengths of Chesapeake's trading methodology please refer to <a href="#">3.15</a>. Our systems do not perform as favorably in market periods that do not exhibit large price trends. Extended periods of consolidation can lower performance.</p>
<p>3.17 What makes the firm's trading methodology different from other CTAs?</p>	<p>See question <a href="#">3.15</a>.</p>
<p>3.18 How do you determine the programmes' commitment to different market sectors?</p>	<p>Chesapeake attempts to limit the maximum possible exposure to any one sector by virtue of our proprietary risk calculations and parameters and the correlations between the different sectors and markets. Within that framework, the systems will determine how much of the maximum position sizes in the various sectors are utilized.</p> <p>We generally do not allow the portfolio to exceed 10% of the open interest in a market. In a few markets we have self-imposed numerical limits on the number of contracts that the portfolio may own in that market, even if we are still below the 10% limit on open interest.</p> <p>In addition, we continually monitor numerous markets, both U.S. and non-U.S., and initiate trades at any point we determine that a market is sufficiently liquid and tradable using the methods employed by us. (Back to <a href="#">3.47</a>, <a href="#">4.11</a>, <a href="#">6.10</a>, <a href="#">614</a>).</p>
<p>3.19 How frequently do you alter the programmes' commitment to different market sectors?</p>	<p>We do not alter our programme's commitment to different market sectors frequently. However, we do size up our positions in each market based on short-term volatility. This keeps our position across the markets we trade reasonably equivalent on a risk-adjusted basis at the point of initiation.</p>
<p>3.20 Do you alter the programme during drawdowns? As a result of drawdowns?</p>	<p>Chesapeake believes it is important to employ a systematic approach to trading. We believe that it is better to determine how to handle a wide range of market conditions in advance of such occurrences utilizing research based on data from many markets and many years of market activity. Though we do retain some degree of discretion to make decisions that would further reduce risk during a critical equity drawdown, we believe that this is to be avoided if possible. As such, generally speaking, Chesapeake does not alter our trading program during drawdowns or as a result of drawdowns.</p> <p>We have an ongoing research effort and so the systems do change from time to time based on the research that may be generated from market experience – including drawdowns.</p>
<p>3.21 During drawdowns, does the firm tend to increase or decrease the scope of its discretionary decision-making and non-systematic responses?</p>	<p>Our discretionary decision-making and non-systematic responses may increase during periods of abnormal drawdowns. Any discretionary decisions would be undertaken for risk management purposes.</p>
<p>3.22 Did one or more of the current principals develop the firm's trading methodology? If not, who did?</p>	<p>Yes, Jerry Parker developed Chesapeake's trading methodology based on his knowledge of and experience in the markets. Chesapeake's Research and Development Department, which reports to Mr. Parker, assists Mr. Parker in maintaining and enhancing our trading methodology.</p>
<p>3.23 Could the unavailability of any of the firm's principals influence the trading methodology?</p>	<p>Yes. Since our inception in 1988, Chesapeake's multiple departments have been and are headed by professionals who have enabled Chesapeake to provide a seamless continuation of the activity in the absence of any single employee. However, Chesapeake relies to a great extent on R Jerry Parker Jr., its founder and Chairman, for oversight of its trading programs. Even in computer-based trading systems, certain subjective decisions must be made and the final authority for these decisions rests with Chesapeake's Chairman. If Mr. Parker were unavailable for an extended period of time, this could have a material impact on the company.</p>
<p>3.24 Does the firm own the trading methodology currently being used? If not, who does?</p>	<p>Yes, the firm owns 100% of the trading methodology.</p>

<p>3.25 Are there any patents, trademarks, etc. held by the firm or any of its principals?</p>	<p>Chesapeake Capital Corporation holds the trademark for: Golden Cross Index</p>
<p>3.26 Describe the three worst trading experiences the firm has had, and explain how they influenced the evolution of the firm's trading methodology.</p>	<p>1. In August 2007 Chesapeake suffered its largest monthly loss due to some of the most severe market trend reversals that have been experienced over 20+ years of trading. The resulting losses spanned over 80 of the 90 markets represented in the portfolio during the month. After August, all of the current and past systems were checked. Other systems that have never even been implemented were also checked to be sure that this was not the result of a system failure. After confirming that it was not a result of system failure, the portfolio construction and portfolio management approaches were re-examined. Some improvements in this area did result from that analysis and these improvements should help to better manage periods such as August. Research continues in the area with the objective of continued improvement from this effort.</p> <p>2. In 1995, Chesapeake incurred losses in the LME markets. This led us to diversify our portfolio even more and to limit our exposure to less liquid markets.</p> <p>3. In 1992, trend reversals in the Gilt, short Sterling and FTSE due in part to British elections resulted in losses. This experience led us to conclude that although world events may have a negative impact on our trading over a relatively short time horizon, it is imperative to maintain discipline and adhere to our trading methodologies which have proved profitable over longer time horizons.</p>
<p>3.27 If the firm's trading methodology is computerised and systematic:</p> <ol style="list-style-type: none"> <li>1. Is the trading system ever overridden? If yes, under what circumstances?</li> <li>2. Does the trading system ever add to or reduce profitable or losing positions? If yes, under what circumstances? Are there maximum additions? If so, how is the maximum determined?</li> <li>3. Are multiple trading systems used? If yes, please explain:</li> <li>4. Does the firm apply the same system to all markets or are there different systems for each?</li> <li>5. What technical or fundamental information is considered important for a trade entry signal?</li> <li>6. Are entry and exit signals generated by the same trading system? If not, please explain how they are generated differently.</li> <li>7. Does the trading methodology differ from market to market? If yes, please describe what the difference is based on?</li> <li>8. Is the trading system always with long or short, or is there also a neutral zone? Please explain:</li> <li>9. How frequently are changes made to the trading system? Please explain the development and implementation process:</li> <li>10. Is the firm's research focused on developing new trading systems or on further refining the existing systems?</li> </ol>	<ol style="list-style-type: none"> <li>1. The trading system is seldom overridden. Any decision to override the system would be for risk management purposes. See: <a href="#">3.32</a></li> <li>2. Chesapeake's systems add to winning positions in building to a predefined position of risk. Chesapeake does not increase positions beyond the predetermined level of risk even if the position is profitable. Profitable positions may be reduced in the event of extreme volatility if there is sufficient profit in the position. The systems will not add to losing positions but will cut back losing positions as trailing stops are hit or as a result of money management cut-backs across the entire portfolio.</li> <li>3. Yes. We have several systems that differ in terms of timing (entry and exit) and use of filters, etc.</li> <li>4. Chesapeake applies the same Trend Following methodology to all markets.</li> <li>5. Various technical information such as price volatility, momentum and open interest may be important considerations. Please also refer to question <a href="#">3.13</a> for trading strategy and methodology.</li> <li>6. Same set of trading system generates these points.</li> <li>7. No it does not differ from market to market within each system.</li> <li>8. There are neutral zones when no significant trends are identified.</li> <li>9. Chesapeake continuously tests and stress tests its algorithms based on price data to determine if the systems are up to date and robust as well as to search for improvements. In addition, hypothetical tests are conducted on current market data to insure that the systems continue to perform as expected. Results of these tests could suggest that we make changes to our systems, but there is no way to accurately predict frequency.</li> <li>10. Both.</li> </ol>
<p>3.28 Is the "cost of carry" a factor in the current methodology?</p>	<p>The price of futures normally reflects the "cost of carry" associated with the commodity. Chesapeake does not separately analyse this component in its research and analysis, but rather only looks at the market's price. In line with our investment strategy we believe in the market's ability to factor in the "cost of carry" in the prices.</p>
<p>3.29 Which of the following activities are influenced by subjective judgement? Please answer by Yes or No, and indicate a % where applicable:</p> <ol style="list-style-type: none"> <li>1. Portfolio structure:</li> <li>2. Trade entry:</li> <li>3. Trade exit:</li> <li>4. Stops:</li> <li>5. Position size:</li> </ol>	<ol style="list-style-type: none"> <li>1. Yes.</li> <li>2. No.</li> <li>3. No.</li> <li>4. No.</li> <li>5. No.</li> </ol>

6. Overall leverage:	6. Yes.
7. Selection of contract maturity:	7. Yes.
8. Addition to or reduction of winning or losing positions:	8. No
9. Decision to halt trading:	9. Yes.
10. Other (please specify):	10. These subjective decisions are supported by statistical and quantitative analysis.
3.30 If fundamental information is used, what are its sources?	Typically we do not use fundamental information.
3.31 How would the firm approach sudden and unexpected illiquidity in any of the markets traded?	We will work to reduce our position as long as the market is trading, even slowly moving out of a position. We might look to offset risk in a related market or perhaps cash market in extreme circumstances if that were a possibility. <a href="#">Back to 6.11.</a>
3.32 Do you permit fundamental factors to influence risk management (e.g. liquidating or reducing certain positions before a G-7 meeting)?	No. We believe such fundamental factors are reflected in the price of the market and would be picked up by our system. However, as discussed in question <a href="#">3.27</a> , only in rare circumstances do we override the system for risk management purposes. We have also used options in the past to hedge certain positions that could have been affected by an obvious fundamental event.
3.33 Are any filters used when selecting trades? If yes, please explain:	Yes, our filters measure consolidation in the market as well as volatility relative to historic levels in order to generate trades with higher expectations.
3.34 Has the firm made any leverage adjustments in the past? If yes, why? When and how were they implemented?	Since inception, leverage has been adjusted from time to time as a result of our research that determines the proper amount of leverage to apply, taking into consideration the performance of our systems, the markets that we trade and the maximum loss that we believe our clients can sustain. Such changes do not occur often.
3.35 Has the firm made any specific modifications intended to reduce volatility? If yes, why? When and how were they implemented?	In order to reduce the overall volatility of our positions, we continually identify and add new markets.
3.36 Will the firm modify a trading methodology or portfolio at particular clients' request? If yes, please explain:	We do not allow our clients to influence our core investment philosophy and trading methodology. However, we sometimes accede to a client's request not to trade in certain markets for political, religious or other personal reasons in their separately managed account.
3.37 Of the techniques below, which are used in the firm's trading methodology? 1. Moving averages of prices: 2. Chart patterns (head & shoulders, triangles, flags, etc.): 3. Momentum oscillators (rate of change of price or volume): 4. Point and figure; 5. Support and resistance: 6. Volume or open interest: 7. Spread relationships: 8. Statistical probabilities: 9. Penetration identification: 10. Overbought/oversold indicators: 11. Cyclical analysis: 12. Seasonal analysis: 13. Fundamental or economic analysis: 14. Bottom up analysis: 15. Top down analysis:	1. Yes. 2. No. 3. Yes. 4. No. 5. Yes. 6. Yes. 7. Yes. 8. Yes. 9. No. 10. Yes. 11. No. 12. No. 13. No. 14. No. 15. No.  <a href="#">Back to 3.09</a>
3.38 If the trading methodology involves a neural network, what are its main inputs?	Chesapeake does not use a neural network.
3.39 Are any of the methods below used to close out profitable positions? Please indicate by Yes or No, and %: 1. Trend reversal: 2. Trailing stops: 3. Overbought/oversold indicators: 4. Volatility: 5. Price patterns: 6. Volume/open interest: 7. Spread relationships: 8. Change in fundamentals:	1. Yes. 2. Yes. 3. No. 4. Yes. 5. No. 6. No. 7. No.

9. Other (please explain):	8. No. 9. Yes. The percentage of each method used to close out profitable positions is not a constant and may change depending on market conditions and a variety of factors.
3.40 Does the trading system have a long or short bias?	The trading systems do not have an inherent bias in either direction; however, some components of the systems have tended to favor long trades in the recent past.
3.41 Has the trading method been adjusted, or have the markets traded changed due to increased assets under management? If yes, please explain:	Our trading methods have not been adjusted, nor have the markets traded changed due to an increase in assets under management.
3.42 Do you believe that the firm's performance is likely to be non-correlated with other trading advisors? If yes, please explain:	The strategy tends to be non-correlated to traditional asset classes. Certain peer group benchmarks comprised of other trend followers could be more correlated to the strategy.
3.43 What are the firm's rate or return, volatility, and Sharpe Ratio objectives?	While the firm does have specific objectives with respect to volatility or Sharpe Ratio, Chesapeake currently conducts its research and sets the parameters for leverage utilized in trading with a goal toward achieving an average annual return of roughly 15%.  Historically, the Diversified Program has achieved an average annual return of 13.05% with an annual standard deviation of 20.03% and a Sharpe ratio of 0.47 (figures as of 1/31/2016).
3.44 What is the firm's S&P non-correlation objective?	We do not have a specific non-correlation objective with respect to the S&P; however, our broadly diversified portfolio construction would tend to dictate a low correlation over the long term.
3.45 Does the trading methodology work better in some markets than in others? If yes, please explain:	We utilize the same trading methodology across all markets over different time periods. Our research would indicate that our approach does not perform as well in certain highly diversified indices such as the CRB since the indices do not exhibit the magnitude of trends that take place in the individual markets contained within each index. The systems may work better trading the underlying markets.
3.46 Are certain markets excluded from the portfolios? If yes, please explain:	We exclude markets that go against our investment philosophy and trading methodology. For example, we avoid markets that are illiquid, have unusual regulatory requirements or are not exchange-traded.
3.47 Are there liquidity, regulatory or other requirements for the inclusion of markets in the firm's portfolios? If yes, please explain:	Yes there are. Please refer <a href="#">3.18</a> for a discussion of how we select our markets.
3.48 In which kind of markets does the trading methodology perform best and worst? <ul style="list-style-type: none"><li>• Bull markets</li><li>• Bear markets</li><li>• Congested markets</li><li>• Bull and bear markets, but not congested markets:</li><li>• The same in all market conditions:</li><li>• High volatility markets:</li><li>• Low volatility markets:</li><li>• Other (please explain):</li></ul>	Yes, bull & bear markets are best; congested markets are the worst.  Chesapeake's investment style is described as a globally diversified, systematic trend follower. As such, our style tends to be rewarded during periods when markets are experiencing price divergence. Broadly speaking, market prices diverge for a variety of reasons including but certainly not limited to: inflation or deflation, political events, government intervention, supply and demand imbalances, and weather related issues. These influences can have both a positive and negative impact on Chesapeake's performance depending on what types of trends emerge. Fortunately, these factors tend to affect different sectors of the portfolio in different ways. For instance, inflationary and deflationary periods tend to be positive for commodity markets, but not always so for financial markets. For this reason, we believe it is critical to trade a broadly diversified portfolio in order to minimize the risk of one event wiping out the entire portfolio. Unfortunately, markets can go through periods of prolonged price stability and these environments generally do not favor Chesapeake's trend following style.
3.49 Are agricultural commodities a significant component in any of the firm's portfolios?	Yes.
3.50 Does the firm's methodology permit or require making or taking delivery of physical commodities?	No.
3.51 Does the firm trade "cash" securities (stocks and bonds)? Why would or would not the firm's programme be effective in doing so?	We do not trade cash securities in our Diversified Program at this time since our focus is on the futures markets. However, our research indicates that our systems would be effective in identifying opportunities in cash securities and we do trade single stock futures (futures contracts on individual issues) for clients who permit this type of trading activity.
3.52 What was the firm's response to the introduction of the Euro?	The firm dealt with the Euro as it deals with any new market. The data vendors had made the conversions (Deutschemark based instruments to Euro based ones). We analysed the resulting markets and traded them using our systematic methodology.
3.53 Will increasingly competitive markets affect the performance of firm's programmes? Will they affect managed futures in general?	We believe our performance is independent of the amount of competition we face. Increasing competition will mean that only the firms with the most solid performance, strong management and superior systems will survive. Given that our systems have actually been designed to take into account some aspects of competitive market psychology and our belief that they are sufficiently unique, we do not think that they would be negatively impacted in a significant way due to increasingly competitive markets.
3.54 Do you perceive any basic and significant changes in the managed futures industry over the past five	The industry seems to be dominated more by a few large firms than at any time in the past. This seems to be a continuing trend – a flight to quality, or at least those firms that have demonstrated an ability to generate good returns over a long period of time.

years?	<p>The cost associated with deals has been decreasing. There has not necessarily been a downward trend in manager fees, but rather brokerage, sales &amp; distribution as well as other costs seem to have moved lower over the past 5 years.</p> <p>The number of markets traded has increased over the period as new instruments continue to come on line.</p>
3.55 Does the firm offer “overlay” as well as “standard” programmes? If so, please explain the difference:	No, Chesapeake only offers “standard” programs. Chesapeake also offers a few variations of these standard programs based on leverage.
3.56 Does the firm use third-party research or valuation service providers?	Research is primarily conducted with in-house staff, though consultants have sometimes been used in this area. We do utilize a third party for daily calculation of NAV for our funds and managed accounts.

## PORTFOLIO & ACCOUNTS [\(BACK TO CONTENTS\)](#)

<p>4.01 Which of the following instruments are traded and in what percentages?</p> <ul style="list-style-type: none"> <li>Exchange-traded futures:</li> <li>Exchange-traded options:</li> <li>EFPs:</li> <li>OTC forwards:</li> <li>OTC options:</li> <li>Swaps:</li> <li>Cash debt instruments:</li> <li>Cash equities:</li> </ul>	<p>All data listed below is for 2015:</p> <p><b>Exchange-traded futures:</b> Yes; 100%</p> <p><b>Exchange-traded options:</b> Yes; 0% <i>(Note: We have the ability to trade Exchange-traded options but currently do not; thus 0%).</i></p> <p><b>EFPs:</b> No</p> <p><b>OTC forwards:</b> No</p> <p><b>OTC options:</b> No</p> <p><b>Swaps:</b> No</p> <p><b>Cash debt instruments:</b> No</p> <p><b>Cash equities:</b> No</p>
<p>4.02 Attach a complete list of all markets traded in each of the above categories. With respect to all OTC, swap, and cash markets, please list the counterparts used in each market:</p>	<p>Complete list of markets traded by Chesapeake Capital is available upon request.</p>
<p>4.03 If options are traded, please explain which types:</p> <ul style="list-style-type: none"> <li>Covered only, naked, as part of a hedging strategy, "exotic", etc.:</li> <li>How they are used:</li> <li>How they are revalued:</li> </ul>	<p><b>Covered only, naked, as part of a hedging strategy, "exotic," etc.:</b> See below..</p> <p><b>How are they used:</b> Options are rarely used. However, whenever they are used, they are primarily used to hedge a futures position.</p> <p><b>How are they revalued:</b> N/A</p>
<p>4.04 if options are traded, what option-related volatility measures are incorporated into the programme?</p>	<p>Again, options are rarely used. When they are, we monitor the implied volatility of the particular option.</p>
<p>4.05 Do the markets traded vary according to the account size? If yes, please explain:</p>	<p>No</p>
<p>4.06 How are the markets included in each portfolio selected?</p>	<p>In line with our trading philosophy, the positions we initiate are dependent on various attributes such as price action, market volatility, open interest and volume. While we monitor suitability of investments in these markets we also ensure that we are sufficiently well diversified to reduce risk to manageable levels.</p> <p>We generally do not allow the portfolio to exceed 10% of the open interest in a market. In a few markets we have self-imposed numerical limits on the number of contracts that the portfolio may own in that market, even if we are still below the 10% limit on open interest. In addition, we continually monitor numerous markets, both U.S. and non-U.S., and initiate trades at any point we determine that a market is sufficiently liquid and tradable using the methods employed by us.</p>
<p>4.07 Can a portfolio be customised according to specific customer requirements?</p>	<p>We do not allow our clients to influence our core investment philosophy and trading methodology. However, we sometimes accede to a client's request not to trade in certain markets on political, religious or other personal grounds or limitations for that client's account.</p>
<p>4.08 Do customised accounts appear in the firm's composite performance record?</p>	<p>Yes, but only if the number of markets that may have been excluded do not result in a material deviation from the composite performance.</p>
<p>4.09 What is the minimum account size? What is the minimum optimal account size?</p>	<p>US \$5,000,000</p>
<p>4.10 For each programme, what would a \$1 million portfolio look like? <i>For example,</i></p> <ul style="list-style-type: none"> <li>Which markets would be included?</li> <li>How many contracts of each market would be included?</li> </ul>	<p>A \$1 million portfolio could take on a variety of appearances depending on market conditions at any given time. Typically, however, we are invested in a diversified list of positions, attempting to limit the risk exposure to any one market to, on average, approximately 0.55% of the total.</p> <p>As described above, we assign maximum percentages to the each market. The number of contracts would vary.</p>
<p>4.11 Which criteria are considered in portfolio selection (risk, performance, liquidity, volume, open interest, etc.)?</p>	<p>See question <a href="#">3.18</a>.</p>
<p>4.12 Position limits:</p> <ul style="list-style-type: none"> <li>Describe any past problems with Position Limits. Which markets or exchanges were involved?</li> <li>How much money could be managed under the current trading methodology without being restricted by Position Limits?</li> <li>If, or when, Position Limits are reached, how will the firm modify its methodology?</li> </ul>	<p>No significant past problems.</p> <p>Though there are no capacity issues at this point Chesapeake realizes that there is probably a finite amount of assets that may be managed effectively with our strategies. We monitor this and would attempt to limit growth if we believe that it is having a negative impact on returns.</p> <p>Apart from taking risk management initiatives to cut losses, we do not fundamentally change our methodology.</p>
<p>4.13 Do you believe that most trading advisors' rates of return decrease as assets under management increase? Why? What about your firm's programmes?</p>	<p>We cannot offer an opinion regarding other trading advisors but this has not been the case with respect to Chesapeake's trading programs.</p>

## EXECUTION & TRADING [\(BACK TO CONTENTS\)](#)

<p>5.01 How are positions established for new accounts, liquidated for terminating accounts, or adjusted for existing accounts to reflect material changes in account equity? Please explain in detail:</p>	<p>When a new account is opened, we immediately put on its theoretical position so that it can participate in those markets not restricted for that account's trading. Regarding a material changes to an existing account's equity, positions are adjusted to reflect the percentage change so that the account is in line with its theoretical position. When liquidating an account, we exit positions as quickly as possible. We attempt to do all of these adjustment trades as soon as the change in the account size is known, but we pay close attention to the current liquidity in each market and enter trades in such a way as to minimize the slippage associated with these transactions.</p>
<p>5.02 Does the firm's trading staff trade 24 hours per day? If yes, please explain. Do they trade from the office premises or elsewhere? How many staff are involved in each shift, and what are their functions?</p>	<p>The firm's trading staff has the ability to trade 24 hours per day beginning on Sunday afternoon and ending on Friday evening. Due to our technical advancements, mid-shift trading (4pm-12am, EST) and overnight trading (12am-8am EST) can be handled offsite if we choose to use this option. The NY shift always works from the premises. Two traders are scheduled for the NY shift (8am-4pm, EST), and one trader is scheduled for each of the other two shifts (4pm-12am, 12am-8am EST). Our trading staff resides very close to the office and can come in should an emergency arise. The traders' main responsibility is to follow signals generated by our systems. The only discretion which can be exercised by the traders is the choice of a broker who would best execute the trade and how to implement the trade. Traders are also responsible for sending out notices for any trades done on that trading day.</p>
<p>5.03 How are executed trades allocated to accounts? Please explain in detail, particularly with respect to split fills. Are any positions allocated as of the end of the trading day rather than prior to or at the time of order entry?</p>	<p>Chesapeake's executed trades are allocated to accounts by a consistently-adhered-to, systematic algorithm. The algorithm allocates equitably over the entire portfolio to prevent intentionally favoring any account or group of accounts. This method complies with current CFTC regulations regarding post-execution allocation procedures of bunched orders. Positions are allocated as soon as is reasonable after the trade is executed. If a trade were to occur near or at the end of the trading day, it is likely the fill would also be allocated near or at the end of the trading day.</p>
<p>5.04 What is the firm's policy with respect to trading and system errors? Please explain in detail.</p>	<p>Chesapeake makes every effort to avoid trading and system errors. To date this has not been a problem, but should an error occur, we would make every effort to correct the error to minimize the impact on performance. Typically Chesapeake Capital Corporation's standard policy does view costs as well as profits resulting from trading errors to be a cost or a benefit to the client of doing business. Notwithstanding, Chesapeake Capital Corporation does have certain client agreements that allow the client to recover losses for trading errors to the extent that Chesapeake was found to have violated the standard of care in the agreement with respect to commission of the trading error.</p>
<p>5.05 Have there been any major "out-trades"? If so, please describe.</p>	<p>No</p>
<p>5.06 Trading Orders:</p> <ul style="list-style-type: none"> <li>• What types of trading orders are used?</li> <li>• Are different types of orders used for entry and exit? Please explain:</li> <li>• Are orders entered onto a trading desk or relayed directly to the exchange floor?</li> <li>• Are large orders broken up? If yes, please explain how:</li> <li>• Does the firm use give-ups for futures? If yes, please provide a complete list of executing brokers used and give-up fees charged by those brokers. If no, please provide a complete list of executing brokers used:</li> <li>• If the firm uses a Prime Broker for FX, please describe the structure and any fees charged:</li> </ul>	<p>Market, limit, and stop-limits are normally used.</p> <p>The types of orders noted above are used for both entry and exit.</p> <p>Orders are relayed to a trading desk as well as electronically executed in-house.</p> <p>Large orders may be broken up. Typically, the order is given to the broker, and for larger orders, more time may be used to execute this order to avoid impacting the market. The trader works closely with the broker in executing this order. Trades executed in-house are handled by the trader in a manner to get the best price possible.</p> <p>Give-ups are used. Fees charged by the brokers are negotiated directly with the account's clearing firm. This increases efficiency since the account's clearing firm pays the brokers.</p> <p>Chesapeake will discuss specific executing brokers used, together with their give-up fees, upon request. Please contact Chesapeake at its address listed in section 1.01.</p> <p>We do not use a Prime Broker for FX.</p>
<p>5.07 What is the firm's policy with respect to trading by:</p> <ul style="list-style-type: none"> <li>• Staff:</li> <li>• Principals:</li> <li>• The firm itself:</li> </ul>	<p>Stock trading – permitted but monitored as required by applicable regulations. Futures trading is not permitted.</p> <p>Stock trading – permitted but monitored as required by applicable regulations. Futures trading is permitted – primarily for testing of proprietary trading programs and hedging.</p> <p>The firm does not trade except with respect to some testing of proprietary trading programs and hedging.</p>
<p>5.08 Does the firm have any special relationship or affiliation with any FCM?</p>	<p>No</p>
<p>5.09 If the firm trades EFPs, describe the manner in which appropriate documentation is maintained:</p>	<p>We do not trade EFPs.</p>
<p>5.10 If the firm trades EFPs, please list all markets in which they are traded. Please also list the counterparties with whom they are traded:</p>	<p>N/A.</p>

## RISK MANAGEMENT [\(BACK TO CONTENTS\)](#)

<p>6.01 Describe the firm's overall risk management principles and approach:</p>	<p><u>Market Risk Management</u></p> <p>Chesapeake's allocation to different markets and sectors is inherently geared towards overall risk mitigation of the positions. Chesapeake measures market risk by individual market, by sector, and by the total portfolio. We generally limit the risk associated with each position as a percentage of the total amount that we could lose relative to the entire portfolio at the point of initiation. We size our individual positions relative to recent market volatility. The higher the volatility, the lower the number of contracts needed to satisfy the targeted risk position for the market. We recognize that correlations often exist between groups of similar markets (sectors) and further limit exposure to these groups of markets. We attempt to limit the total portfolio risk to approximately 25% of the total portfolio assets. <a href="#">6.22</a></p> <p>In addition, an intricate part of our strategy involves adjusting stops daily. We utilize stops on every position, but we do not place stop orders into the market. We retain that knowledge at our desk and are prepared to execute on a 24-hour basis if those stop points are triggered.</p> <p><u>Operational Risk Management</u></p> <p>Chesapeake also has in place several measures to limit operational risk. We continually back test our systems and models to check their validity to present market conditions. We have technology that ensures that accurate market data are fed into the systems. Our databases have data validation checks and cleaning methodologies in place that limit data errors to the bare minimum.</p> <p>Data from other sources are also put to rigorous quality checks. For instance, Chesapeake maintains a back-office staff (under the direction of the SVP - Operations) as well as a third party back-office service provider that together are responsible for reviewing all data received from the FCMs to ensure all trades have been recorded properly, reconciling any discrepancies noted, and resolving all issues with clients and FCMs. This service provider and Chesapeake's back office staff also prepare the monthly fund accounting for accounts and the monthly statements for the investors.</p> <p>Chesapeake also maintains a disaster recovery site. For more details please refer to <a href="#">8.01</a></p>
<p>6.02 How does the firm calculate risk?</p>	<p>For investment purposes Chesapeake measures market risk, as reflected in the volatility, by individual market, by sector, and by the total portfolio. We generally attempt to limit the risk associated with each position as a percentage of the total amount that we could lose relative to the entire portfolio at the point of initiation. We size our individual positions relative to recent market volatility.</p>
<p>6.03 Is the risk calculated for each trade? If yes, please explain:</p>	<p>Yes. Chesapeake measures risk by individual market, by sector, and by the total portfolio. We generally attempt to limit the risk associated with each position as a percentage of the total amount that we could lose relative to the entire portfolio at the point of initiation.</p>
<p>6.04 Do all the programmes use the same risk management methodology? If not, please explain:</p>	<p>Yes, same method is used.</p>
<p>6.05 Is "value at risk" used in the firm's programme? If so, how do you assess the value at risk of your different market positions and what confidence level do you use?</p>	<p>No</p>
<p>6.06 What determines the amount of leverage used?</p>	<p>Within a program leverage is dictated by risk parameters such as market volatility, maximum loss potential and general market conditions.</p>
<p>6.07 How much leverage (% of margin to equity) is used in each programme?</p> <ul style="list-style-type: none"> <li>• Highest:</li> <li>• Lowest:</li> <li>• Average:</li> </ul>	<p><b>Highest:</b> 20-30%.  <b>Lowest:</b> 1-5%  <b>Average:</b> Generally around 15-25%.</p> <p>Note: These ranges are estimates. The actual values could vary outside these ranges depending on a variety of factors.</p>
<p>6.08 What is the percentage of risk invested in any single market?</p> <ul style="list-style-type: none"> <li>• Highest:</li> <li>• Lowest:</li> <li>• Average:</li> </ul> <p>How is this percentage determined?</p>	<p>Chesapeake's estimated average maximum loss per trade in a single market is 0.55%, ranging from a lowest of approximately 0.25% to a highest of approximately 1.1%. The percentage is determined by calculating the estimated maximum loss at the point of initiation of the trade as a percentage of the total portfolio.</p>

6.09 Are “higher leverage” and “lower leverage” versions of the same programme offered? If yes, please explain how they are structured?	Yes, Chesapeake’s Diversified Program is offered at different leverages.
6.10 Does the firm impose limits on the amount of margin committed to different markets, sectors, or portfolios?	Please see question <a href="#">3.18</a> for the basis of our market selection. Limits on allocation are determined as a result of our risk management principles.
6.11 How does the firm react if the volume and/or open interest of a market in which a position is held are suddenly reduced significantly?	We would systematically reduce our position in that market in line with our risk management principles. In addition, see answer in question <a href="#">3.31</a> .
6.12 Does adding or reducing a position in one market ever influence the size of positions held in other markets? If yes, please explain:	The correlations of the individual markets and sectors are taken into account in the design and set up phase of system production. Once in place and implemented, one market will not typically affect the sizing or position of another.
6.13 Does the firm calculate and analyse the historical or contemporary correlation between markets? If yes, how does such analysis influence portfolio design?	Yes, we analyse the historical correlations between the markets we trade using our vast database. We trade a broadly diversified portfolio of markets, many of which have little or no correlation to one another. This helps to limit our overall risk exposure without unduly compromising our expected returns.
6.14 Does the firm establish position limits for correlated market groups? If yes, please explain:	Yes we do. Again please refer to question <a href="#">3.18</a> on market selection.
6.15 Are there a minimum number of markets in which the firm always holds positions in order to achieve a minimal portfolio diversification effect?	No. However, the number of markets Chesapeake trades and their lack of correlation helps to ensure that we maintain a diversified portfolio.
6.16 If stops are used, please answer the following questions: <ul style="list-style-type: none"> <li>• On what principles are stops calculated?</li> <li>• How often are stops adjusted?</li> <li>• Is the method of establishing stops based on any of the following? <ol style="list-style-type: none"> <li>1. Price stops:</li> <li>2. Time stops:</li> <li>3. Volatility stops:</li> <li>4. Money management stops:</li> <li>5. Other (please specify):</li> </ol> </li> <li>• If a stop is reached, is the entire position closed out at one time, or is the position reduced gradually?</li> </ul>	<p>We have two types of stops- Non-moving floor stops and Trailing stops. Non-moving floor stops are based on our assessment of how much risk we are willing to take on each position. Trailing stops are based on profitability and volatility criteria.</p> <p>Trailing stop adjustments are dictated by the system and move based on market conditions. Trailing stops are monitored and can move as frequently as daily. Non-moving stops are not adjusted.</p> <p>See below</p> <ol style="list-style-type: none"> <li>1. Price stops: Yes.</li> <li>2. Time stops: No.</li> <li>3. Volatility stops: Yes.</li> <li>4. Money management stops: Yes.</li> <li>5. Other: N/A</li> </ol> <p>Ultimately, the method in which we close out a position is determined by the individual systems and their reaction to the market conditions at the time. Since we employ a multi-system approach and each system operates independently of the others, in many cases, a position is closed out gradually.</p>
6.17 How are positions adjusted when there is a significant increase or decrease in equity due to trading profits or losses?	When there is a significant increase or decrease in equity due to trading profits or losses, existing positions are not adjusted. New positions will reflect the change in equity.
6.18 Are there any circumstances under which all positions in the portfolio will be closed?	Theoretically, yes, if our positions reached stops in all our markets.
6.19 At what percent drawdown would the firm either stop trading or recommend that an account be closed?	<p>Managed account clients in this program have daily liquidity and therefore they typically will determine when the account will stop trading due to losses or any other reason.</p> <p>Chesapeake-sponsored fund products would cease trading if and when losses reach 50% of the NAV as measured from the beginning of the current calendar year.</p>
6.20 Does the methodology react to volatility changes in the markets? If yes, please explain how.	Yes, our methodology reacts to volatility changes in the markets. Our allocation to different markets, upon trade initiation, is a function of the short-term volatility of those markets.
6.21 Does the firm trade on exchanges that are open outside local office hours? If yes: <ul style="list-style-type: none"> <li>• How is the time difference managed?</li> <li>• Are there routines in place to minimise the risk of adverse price movements, or price gaps which are due to price movements that occur outside local office hours?</li> </ul>	<p>Yes.</p> <p>Chesapeake’s Trading Department operates under it’s own office hours schedule as compared to the other departments. This is to ensure appropriate coverage of the activities for which they are responsible.</p> <p>Since we have the ability to trade 24/7 our fundamental risk management principles are independent of the time.</p>
6.22 What is the estimated maximum risk on a total portfolio? Please describe the method by which such risk is measured:	The estimated maximum risk on a total portfolio basis would be around 25% though we could not guarantee of course that losses would absolutely be limited to this amount. This risk is defined by the estimated maximum loss on every position in the portfolio in relation to each position’s initiation price. <a href="#">6.01</a>
6.23 What is the firm’s cash management method? Does this create an additional source of risk?	Chesapeake’s client-base consists mainly of managed accounts. Chesapeake does not have cash management responsibilities for its managed accounts.



## RESEARCH [\(BACK TO CONTENTS\)](#)

7.01 Describe the firm's efforts to improve its trading methodology through on-going research?	New trading ideas are tested using rigorous and robust statistical measures. Ideas are tested utilizing data for all markets, going back approximately 10-20 years or more in markets where that data is available. We have a research staff comprised of 3 people. The majority of individuals who make up the department have been with Chesapeake for a number of years and were selected due to their strong math and computer backgrounds. Chesapeake's CEO has trained these individuals, and they work closely with him in testing the systems we now employ and in devising new and different ideas on how to trade. We utilize the latest computer technology available with software we have written or adapted specifically to our testing needs. Chesapeake has engaged in an on-going research effort since its inception in 1988. This has been key to Chesapeake's ability to adapt the systems to changing markets over the years
7.02 What is the firm's current annual research budget?	Chesapeake invests a substantial amount of money into research activities each year but this amount is not disclosed.
7.03 How much money has the firm invested in research since its inception?	As stated above, Chesapeake invests a substantial amount of money into research activities each year but this amount is not disclosed.
7.04 Has the firm or any of its research staff published any research or academic papers? If yes, please provide details:	No
7.05 Does the firm use any external parties or resources for research? If yes, please explain.	Yes, the firm does retain outside consultants from time to time.

## ADMINISTRATION, OPERATIONS AND FEES [\(BACK TO CONTENTS\)](#)

<p>8.01 Describe detailed backup procedures in the event that the firm's offices, trading facilities or computer system became unexpectedly non-operational or inaccessible.</p>	<p>All core IT infrastructure is hosted at our corporate data center located at Peak 10 in Richmond, VA. Peak 10 is a SSAE 16 (formerly SAS 70) center with full industry-standard back up of all systems including redundant backup power via multiple UPSs and Generators. Our data center at Peak 10 offers the following Internet redundancies; Diverse Fiber Entry Points -- OC-12 up to OC-192, Redundant Internet with Multiple Tier-1 Providers, and Gigabit Connections to Level 3 and XO in addition to OC-12 Connections to Savvis.</p> <p>In the event of a total loss at our main office (1721 Summit Ave, Richmond, VA), users could log in to Peak 10 from home or any place in the world with nothing more than an internet connection. If a catastrophic event is scheduled to impact Richmond, e.g., a hurricane, key personnel would be relocated outside the potential risk area with the intent to conduct business remotely by connecting to Peak 10. Managers and traders have cell phones for use in the event of a phone system outage.</p> <p>Chesapeake has on-staff personnel who are expected to respond within 15 minutes of an emergency call. In addition, critical systems and critical facilities are monitored and supported by several outsourced vendors with rigorous response time SLAs.</p> <p>In the unlikely event of an outage at Peak 10, up-to-date, critical trade files and copies of all trading confirms are stored on a secure, external web-based server for access by Chesapeake staff from anywhere in the world. In addition, back-ups are made nightly.</p> <p>Back to <a href="#">6.01</a></p>
<p>8.02 Does the firm maintain a detailed Operations Manual?</p>	Yes
<p>8.03 What insurance coverage does the firm maintain? Please provide a schedule showing coverage:</p>	Chesapeake Capital Corporation has insurance on its facilities and work force in addition to a general liability umbrella for losses related to personal injuries.
<p>8.04 Are the operations of the firm dependent on one person or a limited number of people?</p>	Due to the fact that Chesapeake uses a systematic and highly automated money management approach, the company is somewhat less dependent upon any one person for continued operation than firms that may have a more discretionary approach. Nonetheless, if Jerry Parker were to leave the firm this could have a significant impact on the operations of the company.
<p>8.05 Is there a minimum number of personnel needed for the firm's operations?</p>	Yes
<p>8.06 Have there been any significant operational or administrative "bottlenecks" or difficulties in the past five years?</p>	No
<p>8.07 Are new investments currently being accepted in the form of:</p> <ul style="list-style-type: none"> <li>• Separately managed accounts:</li> <li>• Pools and funds:</li> <li>• Both of the above:</li> </ul>	<p><b>Separately managed accounts:</b> Yes.</p> <p><b>Pools and funds:</b> Yes.</p> <p><b>Both of the above:</b> Yes.</p>
<p>8.08 Is the client free to choose a clearing firm and to negotiate the account terms directly with them?</p>	Yes, but we reserve the right to reject an account if the brokerage rates are too high.
<p>8.09 Which clearing firms does the firm currently use?</p>	Please see <a href="#">exhibit 1</a>
<p>8.10 What fees do the firm charge? Do they vary? If so, please explain:</p> <ul style="list-style-type: none"> <li>• Management fee (include frequency of payment):</li> <li>• Performance fee (include frequency of payment):</li> <li>• If a "hurdle rate" is included in the Performance fee calculation, is it a "hard" or a "soft" hurdle?</li> </ul>	<p>1% management fee. The management fee can vary depending upon other terms of a particular deal. (see: <a href="#">8.11</a>) These fees are paid monthly or quarterly.</p> <p>Incentive fee are paid quarterly or annually and may vary. The size of the account, the prospects that the account will increase in size, the cost structure associated with the account (how much cost will impact our performance record), the funding of the account and how that will affect the amount of interest income generated are some of the factors that influence whether or not Chesapeake will take an account as well as the level of fees that may be charged with respect to the management of the account.</p> <p>There is no hurdle rate.</p>
<p>8.11 Does the firm charge all customers the same fees? If not, on what basis are fees waived or modified?</p>	No. The size of the account, the prospects that the account will increase in size, the cost structure associated with the account (how much cost will impact our performance record), the funding of the account and how that will effect the amount of interest income generated are all factors that influence whether or not Chesapeake will take an account as well as the level of fees that may be charged with respect to the management of the account.
<p>8.12 Does the firm share its fees with any third parties?</p>	We might entertain that option depending on the size of the investment and the manner in which the investment is made.
<p>8.13 Are there any present plans to relocate the firm's offices</p>	No

8.14 Does the firm have a lockup period or any special requirements for withdrawal?	No. Managed account clients can withdraw funds from their account at any time as long as the minimum required account size is maintained.
8.15 Does the firm or any of its officers or employees receive, directly or indirectly, any rebate on brokerage commissions? If yes, please explain on what basis, and from which brokerage firms:	No
8.16 Has the firm ever been required to restate NAVs, fees or other calculations? If yes, please explain:	No

**LEGAL** ([BACK TO CONTENTS](#))

9.01 Does the firm hire traders from other investment management firms?	Yes
9.02 Has the firm had any disputes over non-compete, non-disclosure or similar covenants?	No
9.03 Are any of the firm's employees subject to non-competes, "golden handcuffs", etc.?	All employees are required to sign an Employment Agreement that does restrict their ability to go to competing firms when they leave.
9.04 Does the firm have any existing marketing or consulting agreements?	No
9.05 Has the firm appeared in any recent advertisement or newspaper or magazine articles?	No, none that we are aware of.
9.06 Have there ever been any criminal, civil or administrative proceedings against the firm or any of its principals, or any similar such matters including reparations, arbitrations and negotiated settlements?	No
9.07 Does the firm maintain a written Compliance Manual? If yes, please provide a copy.	Yes. Chesapeake's Compliance Manual is available for on-site review.
9.08 Does the firm or any affiliate ever take "custody" of client assets?	No. For managed accounts, Chesapeake is not permitted to hold client funds, securities, commodities or other property. A participating client is free to select any FCM and must select an FCM to maintain his account.
9.09 Does the firm or any affiliate ever deduct its fees directly from any client accounts?	No
9.10 What is the firm's liability/indemnity standard?	It varies.
9.11 Does the firm make use of "soft dollars"?	Chesapeake uses soft dollars only in accordance with the safe harbor under Section 28 of the 1934 Act.

*For Some Responses, please note:*

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

Please state the name and title of the officer at your firm who has prepared and reviewed this questionnaire.

Signature:	
Name:	<i>Michael Striano</i>
Date:	<i>03/31/2016</i>
Position:	<i>Senior Vice President</i>

**Exhibit 1: CHESAPEAKE CAPITAL CORPORATION  
CLEARING BROKERS LIST**

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