



PALOMA INTERNATIONAL LIMITED

PRESENTATION TO:

Massachusetts Pension
Reserves Investment
Management

OCTOBER, 26 2015

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Calculations or analyses used in this presentation may use one among alternative methodologies that produce different results. Fund data, including allocations and market values, calculated as of month end may have fluctuated significantly during the month.

No guarantee or representation is made that the Fund's investment program, including, without limitation, its investment, objectives, diversification strategies, or risk monitoring goals will be successful and investment results may vary substantially over time. The Fund's risk management protocols seek to monitor and manage risk, but should not be understood to imply low, or no risk. Nothing herein is intended to imply that the Fund's investment methodology may be considered "conservative", "safe", "risk free", or "risk averse". There may be risks which cannot be monitored or controlled and risks that may be greater than forecasted, especially in unusual market conditions. Economic, market and other conditions could also cause the Fund to alter its estimation of risk and its risk management approach.

Investment strategies, allocations and individual investments discussed represent general themes, do not necessarily represent past, present or future positions and are subject to change at any time without notice. Any

discussion or illustration of investment diversification, concentration, targets, guidelines, leverage parameters, or limits, is purely for discussion purposes and should not be construed as establishing any formal investment guidelines or restrictions for the Fund; the only formal limitations, investment guidelines or restrictions applicable to the Fund, if any, are described in the Fund's Offering Memorandum.

Investment results may vary substantially over time. Past performance of the Fund, strategies or asset classes is not indicative of future results. Investment opportunities arising at times of market dislocations may perform in a manner which would not be possible under normal market conditions, therefore similar investment opportunities may not be available to the Fund in the future.

Past performance does not guarantee future results. There can be no assurance, nor should it be assumed that future investment performance of the Fund will conform to any performance example included herein or that the Fund's investments will be able to avoid losses. The investment results and portfolio compositions discussed herein are provided for illustration purposes only and may not be indicative of the future investment results or future portfolio composition of the Fund. The composition, size of, and risks associated with an investment in the Fund may differ substantially from the examples set forth herein. An investment in the Fund can lose value.

Performance Information: Please see page 19 for performance disclosure. All data presented herein is as of September 30, 2015.

Abbreviations and Defined Terms:

- Paloma Partners Advisors LP ("Paloma Advisors") (formerly, Trust Asset Management, LLP ("TAM")): Manager, trading advisor and general partner (as applicable) to the Fund.
- Paloma Partners Management Company ("PPMC"): Special member, general partner and administrative services provider (as applicable) to the Fund.
- Paloma Advisors and PPMC (collectively "Paloma Management", "we", or "us").
- Paloma International LP: Paloma Fund's master fund (the "Master Fund")
- Paloma Partners LLC ("PPLLC"): Domestic feeder fund. Inception date October 1, 1981.
- Paloma International Limited ("PIL"): Offshore feeder fund for non-U.S. Persons and Tax-Exempt U.S. Persons within Regulation D of the U.S. Securities Act of 1933. Inception date January 1, 2003.
- Paloma Offshore Limited ("POL"): Offshore feeder fund for non-U.S. Persons within Regulation S of the U.S. Securities Act of 1933. Anticipated date of launch is October 1, 2015.
- Paloma International LP, PPLLC, PIL, and POL (collectively "Paloma Fund" or the "Fund").

Overview of the Paloma Fund

- Multi-strategy hedge fund with particular focus on quantitative and relative value strategies;
- The Fund has posted a strong track record since its inception* over 30 years ago:
 - Compounded annualized net performance **+12.45%**,
 - Standard deviation: **5.27%**,
 - Sharpe Ratio: **1.58**, and
 - Low correlation to Indices†: **0.17** to S&P 500, and **0.10** Barclays Int. G/C
- Founded by S. Donald Sussman and evolved upon 4 bedrock principles:
 - Focus on risk management and capital preservation,
 - On-going search for accomplished and innovative investment talent,
 - Flexible trading structure designed for the realities of ever changing markets, and
 - Dynamic capital allocation among strategies and portfolio managers.
- Paloma Fund Net Assets \$3.1 billion;
- 33 portfolio managers across a broad group of strategies and asset classes.

Data presented is as of September 30, 2015.

Past performance does not guarantee future results. Performance is presented net of fees and expenses for PPLLC. Please see page 19 for performance disclosure.

* Since Inception calculations are of PPLLC from October 1981 through the present

† Indices are used for illustration purposes only to show performance of the broader market.



Performance Metrics

Paloma International Limited Performance Data

As of September 30, 2015	PIL	PPLLC	S&P 500	Barclays Int. G/C
Net Returns:				
Year to Date	7.42%	7.62%	-5.29%	1.76%
Trailing Three Years (Annualized)	10.97%	11.51%	12.40%	1.44%
Trailing Five Years (Annualized)	7.80%	8.15%	13.34%	2.42%
Trailing Ten Years (Annualized)	9.98%	10.38%	6.80%	4.17%
Since Inception (Annualized) *		12.45%	11.47%	7.67%
Standard Deviation (annualized):				
Trailing Three Years	3.67%	3.71%	9.61%	2.07%
Trailing Five Years	4.21%	4.23%	11.41%	2.16%
Trailing Ten Years	5.17%	5.19%	14.83%	2.79%
Since Inception *		5.27%	15.04%	3.80%
Sharpe Ratio *		1.58	0.49	0.94
Sortino Ratio *		2.41	0.72	1.76
Correlation to S&P 500 *		0.17	N/A	N/A
Correlation to Barclays Int. G/C *		0.10	N/A	N/A

† Indices are used for illustration purposes only to show performance of the broader market.

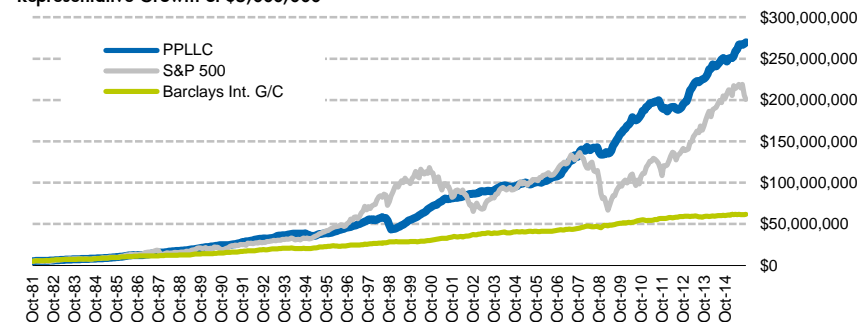
‡ Monthly returns are not available for periods prior to October 1984.

Performance is presented net of fees and expenses for PIL (offshore fund) except for information marked with * which contain data from PPLLC (US-onshore fund).

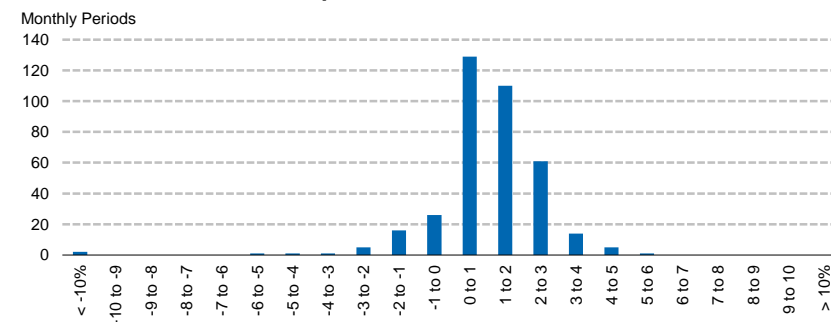
Past performance does not guarantee future results. Please see page 19 for performance disclosure.

Cumulative Net Returns vs. Selected Indices[†] Since Inception

Representative Growth of \$5,000,000

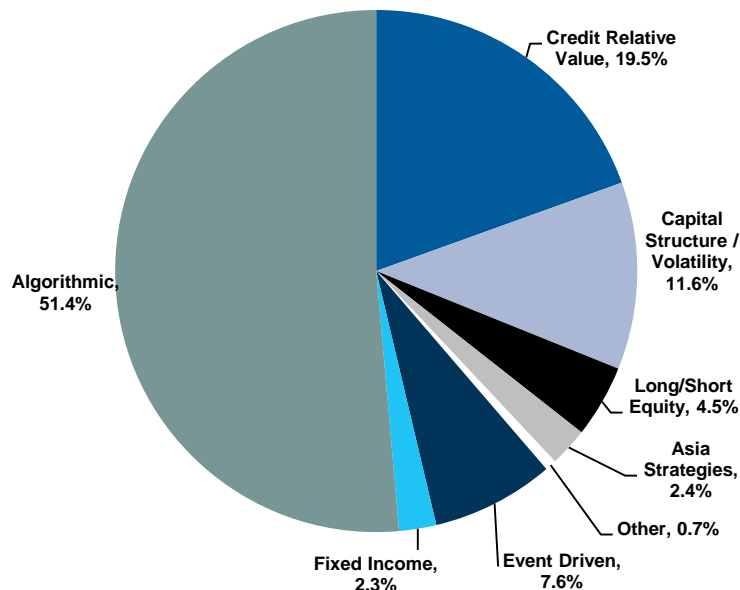


Distribution of PPLLC's Monthly Returns (October 1984 – Present)*



Strategy Risk Capital Allocations

Risk Capital Allocation by Strategy
as of 9/30/2015



Percentage allocations of PIL as of 9/30/2015. Percentages above reflect current average risk capital usage. Risk capital is based on our expected return and risk assessments and correlation analysis across markets and portfolios and is subject to change at any time without notice. Statements set forth herein regarding future events are subject to change due to a variety of factors, both general and specific, many of which cannot be predicted or quantified and are beyond Paloma Management's control.

Major Themes within the Top Three Strategies

- **Algorithmic:** Global, multi-model, multi-timeframe. The Fund's largest focus in the last several years. The largest concentration is equities but strategies also encompass fixed income, diversified futures, and ETFs. Holding periods vary from intra-day to months. (10 Principal Algorithmic Portfolio Managers)*
- **Credit Relative Value:** Cross disciplinary capabilities in ABS, RMBS, Liquid and Distressed Corporate Credit. Multiple trading teams cover a range of strategies. Currently the Fund has exposure to various structured credit equity tranches, aircraft backed securities and residential mortgage securities (RMBS). RMBS have been a significant driver of recent credit returns, followed by non-mortgage structured credit and distressed credit. (5 Principal Credit Relative Value Portfolio Managers)*
- **Capital Structure / Volatility:** Global, liquid, relative value and systematic volatility strategies in equities, F/X, commodities and rates. (3 Principal Capital Structure / Volatility Portfolio Manager)*

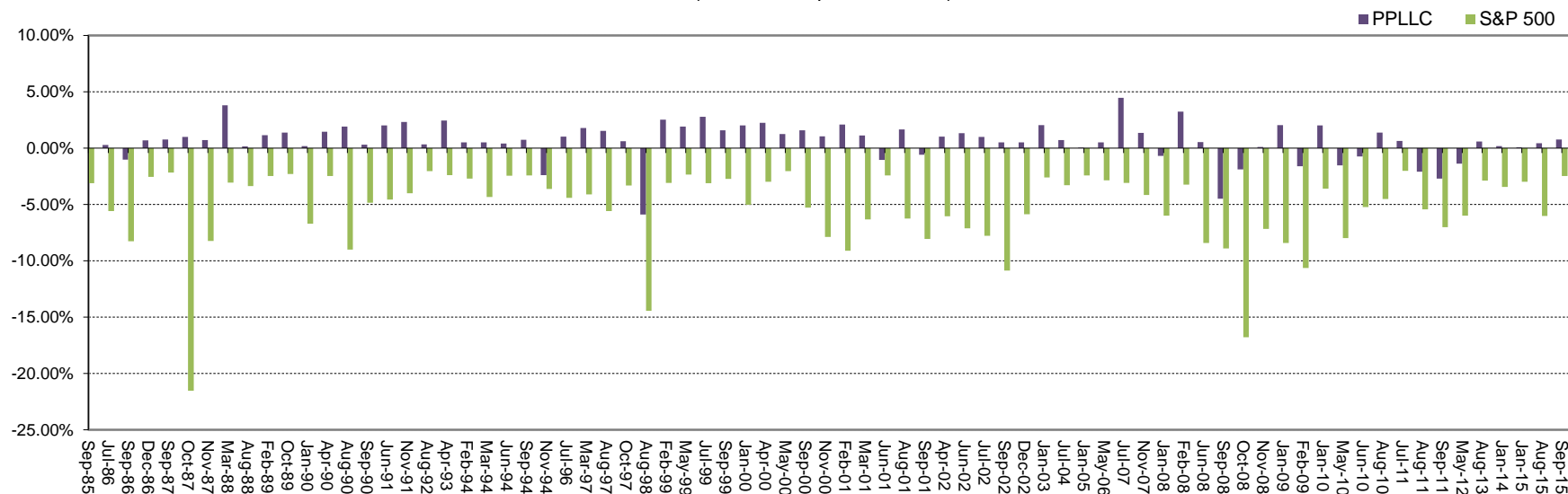
*As of September 30, 2015, the Master Fund had 23 principal portfolio managers that each managed 50 million dollars or more of risk capital. Approximately 91% of the Fund's risk capital was allocated to principal portfolio managers. The Fund also had 10 non-principal portfolio managers.



Capital Preservation Focus in Down Markets

Monthly Returns when S&P500[†] down more than 2%

October 1, 1984 – September 30, 2015



	S&P 500	Paloma Partners L.L.C.
Average monthly return when S&P 500 was down more than 2%	-5.32%	0.64%
Number of months when returns were down more than 2%	75	5*

* The S&P500 has outperformed the Fund in certain months when both PPLLC and the S&P 500 were up. Comparison of PPLLC returns vs. the S&P500 is available for all months upon request.

Past performance does not guarantee future results. Performance is presented net of fees and expenses for PPLLC. Please see page 19 for performance disclosure.

Monthly returns are not available for period prior to 10/1/84.

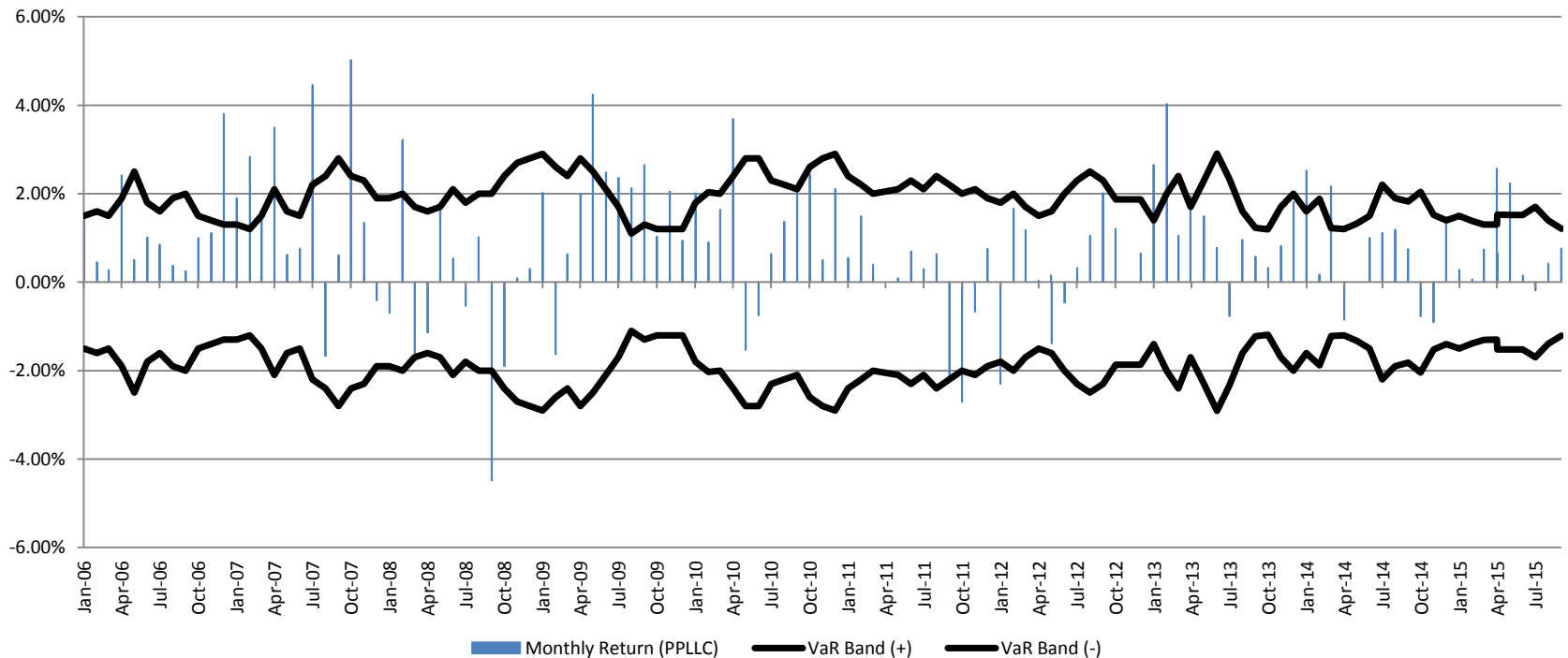
[†] Indices are used for illustration purposes only to show performance of the broader market.



Downside Risk Management Through Market Cycles

VaR Backtest

January 1, 2006 to September 30, 2015



Past performance does not guarantee future results.

Value-at-Risk is expressed as a percentage of Master Fund capital as of the start of the reporting period. Value-at-Risk is a statistical measure of potential loss given the Master Fund's current investments under normal market conditions and assuming no hedging or trading. Value-at-Risk in the table assumes a 20 business day (approximately one calendar month) holding period and is measured at the 99th percentile. Value-at-Risk is calculated using proprietary methodologies. Please see page 19 for performance disclosure.



Historical Performance

Paloma International Limited Performance Record

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Net Rate of Return
2003	2.00%	0.60%	-0.61%	0.19%	0.59%	0.28%	-0.82%	-0.50%	2.01%	1.10%	1.81%	0.50%	7.31%
2004	2.04%	0.27%	0.40%	-0.35%	-1.00%	-0.83%	0.68%	0.20%	0.00%	0.02%	2.36%	1.18%	5.03%
2005	0.01%	0.77%	0.76%	-1.26%	-1.14%	0.01%	1.14%	0.64%	0.54%	0.14%	0.12%	-0.85%	0.86%
2006	1.45%	0.46%	0.22%	2.41%	0.50%	1.02%	0.82%	0.43%	0.29%	0.85%	1.12%	4.03%	14.41%
2007	1.97%	2.90%	1.52%	3.66%	0.52%	0.70%	4.50%	-1.80%	0.60%	5.05%	0.43%	-0.44%	21.22%
2008	-0.25%	3.00%	-1.63%	-1.23%	1.50%	0.76%	-0.59%	1.08%	-4.34%	-1.95%	0.16%	0.36%	-3.29%
2009	2.13%	-1.67%	0.57%	2.06%	4.02%	2.33%	2.11%	2.22%	2.28%	1.16%	2.02%	0.76%	21.80%
2010	2.08%	0.75%	1.47%	3.46%	-1.88%	-0.85%	0.74%	1.44%	2.01%	2.38%	0.66%	2.34%	15.48%
2011	0.56%	1.45%	0.65%	-0.07%	0.66%	0.33%	0.64%	-2.03%	-2.56%	-0.70%	0.79%	-2.48%	-2.83%
2012	1.69%	1.24%	0.07%	0.15%	-1.51%	-0.77%	0.29%	0.94%	1.85%	1.16%	0.58%	2.50%	8.43%
2013	3.95%	1.02%	1.90%	1.46%	0.77%	-0.84%	0.94%	0.56%	0.31%	0.81%	1.76%	2.39%	16.02%
2014	0.16%	2.10%	-0.90%	-0.03%	0.96%	1.07%	1.10%	0.72%	-0.81%	-0.92%	1.38%	0.24%	5.14%
2015	0.03%	0.71%	2.54%	0.64%	2.26%	0.10%	-0.17%	0.39%	0.73%				7.42%(YTD)

Returns for the period beginning January 1, 2003 and ending December 31, 2005, were achieved by investing substantially all of PIL's capital in a swap, whose rate of return was derived from the performance of Paloma International L.P. (the "Master Fund"). On December 31, 2005, the swap terminated and PIL invested directly into the Master Fund.

Past performance does not guarantee future results. Performance is presented net of fees and expenses for PIL. Please see page 19 for performance disclosure.



Historical Performance

Paloma Partners L.L.C. Performance Record

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Net Rate of Return
1981												7.80%	7.80%
1982			0.10%			4.00%			6.70%			5.70%	17.41%
1983			6.20%			4.50%			3.60%			3.30%	18.77%
1984			3.50%			2.60%			3.50%	1.10%	0.80%	1.30%	13.46%
1985	1.80%	1.80%	2.00%	0.30%	2.70%	1.80%	2.68%	1.00%	1.44%	1.85%	2.42%	2.84%	25.09%
1986	1.16%	4.80%	3.97%	1.17%	1.45%	1.94%	0.27%	1.06%	-1.03%	1.07%	-1.00%	0.68%	16.51%
1987	3.01%	1.46%	1.96%	2.03%	4.84%	1.95%	3.15%	1.43%	0.76%	0.99%	0.70%	0.93%	25.75%
1988	1.26%	0.86%	3.78%	0.85%	1.40%	1.61%	0.67%	0.15%	0.96%	1.24%	1.54%	1.26%	16.69%
1989	0.36%	1.14%	2.68%	1.16%	1.50%	2.18%	1.27%	1.58%	2.31%	1.36%	0.71%	2.76%	20.72%
1990	0.17%	0.72%	2.12%	1.43%	1.17%	0.83%	1.48%	1.90%	0.31%	0.06%	0.08%	0.54%	11.32%
1991	0.13%	1.00%	1.83%	1.40%	0.20%	2.00%	1.54%	2.75%	2.96%	1.26%	2.32%	0.44%	19.31%
1992	0.08%	1.76%	2.05%	2.05%	1.35%	1.55%	0.94%	0.32%	0.35%	0.49%	-1.17%	0.75%	10.99%
1993	1.41%	0.54%	1.55%	2.44%	3.19%	1.01%	0.06%	1.55%	0.12%	0.09%	1.27%	1.30%	15.48%
1994	1.50%	0.51%	0.50%	-0.62%	0.27%	0.39%	-0.20%	-0.29%	0.74%	-2.06%	-2.42%	-3.74%	-5.41%
1995	0.38%	0.03%	1.45%	2.86%	1.87%	0.36%	0.86%	1.34%	0.76%	-0.54%	0.75%	1.01%	11.67%
1996	2.17%	1.17%	0.95%	2.65%	1.75%	1.53%	1.01%	2.11%	0.70%	1.42%	0.42%	2.42%	19.88%
1997	1.12%	1.18%	1.77%	1.29%	2.07%	1.31%	2.29%	1.52%	3.03%	0.60%	-1.04%	1.19%	17.55%
1998	-1.85%	0.95%	2.40%	1.49%	1.01%	-1.04%	0.11%	-5.92%	-10.06%	-10.91%	2.01%	-0.23%	-20.94%
1999	1.52%	2.52%	2.14%	3.13%	1.90%	3.11%	2.76%	3.92%	1.56%	1.12%	1.85%	1.38%	30.44%
2000	2.01%	2.98%	2.12%	2.24%	1.23%	2.71%	3.01%	2.43%	1.56%	2.30%	1.03%	0.64%	27.11%
2001	2.82%	2.09%	1.12%	2.11%	2.05%	-1.05%	0.03%	1.64%	-0.61%	0.87%	0.11%	0.11%	11.80%
2002	1.02%	-0.38%	1.02%	1.01%	0.58%	1.31%	0.99%	0.03%	0.50%	0.06%	0.21%	0.51%	7.06%
2003	2.02%	0.62%	-0.57%	0.21%	0.61%	0.30%	-0.79%	-0.47%	2.02%	1.11%	1.82%	0.52%	7.58%
2004	2.05%	0.29%	0.40%	-0.32%	-0.96%	-0.80%	0.70%	0.22%	0.02%	0.05%	2.09%	1.15%	4.95%
2005	0.03%	0.80%	0.75%	-1.22%	-1.10%	0.04%	1.14%	0.65%	0.67%	0.23%	0.08%	-0.93%	1.09%
2006	1.42%	0.45%	0.28%	2.42%	0.50%	1.01%	0.86%	0.37%	0.25%	1.00%	1.11%	3.80%	14.23%
2007	1.90%	2.83%	1.62%	3.50%	0.62%	0.76%	4.46%	-1.67%	0.61%	5.02%	1.34%	-0.41%	22.40%
2008	-0.70%	3.22%	-1.60%	-1.14%	1.65%	0.54%	-0.54%	1.02%	-4.49%	-1.90%	0.09%	0.30%	-3.71%
2009	2.03%	-1.63%	0.63%	2.00%	4.24%	2.48%	2.36%	2.13%	2.65%	1.03%	2.05%	0.94%	22.91%
2010	2.01%	0.90%	1.64%	3.69%	-1.53%	-0.75%	0.64%	1.37%	2.05%	2.44%	0.50%	2.11%	16.02%
2011	0.55%	1.49%	0.40%	0.09%	0.69%	0.29%	0.63%	-2.11%	-2.71%	-0.67%	0.75%	-2.30%	-2.98%
2012	1.66%	1.18%	0.04%	0.15%	-1.39%	-0.46%	0.32%	1.05%	2.01%	1.20%	0.65%	2.65%	9.39%
2013	4.03%	1.05%	1.94%	1.49%	0.78%	-0.77%	0.96%	0.58%	0.33%	0.82%	1.81%	2.52%	16.62%
2014	0.17%	2.16%	-0.85%	0.00%	1.00%	1.11%	1.19%	0.74%	-0.77%	-0.91%	1.41%	0.34%	5.67%
2015	0.06%	0.74%	2.57%	0.66%	2.24%	0.15%	-0.19%	0.42%	0.76%				7.62%(YTD)

Returns for periods prior to July 1, 1984 are from a family account managed by S. Donald Sussman. The fees and expenses paid by the family account (if any) may have been lower than the fees and expenses associated with an investment in PPLLC. **Past performance does not guarantee future results.** Performance is presented net of fees and expenses for PPLLC. See page 19 for performance disclosure.

Decades of Experience in Three Critical Functions of Multi-Strategy Investing

Risk Management

[Page 11]

- Proprietary risk management technology developed over 18 years
- Independent risk management team
- Quantitative and qualitative analysis

Dynamic Asset Allocation

[Page 12]

- History of opportunistically moving among strategies and traders

Talent Acquisition & Development

[Page 13]

- Constant search for talented portfolio managers
- Accomplished Head of Trader Recruiting
- Paloma known as trusted partner for Relative Value / Quantitative managers

Risk Management Overview

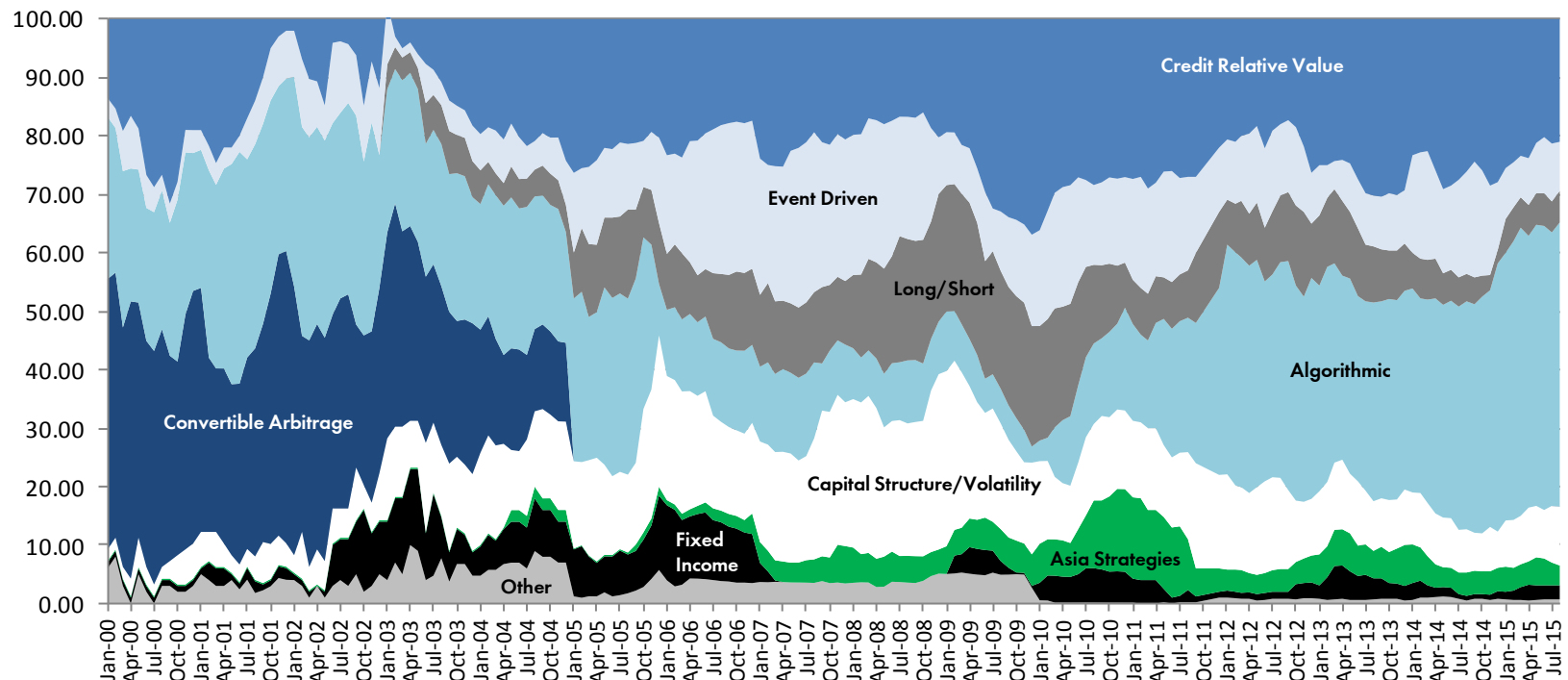
- **Risk Management philosophy is central to the firm's structure and culture**
 - Risk management is independent from Portfolio Managers.
 - Chief Risk Officer is PPMC's President.
 - Chief Investment Officer of the Paloma Fund is a capital allocator, not a "head trader".
- **Independent, Dedicated Risk Management Department**
 - Quantitative and qualitative assessment of portfolio, portfolio managers, and strategies.
 - Utilization of extensive risk measurements that are appropriate to the strategies within the portfolio, including: scenario, liquidity, and stress test analysis coupled with ongoing portfolio manager dialogue.
- **Proprietary Risk Management Technology**
 - Automated system allows for efficient and deep monitoring of portfolio managers.
 - Ability to immediately drill down across factors, geography, industries, and asset classes.
 - Dedicated group of computer scientists and quantitative developers to refine tools and system.

The Fund's risk management protocols seek to monitor and manage risk, but should not be understood to imply low, or no risk. Nothing herein is intended to imply that the Fund's investment methodology may be considered "conservative", "safe", "risk free", or "risk averse". There may be risks which cannot be monitored or controlled and risks that may be greater than forecasted, especially in unusual market conditions. Economic, market and other conditions could also cause the Fund to alter its estimation of risk and its risk management approach.



Dynamic Capital Allocation is a Core Paloma Belief

PPLLC's Risk Capital Allocation among Investment Strategies – January 1, 2000 through September 30, 2015:



Labels may change over time. This information is for illustration purposes only and is not intended to be a guideline or in any way limit the strategies or the number of trading groups the Fund may employ in the future. Please see the Fund's Confidential Private Offering Memoranda for complete descriptions of the strategies the Fund may employ. Allocation history for periods prior to 1/1/2000 is not available.



Trader Acquisition and Development

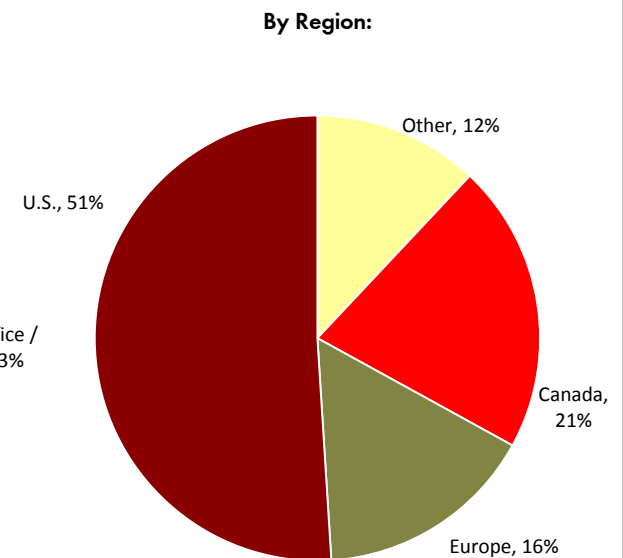
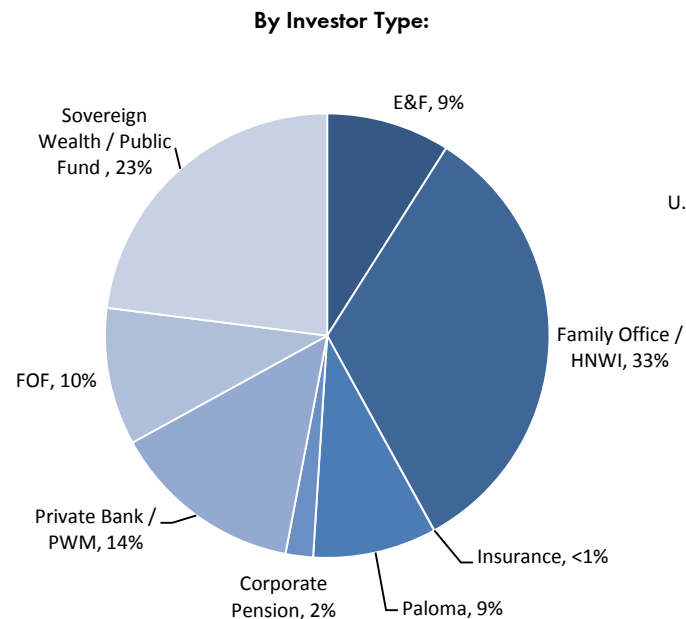
- **Paloma Fund Philosophy:** We seek to invest with traders when they are in the early stage of their lifecycle—focused on their core strategy and willing to run an appropriate amount of capital for the opportunity that they seek to exploit.
- Highly experienced head of trader recruitment—two decades as leading capital markets and trader recruiter for major banks and funds.
- Compelling environment, incentives, and economics to attract great talent.
- Substantial network of market contacts, particularly in quantitative and relative value strategies.
- Trading Teams are screened based on their performance, fit with the Paloma Fund's other strategies, allocation potential, track record, and reputation.
- Recipient of *Institutional Investor Magazine's* Early State Hedge Fund Investor of the Year in 2015.



Stable, diversified and long-standing investor base

- Ultra-high net worth individual/family (30 years)
- Family office (28 years)
- U.S. private foundation (25 years)
- U.S. endowment (19 years)
- U.S. pension fund (19 years)
- Canadian sovereign wealth fund (11 years)

% of the Fund's Assets as of September 30, 2015



Appendices:

- Summary of Key Terms
- Biographies
- Description of Current Core Strategies
- Performance Disclosure
- Contact Information



Summary of Key Terms

	Class A	Class B	Class C	Class D
Minimum Subscription	Initial: \$5,000,000 Subsequent: No minimum	Initial: \$5,000,000 Subsequent: No minimum	Initial: \$5,000,000 Subsequent: No minimum	Initial: \$5,000,000 Subsequent: No minimum
Subscription Frequency	Monthly	Monthly	Monthly	Monthly
Currency	USD, with Hedged Currency Subclasses JPY, CHF & EUR	USD, with Hedged Currency Subclasses JPY, CHF & EUR	USD, with Hedged Currency Subclasses JPY, CHF & EUR	USD, with Hedged Currency Subclasses JPY, CHF & EUR
Redemption Frequency	Annually (December 31), 90 days notice	Quarterly (quarter-ends), 65 days notice	Annually (December 31), 90 days notice	Quarterly (quarter-ends), 65 days notice
Lock-up / Gate	None / None	None / None	None / None	None / None
Management Fee	1.5% (annualized)	1.5% (annualized)	0%	0%
Incentive Fee	0%	0%	20%	20%
Expenses*	Expenses are passed through to investors	Expenses are passed through to investors	Expenses are passed through to investors	Expenses are passed through to investors
Liquidity NAV Reduction ** (credited to Classes A&C)	N/A (recipient)	< \$100 mm: 0.50% (annualized) ≥ \$100 mm: 0.25% (annualized)	N/A (recipient)	< \$100 mm: 0.50% (annualized) ≥ \$100 mm: 0.25% (annualized)

This is only a brief summary of certain terms related to the Fund. Please see the Confidential Private Offering Memoranda for a complete description of the Fund's terms.

*All expenses related to the operations of the Fund are borne by the Fund's investors, including nearly all of PPMC's operating expenses. Without limiting the foregoing, these expenses include direct and indirect organizational, operating, legal, tax, regulatory, administrative, audit and investor relations related expenses, as well as the costs associated with engaging trading teams and portfolio managers of standalone funds. Trading teams typically receive a negotiated fee and performance-based compensation. Portfolio managers of standalone funds receive the management fee and a performance fee charged by their fund.

**The Liquidity NAV Reduction will be retained by the Fund for the benefit of investors with annual liquidity, with the effect of offsetting their share of the management fee and the Fund's operating and administrative expenses.

Biographies

S. Donald Sussman has worked in hedge fund investing for more than thirty years and is the Founder and Chief Investment Officer of the Paloma Fund. Mr. Sussman was named to the Institutional Investor-Alpha Hedge Fund Hall of Fame in 2013. He was the recipient of Hedge Funds Review's Lifetime Achievement Award in 2013 and Institutional Investor's Alternative Investment News Lifetime Achievement Award in 2004. Mr. Sussman is a member of the Board of Trustees and Executive Committee and Co-Chair of the Investment Committee of Carnegie Hall. Mr. Sussman attended Columbia College and received a B.S. and an MBA from New York University as well an Honorary Doctorate from the Weizmann Institute of Science.

Gregory Hayt is the President and Chief Risk Officer of PPMC. He is responsible for all PPMC activities related to the Paloma Fund and also runs the Risk Management Group. Mr. Hayt is also responsible for the management of PPMC. Mr. Hayt joined PPMC in 2002 and became Chief Risk Officer in 2004. He was named President of PPMC in December 2007. Prior to joining PPMC, Mr. Hayt served in a range of risk management, trading and consulting roles, including: Principal at Rutter Associates, Executive Director at CIBC World Markets, and Vice President of Risk Management Research at Chase Manhattan Bank. He has published on risk management and derivatives issues in various finance publications and was a consultant and contributor to the first *Sound Practices for Hedge Fund Managers*, published in 2000. Mr. Hayt received a BS Magna Cum Laude in Economics with concentrations in Finance and Operations Research from the Wharton School at the University of Pennsylvania and an MS/ABD in Finance from the University of Rochester.

Descriptions of Current Core Strategies

Algorithmic

Process-driven trading in which the investing is driven by quantitative methods and statistical models. These models generate trading decisions by identifying mispricings based on different metrics such as deviations from equilibriums, flow-driven momentum effects and factors underlying security price variations. The frequency of trading varies by model but may be very high. Algorithmic strategies involve multiple asset classes.

Asia Strategies

Investments in public and private Asian markets with a strong current focus on greater China.

Capital Structure / Volatility

- Capital Structure strategies involve investing in different components of the entire capital structure (e.g., bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock), of one or more companies to extract value. This type of trading involves the investment opinion that different types of securities are mispriced relative to one another. Convertible Arbitrage is a subset of Capital Structure investing. A primary driver of this strategy has been the purchasing of CDS instruments (IG and HY) which the manager views as an 'option-like' investment opportunity and which is designed to provide balance to the overall Fund.
- Volatility strategies involve the purchase and sale of derivatives, including options that are linked to the realized or implied volatility of an asset or collection of assets, or to the correlation of one or more assets. These strategies can also involve the purchase or sale of derivatives that are hedged by the simultaneous purchase or sale of the underlying security or financial contract.

Credit Relative Value

Investment strategies designed to identify attractive long and short opportunities in corporate, asset backed and mortgage backed securities (including senior and subordinated claims as well as bank debt and other outstanding debt obligations). Managers seek to take advantage of idiosyncratic opportunities on both the long and short sides. Strategies may also have limited exposure to government, sovereign, equity, convertible or other obligations. Managers employ fundamental credit analyses focused on valuation, asset coverage and quality of collateral. In most cases portfolio exposures are concentrated in instruments which are publicly traded, albeit with varying degrees of liquidity.

Event Driven

These strategies generally involve investing in the securities of publicly-traded companies surrounding events including, but not limited to, corporate restructurings, dividend announcements, mergers, cash tender offers, exchange offers, acquisitions, spin-offs, recapitalizations and corporate governance situations. The portfolio may contain value-driven long or short positions in listed equities, convertible bonds, and other securities. Security types can range from the most senior in the capital structure to the most junior or subordinated. Event driven exposure is usually sensitive to equity markets, credit markets and company specific developments.

Fixed Income

Strategies in liquid swap and bond markets currently focused on a quantitative investment process designed to identify attractive episodic opportunities in G-7 swaps, typically realizing an attractive spread across the swap term structure. Strategy maintains low net exposures to interest rates.

Long / Short

Taking positions in the equity securities of companies based on an assessment of fundamental value compared to market prices. A portfolio manager will take a long position in securities that it considers undervalued and sell short securities that it considers overpriced. Trading is primarily in equity but may also include debt and other assets depending on market conditions, as well as relative value opportunities in the energy, metals and agricultural commodities.

The Confidential Private Offering Memoranda contain complete descriptions of the strategies and financial instruments the Fund may employ.



Performance Disclosure

Notes to Performance: Paloma International Limited (“PIL”) is a private investment fund organized to operate for the benefit of non-U.S. persons and U.S. tax-exempt persons. PIL began operating on January 1, 2003. Prior to January 1, 2003, there were other funds offered to non-U.S. persons and U.S. tax-exempt persons, the earliest of which began operating on October 1, 1988. These funds sought to achieve substantially similar performance to Paloma Partners L.L.C. (“PPLLC”) through parallel investments and investments in synthetic structures. Returns and data presented for periods “since inception” are for PPLLC. Please see the explanation of PPLLC’s performance history below.*

Performance returns shown are for a representative PIL Class A, USD sub-class, fee paying investors and are calculated net of all fees and expenses, including accrued performance fees payable to portfolio managers (if applicable), reflect the reinvestment of dividends and all other earnings and include estimates of unrealized gains and losses. Monthly net rates of return are calculated by dividing the monthly net return by the net assets at the beginning of the month. Annual returns are calculated by compounding the monthly net rates of return for the year. An individual investor’s return may vary based on the share class/sub-class held, the timing of capital transactions and differing management fee arrangements.

PIL’s returns for the period beginning January 1, 2003 and ending December 31, 2005, were achieved by investing substantially all of PIL’s capital in a swap, whose rate of return was derived from the performance of Paloma International L.P. (the “Master Fund”). On December 31, 2005, the swap terminated and PIL invested directly into the Master Fund.

*PPLLC is a private investment fund organized to operate for the benefit of U.S. taxable investors. PPLLC’s performance record is the longest continuing performance record of hedge funds managed by S. Donald Sussman. The investment program of the Paloma Fund has been based on, and evolved from the investment program of PPLLC and its predecessors. The predecessor performance included in the PPLLC

performance record is from a family account (inception date October 1, 1981) managed by Mr. Sussman using a similar investment strategy and having similar investment objectives as PPLLC; the assets of the family account were used to seed Paloma Partners L.P. (inception date July 1, 1984), Paloma Partners L.P. became PPLLC on July 1, 1995.

Performance returns shown are calculated net of all fees and expenses, including accrued performance fees payable to portfolio managers (if applicable), reflect the reinvestment of dividends and all other earnings and include estimates of unrealized gains and losses. Monthly net rates of return are calculated by dividing the monthly net return by the net assets at the beginning of the month. Annual returns are calculated by compounding the monthly net rates of return for the year.

Returns for periods prior to July 1, 1984 are from a family account managed by S. Donald Sussman. The fees and expenses paid by the family account (if any) may have been lower than the fees and expenses associated with an investment in PPLLC.

Returns for the period beginning July 1, 1984 through April, 2005 are the audited net returns of PPLLC and returns for all periods after April 2005 are the net returns of a representative Class A fee paying investor. An individual investor’s return may vary based on the class of interests held, the timing of capital transactions and differing management fee arrangements.

Past performance does not guarantee future results. Returns for periods prior to July 1, 1984 were reviewed, but not audited, by an external auditor. Performance returns for 2015 have not been audited and are therefore subject to change.

Index returns have been included to show the general trend in certain markets during the periods indicated. References to any particular index should not be taken to imply that PIL is comparable to any index either in composition or element of risk. PIL does not attempt to replicate or benchmark itself against the performance of any index. . The **S&P 500** tracks the performance of the equity securities of a representative

sample of 500 US based large-cap companies. The **Barclays Intermediate Government/Credit Index** is comprised of US treasuries, government related and investment grade corporate bonds with maturities between one and ten years.

The **Sharpe Ratio** statistic measures risk-adjusted returns over various time periods for the simulated portfolio and benchmark. Sharpe Ratio is a measure of investment efficiency expressed as the amount of return earned per unit of associated risk. The return value used is the annualized return of the simulated portfolio minus the T-bill return. The risk measure is the standard deviation of the simulated portfolio’s excess return versus the T-bill. The higher the Sharpe Ratio, the better the trade off is between return and risk.

The **Sortino Ratio** is similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which does not discriminate between up and down volatility.

Value-at-Risk is expressed as a percentage of Master Fund capital as of the start of the reporting period. Value-at-Risk is a statistical measure of potential loss given the Master Fund’s current investments under normal market conditions and assuming no hedging or trading. Value-at-Risk in the table assumes a 20 business day (approximately one calendar month) holding period and is measured at the 99th percentile. Value-at-Risk is calculated using proprietary methodologies.

Standard Deviation is a statistical measurement of dispersion from an average. It is used to predict the likely range of returns. If a fund’s returns follow a normal distribution, then approximately 68% of the time they will fall within one standard deviation of the mean return for the fund, and 95% of the time within two standard deviations.

Annualized Return for a period of years is calculated as the constant annual rate of return of capital during the period that would produce the same overall yield at the end of the period as the varying annual returns for the same period.



Contact Information

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