

**Item 1 – Cover Page**

**Form ADV Part 2A: Firm Brochure**

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**This brochure provides information about the qualifications and business practices of New Vernon Advisers, LP. If you have any questions about the contents of this brochure, please contact us at (201) 793-0570. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Although New Vernon Advisers, LP is registered as an investment adviser with the SEC, registration does not imply a certain level of skill or training.**

**Additional information about New Vernon Advisers LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

As New Vernon Advisers LP has not previously filed a firm brochure with the SEC, this requirement is not applicable. In the future, this Item will discuss only material changes that are made to this Brochure and provide a summary of such changes.

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#### **Item 4 – Advisory Business**

New Vernon Advisers, LP (the “Registrant”), a Delaware limited partnership, is located in Jersey City, NJ. It was founded in 2004 by, among others, principal owner and Chief Executive Officer Arshad Zakaria. The Registrant’s general partner, New Vernon Advisers LLC, a Delaware limited liability company, is wholly owned by New Vernon Capital Holdings II, LLC (NVCH II), a Delaware limited liability company. Through his interest in NVCH II, Mr. Zakaria beneficially owns in excess of 25% of the Registrant. No other person holds 25% or more of the Registrant.

The Registrant advises a single pooled investment vehicle (the “Client” or “Fund”), a Cayman Islands limited partnership serving as the master fund in a master-feeder structure. The Registrant primarily invests in public and private equity and debt in companies located in the Republic of India and Indian real estate projects, though may invest to a lesser degree in certain other established and emerging markets throughout Asia (each, an “Approved Nation”).

The Registrant tailors its advisory services to the Client consistent with the investment program described in the Client’s private placement memorandum. As of December 31, 2011, the Registrant managed approximately \$999,700,000 of Client assets on a discretionary basis and no assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

The Registrant receives a management fee from the Fund equal to 2% (annually) of each Fund investor's capital account, deducted on a quarterly basis in advance. Fees are based on the fair market value of assets in the account as of the last day of the preceding quarter, except with respect to certain illiquid investments, in which event fees are based on the lower of cost of investment or fair market value (or, in the event of permanent impairment, the lower of cost or permanent impairment). Management fees may also be charged on any unfunded capital commitments, though historically the Fund has fully drawn down commitments at the time of each investor's investment. As noted, fees are generally deducted in advance, though the Fund may invoice investors with respect to certain illiquid investments in the event an individual investor does not maintain sufficient liquid capital in its Fund account to pay such fees. If an investor withdraws from the Fund prior to the end of a quarter, the investor will receive a pro rata refund of any management fee. Management fees may be subject to total or partial offset for certain fees received by the Registrant (or by entities associated with the Registrant) with respect to the underlying Fund investments. The General Partner has the discretion to waive or modify the management fee for any investor.

The General Partner receives a performance allocation in the amount of 20% of any increase over each Fund investor's net asset value at the end of the previous fiscal year (or other measurement period), which allocation is paid at the end of the fiscal year (June 30 for investors in the off-shore feeders; December 31 for investors in the on-shore feeders) or upon certain other measurement periods, such as investor withdrawal, in each case subject to high-water mark. No performance allocation is paid on certain illiquid investments until such investments are deemed realized. The General Partner does not have discretion to waive or modify the performance allocation, except for employees or affiliates of the Registrant.

The Registrant is separately reimbursed by the Fund for certain expenses, including, without limitation: (i) legal, accounting, audit, and custodial fees; (ii) consulting fees; (iii) banking, brokerage, broken-deal, registration, qualification, finders, depositary and similar fees or commissions; (iv) transfer, capital and other taxes with respect to the Client or the investors (including withholding taxes but excluding all taxes on dividends from the Client imposed on an investor in that investor's home jurisdiction); (v) duties and costs incurred in acquiring, holding, selling or otherwise disposing of Client assets; (vi) insurance premiums, indemnifications, costs of litigation and other extraordinary expenses; (vii) costs of financial statements and other reports to investors, as well as costs of all governmental returns, reports and other filings; (viii) costs of meetings of the investors and the Client's Advisory Board (including the travel and other out-of-pocket costs incurred by the General Partner and the Advisory Board in attending such meetings); (ix) interest expenses; (x) expenses incurred in investigating or evaluating investment opportunities whether or not consummated (*e.g.*, travel expenses); (xi) amounts paid to or for the benefit of Indian companies other than as capital contributions thereto or in exchange for securities issued thereby; (xii) all costs associated with the dissolution of the funds; (xiii) advertising and public notice costs; and (xiv) any other expenses not listed in the preceding clauses (i) through (xiii) that are not normal operating expenses of the General Partner or Registrant. Certain expenses related to illiquid investments may be allocated to the Fund

investor or investors participating in that investment. The Fund will also incur brokerage and other transaction costs, as discussed more fully under Item 12 “Brokerage Practices” below.

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

As discussed above, the General Partner receives a performance allocation in the amount of 20% of any increase over each Fund investor's net asset value at the end of the previous fiscal year (or other measurement period), which allocation is paid at the end of the fiscal year (or certain other measurement periods), subject to high-water mark. The General Partner does not have discretion to waive or modify the performance allocation for any investor, except for employees or affiliates of the Registrant. The General Partner may, however, calculate the performance allocation differently for feeders in the Fund with respect to certain clawback or escrow arrangements. As the Registrant manages a single Fund portfolio, it does not believe such arrangements create any conflict of interest.

## **Item 7 – Types of Clients**

The Registrant advises a single Fund. The Fund is not registered or required to be registered under the Investment Company Act of 1940, and the securities of the Fund are not registered or required to be registered under the Securities Act of 1933 and are privately placed to qualified investors in the United States and elsewhere. Investors in the Fund must be both accredited investors and qualified purchasers, and the minimum investment is \$3,000,000.00, subject to modification at the General Partner's discretion.



## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

### A. Methods of Analysis and Investment Strategies

The Registrant's methods of analysis and investment strategies involve several basic principles:

- Focus on intrinsic value

The Registrant's perspective is that it is more profitable in the long-term to focus on the particular attributes of an asset rather than on the potential for shorter-term gain derived from "market-driven" (*i.e.*, momentum-based) changes in value. Accordingly, it focuses on the intrinsic value of each asset rather than the relative value of similar assets. The Registrant applies stringent financial, operating and industry investment criteria to assess the merits and value of each investment. Key considerations in making its investment decisions may include:

- the company's competitive advantage and its position within its industry;
- the company's pricing power and customer and supplier dependencies;
- overall market and participant size and industry growth prospects;
- capital requirements needed to enhance the company's competitive advantage; and
- the financial performance and valuation of the company, including:
  - historical growth, profitability and return on investment
  - historical and projected free cash flow
  - purchase price as a multiple of free cash flow and other financial parameters.

- Invest for the long-term

The Registrant take the approach that a long-term perspective is necessary to maximize the potential gain from investments made at a discount to intrinsic value. This is particularly true for investments made in the relatively more volatile Indian investment environment where pricing dislocations may be sustained. Consistent with this long-term investment philosophy, the Registrant engages in trading activity to adjust ownership positions and increase gain potential. This long-term approach is expected to result in lower operating costs.

- Invest in high potential investments

Investing in well-conceived and well-executed projects in demand-driven and supply-constrained markets can offer lucrative opportunities to achieve long-term gains. In particular, many smaller publicly traded and privately held Indian companies are unable to attract sufficient capital to realize their operating and financial performance potential and present attractive

investment opportunities. Likewise, real estate projects in India are expected to benefit from anticipated favorable changes in real estate demand driven by the continued growth of the Indian economy and the relative scarcity of capital.

Generally, the Registrant targets companies and projects it believes possess key competitive advantages such as strong market positions or locations, unusual product features or service offerings, and operating or manufacturing cost advantages. With respect to investments in Indian real estate projects, the Registrant believes that opportunities are available in a wide variety of asset classes and property types, including the development and management of commercial, industrial and/or residential real estate and hospitality projects (*i.e.*, hotels).

- Conduct thorough due diligence

The Registrant believes that an important element in assessing potential investment candidates is a thorough due diligence process. In conducting its due diligence, the Registrant may draw upon the operating and investing experience of its principals, as well as that of their network of professional advisors, including attorneys, accountants and/or industry consultants. The degree and/or type of due diligence to be performed depends on several factors, including the size of the investment, whether the investment is in real estate, a private company or a public entity as well as general familiarity with the property location, business, or industry. Examples of due diligence tasks include:

- Communications with management to assess executive and operating management capabilities;
- Analysis of historical financial results and business plans, and review of available financial projections;
- Analysis of competitor market position and key growth drivers; and
- Interviews with key customers and suppliers to gauge the strength of these relationships and the stability of the supply chain and revenue stream.

Evaluation of real estate projects may include a review of the macroeconomic, social and financial factors affecting real estate supply and demand in the local market, as well as an estimate of value, based on asset replacement cost, potential value added and comparable leasing and acquisition prices.

- Capitalize on the Registrant's collective experience, relationships and transaction flow network

The Registrant focuses its activities on those opportunities where it believes advantages can be gained from a network of Indian real estate developers, property managers and construction companies, manufacturers, supply and distribution contacts, as well as its experience building cost-effective Indian operations, cross-border operating experience, and capital market and M&A expertise. In doing so, the Registrant relies upon its principals'

extensive Indian and U.S. relationships with key executives, financial and industry analysts and bankers to identify prospective investments.

- Create and fund post-investment initiatives to increase value of investments

The Registrant actively monitors the Fund's investments, and, in some instances, participates in the management of portfolio companies. In particular, the Registrant has, and in the future may, where possible, use its voting power in securities of portfolio companies to elect members of the board of directors of portfolio companies, providing direct input on issues of strategic direction, acquisitions and divestitures, corporate finance, personnel, and monetization strategies in order to enhance each company's management, operating, sourcing, distribution, customer and other strategies.

- Identify and facilitate timely and opportunistic exit strategies

The Registrant frequently evaluates the timing and method of realizing gains on its investments. In particular, the Registrant reviews likely exit strategies prior to making an investment and structures investments (where possible) so as to maximize the ease and speed at which the Partnership can monetize its positions and maximize its gains. With respect to private equity investments, the Registrant intends to employ a variety of exit strategies, including outright sales to strategic or financial buyers, initial or secondary public offerings, distribution of cash flows and recapitalization transactions. With respect to real estate projects, the Registrant seeks investments with multiple identifiable exit strategies, ranging from simple property sales to public capital market transactions. Liquidating transactions may also include single asset sales or portfolio sales to individual buyers, private investment funds, publicly held companies or institutional investors. The Registrant continues to monitor current restrictions on foreign ownership of real estate and structures the Fund's investment and plans its exit strategy accordingly.

## **B. Material Risks**

### GENERAL INVESTMENT RISKS

General Risks. The Registrant's investment strategies are speculative and involve a high degree of risk for the Fund, including the possible loss of principal. Returns generated through the Registrant's strategy may not provide adequate compensation for the business and financial risks assumed.

Investment and Trading Risk. All investments in securities risk the loss of capital. No guarantee or representation is made that the investment strategies will be successful. The Registrant may utilize such investment techniques as leverage, margin transactions, short sales, swaps, options on securities and forward contracts, which practices may, in certain circumstances, increase the adverse impact to which the Fund may be subject. The Registrant may invest in bonds or other fixed income securities. Such securities may face ongoing

uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments.

Public Equity Investments. A significant portion of the Registrant's strategies involves investment in publicly traded equity and equity-related investments. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. Numerous inter-related and difficult to quantify economic factors, as well as market sentiment, subjective and extraneous political factors, influence the prices of equity securities. There can be no assurance that the Registrant will be able to correctly evaluate the nature and the magnitude of the various factors that could affect the value of such investments.

Market Disruptions. The Registrant's investment strategies may incur losses in the event of disrupted markets and other extraordinary events in which historical pricing relationship become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Reliance on Other Advisers. In implementing its investment strategy, the Registrant may rely on one or more advisers unaffiliated with the Registrant to provide specific company, industry, geography and other similar information. There is no assurance that any such advisers will be available to the Registrant, and if such advisers or suitable replacements are not available, the Registrant's ability to implement its investment strategy may be adversely affected.

## PRIVATE EQUITY RISKS

Unquoted and Minority Interests. The Registrant's strategies may involve investment directly or indirectly in the securities of unquoted companies. Investments in companies the securities of which are not quoted can involve a greater risk than investments in quoted companies, and that the ability of a minority investor, such as the Fund, in such companies to influence the affairs of the company or to protect the Fund's position is limited. The Registrant may not obtain representation on the board of directors or any control over the management of any company in which the Fund may invest and the success of each investment would thus depend on the ability and success of the management of the portfolio companies in addition to economic and market factors. Moreover, the potential exit routes from interests in unquoted securities are more limited and include a sale to other investors, a buyout by the management team, a sale to a third party or an initial public offering on a capital market. However, there can be no guarantee that an exit can be found for any investment.

Non-Controlling Investments. The Registrant's strategies may involve holding non-controlling interest in certain portfolio companies and, therefore, the Registrant may have a limited ability to protect its position in such portfolio companies, although, as a condition of

investment in a portfolio company, appropriate shareholder rights may be sought to protect the Fund's interests. The Registrant may cause the Fund to co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take (or block) action in a manner contrary to the Fund's investment objective. In addition, the Fund may in certain circumstances be liable for the actions of its third party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

Control Person Liability. The Registrant's strategies may involve holding controlling interests in certain of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability for which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to arise, the Fund might suffer a significant loss. In addition, principals of the General Partner, the Registrant and/or their affiliates may serve as directors of certain of the portfolio companies, and as such, may have duties to persons other than the Fund.

Risks Associated with Change in Control Transactions. The Registrant may make debt and equity investments in companies in connection with acquisitions, buyouts and recapitalizations, which will subject the Fund to the risks associated with change in control transactions. Change in control transactions often present a number of uncertainties. Companies undergoing changes in control often face challenges retaining key employees, and maintaining relationships with customers and suppliers. If any portfolio companies experience one or more of these problems, the Fund may not realize the value expected in connection with its investments, which would likely harm its operating results and financial condition.

Investments in Restructurings. The Registrant may make investments in restructurings which involve portfolio companies that are experiencing or expecting to experience financial difficulties. These financial difficulties may never be overcome and may cause any such portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities that may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Fund and any related distributions by the Fund to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Risks in Effecting Operating Improvements. In some cases, the success of the Registrant's investment strategies will depend, in part, on the ability of the Registrant to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Registrant will be able to identify or implement such restructuring programs and improvements successfully.

Uncertainty of Financial Projections. The Registrant may determine the terms (*e.g.*, priority in the capital structure) of the Fund's investments in portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

Investments in Less Established Companies. The Registrant may invest a portion of the Fund's assets in the securities of less established companies. Certain of the Fund's investments may be in businesses with little or no operating history. Investments in such early-stage growth companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources, and are therefore often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow.

Middle-Market Companies. Investments in middle-market companies such as those in which the Registrant may cause the Fund to invest, may also entail larger risks than are customarily associated with investments in large companies. Middle-market companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the generally greater illiquidity of private investments in middle-market companies, could make it difficult for the Registrant to react quickly to negative economic or political developments.

Follow-On Investments. The Fund may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in such portfolio companies. There can be no assurance that the Registrant will wish to make follow-on

investments or that the Fund will have sufficient funds to do so. Any decision by the Registrant not to make follow-on investments or the Fund's inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish the Registrant's ability to influence the portfolio company's future development.

Effects of Bankruptcy. The Registrant may make investments in portfolio companies that are or may become the subject of voluntary or involuntary bankruptcy proceedings under applicable bankruptcy laws. Certain risks that are faced in bankruptcy cases that must be factored into the investment decision include, for example, the potential total loss of any such investment. Upon confirmation of a plan or reorganization under applicable bankruptcy laws, or as a result of a liquidation proceeding, the Fund could suffer a loss of all or a part of the value of its investment in a portfolio company. A bankruptcy filing may adversely and permanently affect a portfolio company. The portfolio company could lose market position and key employees, and the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist prior to the making of the initial investment.

### RISKS RELATED TO INVESTMENTS IN INDIAN COMPANIES

Changes in India's Political, Social and Economic Climates. A majority of the Fund's assets are invested in securities of companies that are incorporated in India. Consequently, the Fund's financial performance is affected by political, social and economic developments affecting India, including changes in exchange rates and controls, interest rates, government policies and taxation policies.

Since 1991, the Government of India has pursued an economic liberalization process. The future course of the Government of India's liberalization policies cannot be predicted and changes in India's economic liberalization and deregulation policies could harm business and economic conditions in India generally and the Fund's investments. In addition, future Fund performance may be affected by possible changes effected by current or future governments, including specific laws and policies affecting foreign investment, import tariffs, currency exchange rates and other matters affecting investment by the Fund.

Political Tensions. From time to time, India has experienced, and continues to experience, political tensions within its borders and from neighboring countries. Such tensions may adversely affect economic activity in India and thereby affect the Fund. In addition, the consequences of any conflicts arising from these tensions are unpredictable and unforeseeable by the Registrant.

Slowdown in India's Economic Growth. The Registrant's investment strategies depend on the performance of the Indian economy; thus, any slowdown in the Indian economy could negatively affect the performance of those strategies.

Trade Relationships with Other Countries. India's trade relationships with other countries may influence Indian economic conditions. For example, if trade deficits increase or are no longer manageable, the Indian economy, and with it the performance of the Registrant's investment strategies, could be adversely affected.

Exchange Rate Fluctuations. The exchange rate between the Indian Rupee and the U.S. Dollar has fluctuated substantially in recent years and may fluctuate substantially in the future. Such fluctuations may adversely affect the value of the Fund's investments. Specifically, if the relative value of the Indian Rupee to the U.S. Dollar declines, each of the following values will also decline:

- the U.S. Dollar equivalent trading price of the equity shares invested in Indian companies;
- the U.S. Dollar equivalent of the proceeds that the Fund would receive upon the sale of any of the equity shares invested in Indian companies; and
- the U.S. Dollar equivalent of cash dividends, if any, paid on interests in Indian companies.

Indian Securities Markets. The Securities and Exchange Board of India (“SEBI”) is responsible for setting disclosure and other regulatory standards for the Indian securities markets. While the SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters, the level of regulation, monitoring and reporting requirements imposed by the SEBI on the Indian securities market and Indian companies may be less stringent than those imposed by regulatory authorities and stock exchanges in developed countries such as the United States. Thus, there may be less publicly available information about Indian companies than is regularly made available in many developed countries. As a result, the Registrant may have less access to information about the operations and financial conditions of companies listed on Indian stock exchanges than investors would have in the case of companies subject to the reporting requirements of other countries.

Takeover Prohibitions. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of Indian companies. For example, any person acquiring an interest (either on its own or together with parties acting in concert with it) in 25% or more of a company's outstanding voting equity shares must make an open offer to acquire at least another 26% of outstanding voting equity shares. A takeover offer to acquire at least another 26% of outstanding voting equity shares also must be made if a person (either on its own or together with parties acting in concert with it) holding between 25% and the maximum permissible non-public shareholding (as defined under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011) of voting equity shares acquires more than 5% of voting equity shares in any financial year ending March 31. These provisions may discourage or prevent a third party from acquiring control of an Indian company, even if a change in control would result in the purchase of equity shares of such company at a premium to the market price or would otherwise be beneficial.

Indian Accounting Standards. Significant differences exist between financial statements prepared in accordance with Indian Generally Accepted Accounting Principles (“Indian GAAP”), and financial statements that are prepared according to U.S. GAAP. Individually or in the aggregate, the effect of such differences may be material for the consolidated or non-consolidated financial statements prepared on the basis of U.S. GAAP as compared to those prepared on the basis of Indian GAAP. The degree to which the Indian financial statements



included in an Indian company's annual accounts will provide meaningful information to a security holder in the U.S. or other countries depends on the reader's level of familiarity with Indian accounting practices. Since Indian companies do not prepare financial statements in accordance with U.S. GAAP, the Registrant can make no assurance that the differences would or would not give rise to material differences between financial statements prepared in accordance with Indian GAAP and financial statements prepared in accordance with U.S. GAAP.

Outbreaks of Infectious or Contagious Diseases. Outbreaks of disease such as the outbreak of severe acute respiratory syndrome, or SARS, which occurred in parts of East and South-East Asia and elsewhere in 2003, or other infectious diseases such as bird flu, which occurred in some parts of India in 2007, could have a negative effect on the economies, financial markets and business activities of many countries, including India.

Indian Market Liquidity and Volatility. Indian securities markets are smaller, less liquid and hence more volatile than securities markets in more developed economies. In the past, Indian stock exchanges have experienced substantial fluctuations in the price of listed securities.

Indian Stock Exchanges. Indian stock exchanges have experienced circumstances and operating difficulties that have affected the market price and the liquidity of securities of Indian companies. These issues have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have occasionally restricted securities from trading, limited price movements and restricted margin requirements. Disputes have also occurred between listed companies, the Indian stock exchanges and other securities regulatory bodies that have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and the liquidity of the Fund's investments.

Economic and Securities Market Volatility in Other Countries. The Indian economy and its securities markets are influenced by economic developments and volatility in securities markets in other countries. For instance, the recent economic downturn in the United States and several European countries has adversely affected market prices in the world's securities markets, including the Indian securities markets. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may affect investor confidence and cause increased volatility in Indian securities markets. If the United States and several European countries fail to recover from any economic downturns, or such downturns intensify or recur, they could cause further declines in market prices of securities of companies located in India and other developing countries.

Outsourcing Risks. As India is one of the world's largest providers of outsourcing services, the Indian economy is subject to certain risks associated with the outsourcing industry. Government officials in the U.S. and Europe are considering proposals that may curb the growth of offshore outsourcing. Any such limitations on the ability of U.S. and European companies and government agencies to take advantage of the outsourcing industry in India may adversely affect the Indian economy; thus, any slowdown in the Indian economy could negatively affect value and prospects of the Fund's investments.

Illiquidity of Investments. Some of the investments in Indian companies may be in the form of securities that are subject to restrictions on resale. Other practical limitations may inhibit the Registrant's ability to sell or distribute the securities of Indian companies. Sales of securities of Indian companies may also be limited by the overall condition of the financial market.

Regulatory Risks. The regulatory environment for the Registrant and the Fund is evolving, and changes in regulation may adversely affect the value of the investments held by the Fund and the ability of the Registrant to obtain leverage on behalf of the Fund or to pursue its trading strategies. The effect of any future regulatory change on the Registrant or the Fund is difficult to predict but could be substantial and adverse. Certain governmental approvals may be required before the Registrant or the Fund can make investments in Indian companies, Indian real estate projects or other investments. Any issuance of warrants, partly paid shares or redeemable/optionally convertible preference shares/debentures by an Indian company to the Fund may be subject to regulatory approvals. Further, any investments by the Fund in an Indian company would be subject to the foreign exchange laws of India, including the rules, regulations and notifications issued by the Department of Industrial Policy and Promotion and Reserve Bank of India, as amended from time to time. It is possible that the Registrant or the Fund may not be able to obtain all or some of these governmental approvals. In addition, registration of an affiliate of the Registrant as a Foreign Institutional Investor ("FII"), which allows the Registrant to trade in public Indian securities, is subject to periodic renewal by the SEBI. Accordingly, there can be no assurance that the affiliate will be able to retain its FII registration.

Taxation Risks. The tax laws relevant to the Fund and its investments are subject to change, and tax liabilities could be incurred by the Fund or its investors as a result of such changes. Such tax consequences may be complex, and the full tax impact will depend on circumstances particular to the Fund, each investor in the Fund and the additional peculiarities associated with the activities of each Indian company and Indian real estate project.

## REAL ESTATE INDUSTRY RISKS

Industry Risk. To the extent that the Registrant invests in real estate, the Fund will be subject to the risks associated with investing in real estate, which include, without limitation, possible declines in the value of real estate, adverse general and local economic conditions, possible lack of availability of mortgage funds, changes in interest rates and environmental problems.

Limitations on Foreign Direct Investment. The government of India has attached certain conditions for Foreign Direct Investment in real estate investments. There is no guaranty that the Registrant or the Fund will be able to meet all of these conditions with respect to each prospective real estate investment.

## RISKS ASSOCIATED WITH SWAPS, OPTIONS AND OTHER DERIVATIVE CONTRACTS

Trading in the swap markets presents certain risks in addition to those found in the securities markets. Certain of those risks are described below:

- The swap markets are generally not currently regulated by any U.S. or foreign governmental authorities. Although banks and dealers, which are participants in these markets, are regulated in various ways by U.S. and foreign banking and securities authorities, they generally do not regulate the swap markets.
- There are no current limitations on daily price movements in swap, option and other derivative contracts.
- Speculative position limits are not currently applicable to swap, option and other derivative contracts trading.
- Participants in the swap markets are not currently required to make continuous markets in the contracts they trade. There have been periods during which certain participants in these markets have refused to quote prices for swap, option and other derivative contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and the price at which they are prepared to sell.
- Trading in the swap markets involves the extension of credit by a participant to its counterparty. In general, the counterparties with which the Registrant will cause the Fund to trade require initial collateral deposits. However, the Fund typically will not receive initial collateral deposits from its counterparties. Typically, the Fund and its counterparties will periodically exchange collateral to secure mark-to-market valuations of swap, option and other derivative contracts.
- The over-the-counter (“OTC”) swap markets are “principals’ markets,” in which performance with respect to a swap, option and other derivative contracts is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearinghouse. As a result, the Fund will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the principals with which the Fund trades. Any failure or refusal of a swap option and other derivative counterparty, whether due to insolvency, bankruptcy, default, or other cause, could subject the Fund to substantial losses. The Fund will not be excused from the performance of any swap, option and other derivative contracts into which it has entered due to the default of third parties in respect of swap, option and other derivative contracts or other transactions which were to have substantially offset such contracts.
- The Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The implementation of the Dodd-Frank Act will occur based on the adoption of various regulations and reports to be prepared by various administrative agencies over a period of time. The Dodd-Frank Act requires that a substantial portion of OTC derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin

requirements on non-cleared OTC derivatives. OTC derivative dealers will also be required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as they currently are allowed to do. This will further increase the dealers' costs, which costs are expected to be passed through to other market participants in the form of higher fees and less favorable dealer marks. The SEC and the CFTC may also require a substantial portion of derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including the Fund, to enter into highly tailored or customized transactions.

### RISKS ASSOCIATED WITH PIPE TRANSACTIONS

There are a number of risks specific to engaging in "private investment in public equity," or "PIPE," transactions. Generally, PIPE transactions are privately negotiated between the Registrant and each particular company or its representatives, and there are no assurances that the Registrant will obtain the best terms possible or will obtain terms as favorable as other parties privately negotiating with such company or representatives. There can be no assurances that the companies will ever issue registered shares, or that any registration statement filed by the companies will ever be declared effective by the appropriate regulatory body. Even if the shares are registered, they may be illiquid or thinly traded, which would impede the ability of the Registrant, if it so desired, to dispose of the shares held by the Fund quickly or in a timely manner. Further, pursuant to the terms between the Fund and the company, the Fund may be subject to volume and trading restrictions, meaning that it may only be able to sell or dispose of a limited number of shares of the company each week (or other period). In addition, depending on the number of shares owned by the Fund, the Fund may become an affiliate of the company. If that were to occur, the Fund may be subject to reporting requirements, restrictions on the ability to sell or dispose of the shares, and may be deemed to be an "insider" of the company.

There are also risks associated with determining the value of the shares held by the Fund. The Registrant will receive only limited information, including limited financial information, about certain of the companies whose shares are owned by the Fund.

Each PIPE transaction is privately negotiated with a particular company or its representatives, and so there may be significant variations between the terms of one transaction in which the Fund has entered with another. For example, there may be no uniformity as to the period of time following the execution of the transaction in which the Fund is expected to receive registered shares of common stock of the company, which the Fund may then sell.

### OTHER INVESTMENT RISKS

Time Required for Investments to Mature. The Registrant attempts to invest available funds as rapidly as is consistent with the investment objective of the Fund. Illiquid investment in which the Fund may invest ("Designated Investments") typically take a significant period of time to reach a state of maturity at which liquidation can be considered. Therefore, it is unlikely that

any significant distributions of the proceeds from the liquidation of Designated Investments will be made for several years after any such investment.

Investment Funds Risks. The Registrant may invest in funds managed by third party portfolio fund managers. The following risks, among others, are relevant to such investments. (i) third party portfolio funds and their fund managers may charge management fees, incentive fees and other fees and expenses, and, as a result, the Fund may bear multiple layers of fees that may exceed the fees which would typically be incurred by a direct investment in a third party portfolio fund; provided, however, that the General Partner and the Registrant may waive a portion of the performance allocation and management fee under certain circumstances; (ii) third party portfolio funds may invest in other investment vehicles, thereby subjecting the Fund to an additional level of fees; (iii) the Registrant may receive limited information concerning the third party portfolio funds and will generally have no opportunity to assess the accuracy of any such information, including valuation information; and (iv) the Fund will be dependent upon the integrity, skill and judgment of any third portfolio fund managers with which it invests. In addition, investments in third party portfolio funds may affect state and local tax considerations and, depending upon the nature of the investment, the Fund may become subject to tax in multiple jurisdictions and may have increased filing requirements. The Registrant may experience difficulties obtaining specific information regarding investments made through third party portfolio fund managers; therefore, the Fund or an investor in the Fund may be unable to obtain the information necessary to make a complete state and local tax filing.

Short Selling. Short selling allows the Fund to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating any loss. In certain cases, extreme demand by other short sellers of a particular security to “cover” such security can drive up the price, resulting in further losses for the Fund. The SEC has adopted restrictions on the short sales of securities which fall more than 10% in a given day (referred to as the “circuit breaker” or “modified uptick rule”). Such events and these and other restrictions on the Fund’s ability to engage in short sales could make the Registrant unable to execute its investment strategies and cause losses to the Fund.

Lending of Portfolio Securities. Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Fund may lose money and there may be a delay in recovering the loaned securities. The Fund could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. These events could trigger adverse tax consequences to the Fund. Engaging in securities lending could have a leveraging effect, which may intensify the market risk, credit risk and other risks associated with investing in the Fund. When the Fund lends its securities, the Registrant is responsible for investing the cash collateral the Fund receives from the borrower of the securities, and the Fund could incur losses in connection with the investment of such cash collateral.

Speculative Purchases of Securities. The Registrant may make certain speculative purchases of securities. Such purchases may include securities which the Registrant believes to be undervalued, or where a significant position in the securities of the particular company has been taken by one or more other persons or where other companies in the same or a related industry have been the subject of acquisition attempts. There can be no assurance that securities which the Registrant believes to be undervalued are in fact undervalued, nor can there be any assurances that undervalued securities will increase in value. If the Registrant purchases securities for the Fund in anticipation of an acquisition attempt or reorganization, and an acquisition attempt or reorganization does not in fact occur, the Fund may be required to sell the securities at a substantial loss. Further, when securities are purchased in anticipation of an acquisition attempt or reorganization, a substantial period of time may elapse between the Fund's purchase of the securities and the acquisition attempt or reorganization.

Hedging Transactions and Strategies. The Registrant may, but is not required to, engage in various portfolio strategies (including the purchase and sale of securities and other instruments other than those of Indian companies) to seek to hedge against movements in the equity markets, interest rates and exchange rates between currencies by the use of options, financial futures, options on futures and forward currency transactions. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus, moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Registrant may not seek or be able to establish a sufficiently accurate correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Registrant from achieving the intended hedge or expose the Fund to risk of loss. Hedging may be employed to limit certain market risks and credit risks.

Suitable hedging instruments may not be available with respect to securities of issuers outside India on a timely basis and on acceptable terms. Furthermore, even if hedging techniques are available, the Registrant may only engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when market or currency movements occur. In addition, utilization of options and futures transactions involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of the securities, interest rates or currencies which are the subject of the hedge. Hedging transactions in foreign markets are also subject to the risk factors associated with foreign investments generally, as discussed herein. U.S. dollar denominated securities may not be available in some or all of the Approved Nations, that the forward currency market for the purchase of U.S. dollars in most, if not all, such Approved Nations is not highly developed, and that, in certain Approved Nations, no forward market for foreign currencies currently exists or such market may be closed to investment by the Fund.

Purchases of Securities of Financially Distressed Companies. The Registrant may invest in securities of companies that are experiencing significant financial or business distress. Although such purchases may result in significant returns to the Fund, they involve a substantial degree of risk and may not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that the Registrant will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. Under such circumstances, the returns generated from the Fund's investments may not compensate the Fund adequately for the risks assumed.

Concentration of Investments. Although the Registrant will follow a general policy of seeking to spread invested capital among a number of investments, its investment strategies may result in a high concentration of a limited number of investments.

Illiquid Investments. Because of the nature of the Registrant's investment strategies, certain investments (especially those in financially distressed companies) may have to be held for a substantial period of time before they can be liquidated to the Fund's greatest advantage or, in some cases, at all. In addition, the Fund may hold a significant number of securities for which no market exists and which have restricted transferability under federal or state securities laws, and it may be able to dispose of these securities only at substantial discounts or losses.

Leverage, Interest Rates. From time to time, the Registrant may borrow funds on behalf of the Fund in order to be able to make additional investments. During periods in which the Fund's portfolio is leveraged, fluctuations in the market value of the Fund's portfolio will have a significant effect in relation to the Fund's capital. The Registrant's strategies generally have a maximum intended level of leverage not to exceed 1:4 debt to equity ratio and generally will be substantially below this level. The level of interest rates generally, and the rates at which the Fund can borrow in particular, will be an expense of the Fund and therefore affect the operating results of the Fund.

Deterioration of Credit Markets and Volatility. Recent events in the sub-prime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. These forces resulted in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. These factors, combined with volatile commodity prices and foreign exchange rates, have contributed to recessionary economic conditions globally and a resultant loss of investor confidence in the financial system, which has resulted in a historically unprecedented lack of liquidity and decline in asset values. The deterioration of the global credit markets has made it more difficult for financial sponsors to obtain favorable financing for their equity investments. The Registrant's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its real estate investments. These conditions have had an adverse impact on the availability of credit to businesses generally and have lead to an overall weakening of the U.S. and global economies. The global recession could adversely affect the financial resources of tenants of the Fund's investments and their

ability to make rent payments. In the event of such defaults, the Fund could lose both invested capital in and anticipated profits from the affected investments.

Economic and Regulatory Climate. Changing markets and economic conditions, and other factors such as changes in federal or state tax laws, federal or state securities laws or accounting standards, may make corporate reorganizations and recapitalizations or other similar transactions less desirable or may make the investment strategies engaged in by the Registrant, less profitable or unprofitable.

Portfolio Turnover. The Registrant's use of certain investment strategies may generate increased portfolio turnover. A high turnover rate will result in increased brokerage commissions and may generate taxable capital gains.

Temporary Defensive Investments. For temporary defensive purposes, the Registrant may invest outside the scope of its principal investment focus. Under such conditions, the Registrant may invest without limit in money market and other investments and may not invest in accordance with its investment objective or investment strategies and, as a result, may not achieve its investment objective.

Regulatory Development Risk. Legal and regulatory changes could occur that may adversely affect the Registrant and its investment strategies. For example, the legal and regulatory environment for derivative instruments is evolving, and changes in the regulation of derivative instruments may adversely affect the value of derivative instruments held by the Fund and the ability of the Registrant to pursue its trading strategies. Similarly, the regulatory environment for hedge funds and other pooled investment vehicles is evolving, and changes in the direct or indirect regulation of hedge funds and other pooled investment vehicles may adversely affect the ability of the Registrant to manage the Fund's investment objectives and/or trading strategies. In addition, certain jurisdictions have imposed restrictions and reporting requirements on short selling. Further, regulators and exchanges are authorized to regulate trading or other activity with respect to certain markets and may impose other restrictions which could have significant adverse effects on the Fund's portfolio and the ability of the Registrant to pursue its investment strategies on behalf of the Fund and achieve the Fund's investment objective. It is impossible to predict what additional interim or permanent government restrictions may be imposed on the markets and/or the effect of such restrictions on the strategies employed by the Registrant. However, the Registrant believes that regulation of the financial markets may be significantly increased and that such increased regulation could have a material adverse effect on its strategies.

Currency and Exchange Rate Risks. Because the Registrant invests in non-U.S. companies, changes in currency exchange rates will, and may materially adversely, affect the value of the Fund's portfolio and the unrealized appreciation or depreciation of investments. The Fund may also incur costs in connection with conversions between different currencies. In addition, governments may exercise foreign currency controls that may materially adversely affect the Registrant's investment strategies in various circumstances that cannot be foreseen at the present time.



Special Risks of Emerging and Developing Markets. Securities in emerging and developing market countries may offer special investment opportunities, but investments in these countries present risks not found in more mature markets. In addition to the risk factors discussed above, emerging markets may have less developed trading markets and exchanges. Emerging countries may have less developed legal and accounting systems, and investments may be subject to greater risks of government restrictions on withdrawing the sales proceeds of securities from the country. Economies of developing countries may be more dependent on relatively few industries that may be highly vulnerable to local and global changes. Governments may be less stable and present greater risks of nationalization or restrictions on foreign ownership of stocks of local companies.

### RISKS ATTRIBUTABLE TO SECURITIES OF APPROVED NATIONS

Generally. Investments in securities of issuers in the Approved Nations involve special considerations and risks in addition to the risks associated with investing in Indian companies. The capital markets of some of the Approved Nations are small which makes for limited liquidity and price volatility. The economies of the Approved Nations may be relatively undeveloped, and there are significant political and social uncertainties and government involvement in the economies, including restrictions on foreign investment. There are also overburdened infrastructures, archaic legal systems, environmental problems and obsolete financial systems.

Political, Social and Economic Factors. Approved Nations may be subject to a greater degree of economic, political and social instability than is the case in the United States or Western European countries. Instability may result from, among other factors: (i) authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; (v) ethnic, religious and racial disaffection; and (vi) changes in trading status.

Although economic and political reforms are underway in some Approved Nations, the governments of Approved Nations are often authoritarian in nature and influenced by security forces. Over the last twenty-five years, certain governments in the region have been installed or removed as a result of military coups, and others have periodically shown their repressive police state nature. Disparities of wealth, among other factors, have also led to violence and social unrest. Several Approved Nations have or in the past have had hostile relations with neighboring nations or have experienced internal insurgency.

Certain governments participate significantly, through ownership interests or regulation, in their respective economies. Action by these governments could adversely impact the liquidity and market prices of, and the dividends paid on, securities of companies in these Approved Nations. In addition, Approved Nations are heavily dependent on international trade and are, accordingly, affected by protective trade barriers and the economic conditions of their trading partners, principally the United States, China, Japan and Western European countries. Protectionist trade legislation, reduction of foreign investment in the economies of these

countries and general declines in the international securities markets could have a significant adverse effect on the securities markets of the Approved Nations. Certain Approved Nations may have in the past failed to recognize private property rights and may have at times nationalized or expropriated the assets of private companies. As a result, the risk of nationalization or expropriation of assets may be heightened.

Market Characteristics. As compared with securities markets in the United States, securities markets in the Approved Nations are newer and are characteristically smaller, less liquid and more volatile. Many securities markets in the region are undergoing changes which make standard settlement and delivery procedures more difficult to effect. In particular, securities markets in many Approved Nations are new and undeveloped in terms of securities law and regulation. The prices at which the Registrant may acquire investments may be affected by trading by persons with material non-public information and by securities transactions by brokers in anticipation of transactions by the Registrant in particular securities. Additionally, accounting, auditing and financial reporting standards are not equivalent to those applicable in the United States, and regulations are often applied inconsistently. Therefore, less financial information will be available to the Registrant than would be available in the United States.

To take advantage of potential growth opportunities, investments by the Registrant may include companies with smaller market capitalization than is typical of companies in the United States. Securities of smaller companies may be subject to more abrupt or erratic market movements than the securities of larger, more established companies, both because the securities are typically traded in lower volume and because the companies are subject to greater business risk. To the extent that any of the Approved Nations experience rapid increases in its money supply and investment in equity securities for speculative purposes, the equity securities traded in such countries may trade at price-earning multiples higher than those of comparable companies trading on securities markets in the United States, which may not be sustainable.

Investment and Repatriation Restrictions. Restrictions on foreign investment exist to varying degrees in some Approved Nations. As a result, investment in countries operating with foreign investment restrictions may be limited and may increase the expenses relating to the Registrant's investment strategies. In several of the Approved Nations, the Registrant may be limited by government regulation or a company's charter to a maximum percentage of equity ownership in any one company.

Foreign investment in India and several of the Approved Nations, if it exceeds the prescribed limit on a particular company, can be made through the purchase of stocks in the over-the-counter market or through the purchase of investment funds that have been granted a license from the government. Either form of investment may involve the payment of management expenses or substantial premiums above the market value. The Registrant will not invest in such funds unless, in the judgment of the Registrant, the potential benefits outweigh the additional costs involved.

Repatriation of both investment income and capital from several of the Approved Nations is subject to restrictions such as the need for governmental consents. These restrictions may in the future make it undesirable to invest in the countries in which they apply.

Additional risks may be set out in the offering memoranda of the Fund.

## **Item 9 – Disciplinary Information**

In 2008, the Registrant discovered that one of the Client’s investing intermediaries had omitted from a securities filing a notation to the effect that it was a “person acting in concert” with another investing intermediary. Upon discovering the error, the Registrant corrected it, voluntarily notified the Securities and Exchange Board of India (SEBI) and proposed a consent order. SEBI accepted the order, which was directed to the intermediary (not the Registrant), and fined the intermediary the equivalent of approximately \$700 in USD terms. The pertinent internal procedures were modified to prevent any recurrence.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### New Vernon Management LLC

New Vernon Management LLC (the “General Partner”), a Delaware limited liability company and an affiliate of the Registrant, is the general partner of the Client, including each feeder fund. The General Partner has delegated to the Registrant authority to provide investment advice and make investment decisions for the Client. The General Partner is exempt from registration with the Commodity Futures Trading Commission as a commodity pool operator with respect to the Fund under CFTC Rule 4.13(a)(4).

### New Vernon Asset Management Ltd. (NVAML) and New Vernon Singapore Ltd. (NVS)

Registrant wholly owns NVAML, a Mauritian tax resident operating under a Global Business license issued by the Financial Services Commission in Mauritius. NVAML is registered with SEBI as an FII, which status permits NVAML’s sub-accounts held by the Fund to invest directly in Indian public securities.

NVAML wholly owns NVS, a Singapore tax resident that is exempt from the requirement of holding a capital markets services license to carry on a business as a fund manager with the approval of the Monetary Authority of Singapore (MAS). NVS provides certain advisory services to the Fund.

Each of NVAML and NVS is subject to the supervision and compliance program, including Code of Ethics, of the Registrant, and is a relying adviser of the Registrant in reliance on the position expressed by the SEC staff, dated January 18, 2012, to the American Bar Association, Business Law Section.

### New Vernon Investment Management, LLC (NVIM)

NVCH II, which owns 100% of the Registrant, is a financial services holding company that also beneficially owns a majority interest in NVIM, an investment management firm that advises several private investment funds and is in the process of registering as an investment adviser with the SEC.

The Registrant operates independently from NVIM, and NVIM and its trading personnel generally are not involved in the Registrant’s day-to-day trading operations. However, personnel of the Registrant and NVIM may in some cases provide administrative and back-office services (such as legal and operational services) to both firms. Two employees of NVIM also share office space on the premises of the Registrant. In addition, a limited number of the Registrant’s personnel may share and discuss market information and potential investment opportunities, and may from time to time review fund investment positions, portfolio composition and anticipated transactions, with a limited number of personnel at NVIM. The Registrant at all times retains

independent investment discretion over the Fund, including determination of the investments to be made by the Fund and the timing and price of transactions in their respective portfolios.

The relationship between the Registrant and NVIM creates certain potential conflicts of interest, as it may enable each firm to use investment information generated by personnel of the other firm to the disadvantage of clients of the other firm (for example, by acting on an investment opportunity identified by the other firm, and thereby adversely impacting the price or availability of the opportunity for the other firm's clients). Further, because of the overlap in beneficial ownership between the Registrant and NVIM, principals of the firms could have an incentive to direct investment opportunities to either the Registrant or NVIM based upon the relative fee income generated by the opportunity (and, indirectly, received by such principals), rather than considering the appropriateness of the opportunities for their respective client bases. However, the Fund and the NVIM funds implement materially different investment strategies, and because of the differences between the investment mandates and strategies utilized by the Fund and the NVIM funds, it is not generally anticipated that they will compete with one another for investment opportunities. Furthermore, there exist certain limitations on NVIM's capacity to access the Indian markets directly. Moreover, in light of the size and liquidity of those markets in which the Fund and the NVIM funds may both trade, the Registrant and NVIM generally do not anticipate that their trading would have a material impact on market prices. The Registrant and NVIM have adopted policies and procedures to mitigate these conflicts of interests, including a single restricted list, and the CCOs of each firm actively coordinate the compliance function of each firm as particular circumstances arise.

#### Other Activities of the Registrant and Certain Related Persons

Principals, officers and other employees of the Registrant will devote as much of their time to the activities of the Registrant as they deem necessary. Except as may be set out in the offering materials of the Fund or any future fund, none of such persons are restricted from forming additional investment entities or from engaging in other business activities, even though such activities may involve substantial time and resources. As noted below under "Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading", certain individuals associated with the Registrant are generally prohibited from making direct investments in India.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Registrant has adopted a Code of Ethics setting forth standards of conduct for the Registrant, and its Supervised Persons, which include all employees, Access Persons (as defined under the Investment Advisers Act of 1940 (“Advisers Act”)), and others designated by the Chief Compliance Officer. The Code is based on the principle that the Registrant and its Supervised Persons (as defined under the Advisers Act) owe a fiduciary duty to its clients, which includes a responsibility to treat clients fairly, to avoid conflicts of interest, and to put the interests of clients before the interests of the Registrant and all those associated with it. Furthermore, the Registrant owes duties of honesty, loyalty, and utmost good faith to its clients, which require it to act solely in its clients’ best interests. These duties further impose an obligation to disclose all material facts to clients in connection with Registrant’s services to them.

The Code sets out policies and procedures addressed to certain specific issues arising from these various duties. It prohibits certain trading practices for either Client or personal accounts, including trading on material non-public information, front-running, and other manipulative trading practices. For each Supervised Person’s personal securities accounts, the Code requires quarterly reporting of transactions and annual reporting of all holdings. For all Supervised Persons, the Code requires pre-clearance for transacting in certain public and private securities. It restricts and requires reporting related to the giving and receiving of certain gifts and entertainment. It addresses outside activities of employees, conflicts of interest, and political contributions. It provides for a variety of potential penalties for violations of the foregoing restrictions as well as others.

Employees are required to certify, on at least an annual basis, their compliance with the Code. Upon request, the Registrant will provide a copy of the Code to any Client, investor, or prospective investor.

Additionally, certain individuals associated with the Registrant, including its principal owner, have further restrictions on personal investment activities. Generally, except with the prior approval of the Fund’s Advisory Board, such individuals may not, directly or indirectly, (i) invest Client assets in private companies the securities of which they hold; provided, however, that the prior approval of the Advisory Board shall not be required where the Client is making a follow-on investment and the initial investment in such company did not require the approval of the Advisory Board; (ii) buy from or sell to the Client any securities; (iii) invest the Client’s assets in public companies a substantial percentage of the securities of which are then held by such individuals; provided, however, that the prior approval of the Advisory Board shall not be required where the Client is making a follow-on investment and the initial investment in such company did not require the approval of the Advisory Board; (iv) invest in a public company that is listed on an Indian stock exchange, a private company that is located in India or an approved nation or an Indian real estate project except as a limited partner (or a limited partner in a parallel fund); (v) invest the Client’s funds in an Indian real estate project which is within the immediate proximity to real estate which is then held by such individuals; provided, however, that the prior

approval of the Advisory Board shall not be required where the Client is making a follow-on investment and the initial investment in such Indian real estate project did not require the approval of the Advisory Board; and (vi) engage in any material financial transaction with the Client other than such transactions that are contemplated by the limited partnership agreements.

In addition, many of the employees of the Registrant and its related persons are unable to directly purchase Indian securities or invest in Indian companies because they do not fall into the categories of individuals permitted by Indian law to so invest.



## **Item 12 – Brokerage Practices**

The Registrant arranges for the clearance and settlement of its trades in securities or derivatives with broker-dealers in India or elsewhere. In selecting brokers to execute such transactions, the Registrant seeks best execution on behalf of the Fund, which is the duty to execute securities transactions for the Fund in such a manner that the Fund's total cost or proceeds in each transaction is the most favorable under the circumstances. In considering total cost or proceeds, the Registrant considers the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and stability, sales coverage, reputation, and responsiveness, and the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the Fund. In addition, in selecting brokers the Registrant may consider the value of the following, either provided by the broker, or paid for by the broker (either by cash payments or by commissions) to be provided by others: brokerage (such as clearing, order routing, custodial and settlement services), research and research products and services (described below). In recognition of the value of products and services provided by a broker, the Registrant may effect securities transactions which cause the Fund to pay the broker an amount of commission in excess of the amount of commission another broker would have charged.

Best execution does not necessarily require the Registrant to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. The Registrant intends not to negotiate "execution only" commission rates. The Registrant, based on its knowledge of the industry, attempts to have the Funds' brokerage arrangements be competitive with similarly-situated companies.

Research may include, among other things, proprietary research from brokers, which may be written, oral or online. Research products may include, among other things, computers or terminals, computer databases and quotation equipment, in each case, to access research or which provide research directly and registration fees for attendance to research seminars. Research services (which may be in written or oral form or online) may include, among other things, research concerning market, economic and financial data, statistical information, data on pricing and availability of securities, financial publications, electronic market quotations, performance measurement data and services, analyses concerning specific securities, companies or sectors, market, economic and financial studies and forecasts, online pricing and financial information, access to computerized data regarding clients' accounts, portfolio strategy advice, market, economic and financial data, statistical information, data on pricing and availability of securities, publications (including periodicals, magazines and newspapers), document retrieval services, analyses concerning specific securities, companies, governments or sectors, technical data, recommendations and general reports, and any other information to the extent related in any way to any of the foregoing.

Products and services obtained in connection with portfolio transactions for the Funds are intended to fall within the parameters of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, but they may fall outside of Section 28(e).

Certain senior and trading personnel of the Registrant oversee the Registrant's brokerage relationships including, but not limited to, conducting an internal semi-annual broker vote and setting non-binding target allocations.

The Registrant does not recommend, request or require that the Fund direct it to execute transactions through a specified broker-dealer, nor does the Registrant permit the Fund to direct brokerage.

### **Item 13 – Review of Accounts**

Virtually all of the business time and effort of the Registrant's investment personnel is directed to the Fund. Such personnel review different aspects of the Fund's investments daily, and in regularly scheduled portfolio meetings throughout the week.

Registrant provides the following information on the following schedule to all investors:

- On a monthly basis, investors have secure, online access to an un-audited estimate of the value of their account, as well as monthly, quarterly, and yearly changes to date, within approximately ten business days of the end of the month.
- On a quarterly basis, investors receive an account statement prepared by the Fund's administrator and sent by the Registrant containing their capital account statement, which includes performance since inception, as well as the Fund's quarterly letter, within approximately six weeks of the end of the quarter.
- On an annual basis, investors receive the Fund's audited financial statements, as well as the audited financial statements of the feeder into which the investor has directly invested, within 120 days following the end of the year.

**Item 14 – Client Referrals and Other Compensation**

N/A

## **Item 15 – Custody**

The Registrant may be deemed to have custody, as defined in Rule 206(4)-2 under the Advisers Act, of funds or securities of the Fund on the basis that the General Partner acts as general partner to the Fund. The Registrant relies on the “audit exemption” in Rule 206(4)-2(b)(4) under the Advisers Act, which exempts an adviser to a limited partnership, limited liability company or other pooled investment vehicle from the requirement to deliver account statements to its clients if the adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes the audited financial statements annually to the investors in the vehicle.

## **Item 16 – Investment Discretion**

The Registrant manages the Fund on a discretionary basis. The Registrant's discretion in managing the Fund is limited by the terms of the Fund's private placement memorandum and limited partnership agreement provided to Fund investors.

## **Item 17 – Voting Client Securities**

The Registrant generally has the authority to vote Client securities. In accordance with Rule 206(4)-6 under the Advisers Act, the Registrant has adopted and implemented written policies and procedures for voting client proxies it receives. The Registrant's general policy is to vote company proxies in accordance with company management. While it is the Registrant's policy to generally follow those guidelines, the Registrant retains the right, on any specific proxy, to vote differently from the guidelines if the Registrant believes it is in the best interests of the Client. Any such exceptions will be documented by the Legal/Compliance Department and reviewed by the Chief Operating Officer. From time to time, the Registrant may also determine to engage an independent third party to cast any or all proxy votes on behalf of the Client. Clients are not generally entitled to direct to vote of any proxy.

In India, many companies do not permit voting by proxy, but require any vote to be cast in person by the shareholder of record. With respect to any shareholder vote involving Client investments for which a proxy is not permitted, the Registrant makes a determination whether to appear in person to cast a vote. In addition, the Registrant's ability to vote may be constrained by the timing of its receipt of the notice of any shareholder vote. In making the determination whether to vote, the Registrant considers a number of factors, including the significance of the proposal on the Client's investment, the size of the Client's investment, the likelihood of the Registrant's vote affecting the passage of the proposal, and the costs of attending in person.

The Registrant will maintain records for each matter relating to a portfolio security with respect to which the Fund was entitled to vote.

A copy of the Registrant's proxy voting policies and its voting record will be provided to clients upon request.

## **Item 18 – Financial Information**

N/A