

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

### **Avantium Investment Management (US) LLC**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Avantium Investment Management (US) LLC (“Avantium US” or the “Advisor”) and its affiliates (collectively and including Avantium US, “Avantium”). For more information on the disclosure requirements see the “General Instructions for Part 2 of Form ADV” by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Mr. Arnd Sieling, at +44 (0) 207 870 4949 or email [arnd.sieling@avantiuminvest.com](mailto:arnd.sieling@avantiuminvest.com).

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

Avantium US is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority. The web site referenced above is controlled and operated by Avantium Investment Management (UK) LLP (“Avantium UK”), an affiliate of Avantium US and an exempt reporting adviser under SEC number 802-74545.

**Item 2: Material Changes**

This document is part of the initial application by Avantium US to register as an investment adviser with the SEC. Accordingly this is the first Brochure produced by Avantium US. The Advisor encourages all recipients of this Brochure to read it carefully in its entirety.

In the future, this Item 2 will identify and discuss the material changes since the last annual update to assist investors and make them aware of certain information that has changed since the prior year's Brochure and that may be important to them.

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## Item 4: Advisory Business

### **4. A. Describe your advisory firm, including how long you have been in business. Identify your principal owners.**

Avantium US is an investment management firm organized as a limited liability company under the laws of Delaware. Avantium US was formed on June 22, 2011. Avantium Management (US) LLC is the principal owner of Avantium US. Messrs. Kay Haigh and Arnd Sieling founded Avantium and are the controlling principals.

Following SEC registration, Avantium US will begin sub-advising certain private investment funds on an integrated basis with, and under the overall direction and supervision of, Avantium UK and its London-based Chief Investment Officer.

Avantium UK's clients, for purposes of the Advisers Act, solely include the following private funds: Avantium Liquid EM Macro Master Fund Limited (the "Master Fund"), Avantium Liquid EM Macro Fund LP (the "Delaware Feeder") and Avantium Liquid EM Macro Fund Limited (the "Cayman Feeder" and together with the Delaware Feeder, the "Feeders;" the Feeders together with the Master Fund, the "Funds"). The Feeders are feeder funds that are organized to invest substantially all of their assets (to the extent not retained in cash) in the Master Fund. The Master Fund is organized to invest in fixed income, currency, credit and equity markets and their related derivatives in global emerging markets, although the Master Fund may invest in a wider range of asset classes and markets in its discretion.

Avantium Asset Management GmbH, a Swiss based affiliate of Avantium, serves as the manager of the Funds ("Manager") under the terms of a Management Agreement dated September 13, 2011 ("Management Agreement"). Avantium UK provides discretionary investment management services to the Funds pursuant to an Investment Management Agreement, dated September 13, 2011 ("IMA"), under which the Manager appointed Avantium UK as the investment manager. Under the terms of an Investment Advisory and Services Agreement, dated September 13, 2011 (as amended, the "IASA"), Avantium UK appointed its affiliate, Avantium US, as an Investment Advisor in order to provide Avantium UK with investment advice and recommendations, research and trade execution services. Following SEC registration, Avantium US expects to begin sub-advising the Funds on an integrated basis with, and under the overall direction and supervision of, Avantium UK and its London-based Chief Investment Officer.

### **4. B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

Avantium generally has broad and flexible investment authority with respect to the Funds. In providing services to the Funds, Avantium US will, following SEC registration, begin sub-advising the Funds on an integrated basis with, and under the overall direction and supervision of,

Avantium UK and its London-based Chief Investment Officer in accordance with the terms of the IASA and the private offering memoranda of the Funds (the “Fund Offering Documents”). Investment advice is provided to the Funds and not individually to the limited partners of the Delaware Feeder or shareholders of the Cayman Feeder (collectively, the “Investors”).

**4. C. Explain whether (and if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

Avantium does not tailor its advisory services to the individual needs of Investors (although Avantium’s advisory services are tailored to meet the investment mandates of the Funds, as described in the Funds’ offering documents). The Investors may not restrict investments by the Funds in any capacity.

The Funds have entered and may in the future enter into side letter agreements with certain Investors. Such agreements may provide such Investors with additional notification and disclosure rights and special fee arrangements (but not preferential liquidity terms), among others. The Funds generally enter into side letters only with Investors who make substantial commitments of capital.

**4. D. If you participate in wrap fee programs by providing portfolio management services (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

Avantium does not participate in wrap fee programs.

**4. E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated those amounts.**

Upon approval by the SEC, Avantium US is expected to begin sub-advising the Funds on an integrated basis with, and under the overall direction and supervision of, Avantium UK and its London-based Chief Investment Officer. This integrated management will be on a discretionary basis and will cover a combined total of approximately \$648.9 million in Regulatory Assets Under Management (“RAUM”), calculated as of June 30, 2012. Avantium US does not currently manage any assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

**5. A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

The Manager and its affiliates are compensated for the services performed by way of (i) management fees payable to the Manager by the Feeders, (ii) performance fees payable to the Manager by the Cayman Feeder, and (iii) incentive allocations by the Delaware Feeder to its general partner, Avantium General Partner (Cayman) Limited (the “GP”). The general terms of

the compensation and fee structure are described hereinafter; Investors should consult the applicable Fund Offering Documents for more detail.

Investors bear the cost of fees payable and incentive allocations made to Avantium as such amounts reduce the pro rata returns. The Master Fund as such does not pay any compensation to Avantium. The Manager is solely responsible for compensating Avantium UK for its services under the terms of the IMA, and Avantium UK is solely responsible for compensating Avantium US for its services under the terms of the IASA.

Pursuant to the Management Agreement, each of the Feeders pay the Manager a monthly management fee equal to (x) in respect of Class A Shares and Interests, 0.125% (1/12 of 1.5% per annum) of the net asset value of the Class A Shares in the Cayman Feeder or the Class A capital accounts in the Delaware Feeder, as the case may be, and (y) in relation of Class B Shares and Interests, 0.167% (1/12 of 2% per annum) of the net asset value of the Class B Shares in the Cayman Feeder or the Class B capital accounts in the Delaware Feeder, in each case calculated as of the last day of such calendar month, before deduction of that month's management fees and before deduction of any accrued performance fees or incentive allocation. Management fees are payable monthly in arrears.

The Manager is further entitled to receive a performance fee from the Cayman Feeder in respect of Class A Shares and Class B Shares for each period ending on December 31 in each year, (the "Calculation Period"), or, in the event of redemption of Shares in the Cayman Feeder on a date other than December 31, in respect of the period ending on the relevant redemption day. The performance fee accrues on a monthly basis as at each valuation day. For each Calculation Period, the performance fee in respect of Class A Shares is equal to 15%, and in respect of Class B Shares equal to 20%, of the appreciation (if any) in the net asset value per Share, calculated on a share-by-share basis, of the relevant Share Class during the Calculation Period since the time of issue of that Share, or if issued in a previous Calculation Period, above the highest net asset value per Share achieved as at the end of any previous Calculation Period during which such Share was in issue. The performance fee in respect of each Calculation Period is calculated by reference to the net asset value of the relevant Shares before the deduction of any accrued performance fee. Investors are advised to consult the applicable Fund Offering Documents for details of the performance fee calculation, in particular but not limited to the equalization method applied when Shares in the Cayman Feeder are acquired at a value different from the highest historic net asset value on the date of issue or at the end of any prior Calculation Period,

With respect to the Delaware Feeder, the GP is entitled to an incentive allocation for each period ending December 31 in each year, or, in the event of a withdrawal on a date other than December 31, in respect of the period ending as of the date of withdrawal with respect the withdrawn portion of the Investor's capital account. For each such period, the incentive allocation to the GP is equal to 15% of the net profits in the case of Class A Interests, and equal to 20% of the net profits in the case of Class B Interests, in each case, as allocated to the Investor's relevant capital account during such period, and subject to a high-water mark provision (as detailed in the applicable Fund Offering Documents).

Avantium reserves the right to waive or reduce management fees, performance fees or incentive allocations with respect to any Investor, including its principals, employees and affiliates as may

be determined in Avantium's sole discretion from time to time. In general, investments by principals and employees of Avantium or their respective affiliates will not be subject to management fees, performance fees or any incentive allocation.

**5. B. Describe whether you deduct fees from client's assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

Management fees, performance fees and incentive allocations are deducted from Investors' assets invested in the Feeders. Investors do not have the ability to choose to be billed directly for fees incurred.

As described above, the management fee generally is paid monthly in arrears, while the performance fee (in the case of the Cayman Feeder) and the incentive allocation (in the case of the Delaware Feeder) are paid for each period ending December 31 in each year, or, in the event of a redemption or withdrawal on a date other than December 31, in respect of the period ending as of the date of such redemption or withdrawal with respect to the amount redeemed or withdrawn portion.

**5. C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

The Funds are responsible for the fees of their administrator, prime brokers and custodian, as well as all other ongoing operating costs and expenses of the Funds. Please see Item 12 of this Brochure for further discussion of brokerage.

Investors should refer to the relevant Fund Offering Documents for a complete understanding of fees and expenses they may pay. The information contained herein is a summary only and is qualified in its entirety by such documents.

**5. D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Avantium does not charge client fees in advance. Because we do not require clients to pre-pay fees there is no opportunity to obtain a refund.

**5. E. If you or any of your supervised person accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1-4.**

Neither Avantium nor its supervised persons accepts compensation for the sale of securities or other investment products.

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

**If you or any of your supervised persons accepts performance based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance based fee, and describe generally how you address these conflicts.**

As discussed in Item 5, Avantium US's affiliates may receive a performance fee or an incentive allocation based on the appreciation in the net asset value per Share (in the case of the Cayman Feeder) or the Investor's capital account (in the case of the Delaware Feeder). The performance fee or incentive allocation is assessed on both realized and unrealized gains, and accordingly, an incentive allocation or performance fee may be paid on gains which may subsequently never be realized. The incentive allocation and performance fee may create a conflict of interest in that there may be an incentive for Avantium US to make investments for the Funds which are riskier than would be the case in the absence of a fee based on performance. The Fund Offering Documents describe in detail how performance-based compensation is charged and disclose the risks associated with such performance-based compensation prior to making an investment.

Avantium does not currently manage any separate accounts on a side-by-side basis with the Funds, or any accounts that do not include a performance fee or incentive allocation.

## **Item 7: Types of Clients**

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Following SEC registration, Avantium US will provide, on an integrated basis with, and under the overall direction and supervision of, Avantium UK and its London-based Chief Investment Officer, discretionary management and advisory services to the Funds (subject to the direction and oversight of the directors of the GP and the directors of the Master Fund and the Cayman Feeder), and not individually to Investors.

The Cayman Feeder and the Delaware Feeder are feeder funds that invest substantially all of their respective assets (to the extent not retained in cash) in the Master Fund. In the future, additional feeder funds may also be created to invest in the Master Fund. It is not expected that any direct investments will be made in the Master Fund other than by such feeder funds.

The minimum commitment for an Investor is (i) \$5,000,000 in the case of Class A Shares and Interests and (ii) \$1,000,000 in the case of Class B Shares and Interests, as outlined in the Fund



Offering Documents; however the directors of the Cayman Feeder or the GP, as the case may be, maintain discretion to accept less than the minimum investment threshold, subject, in the case of the Cayman Feeder, to an absolute minimum of \$250,000, which applies also to any top-ups. Investors in the Cayman Feeder (but not the Delaware Feeder) may also subscribe for Shares denominated in EUR and CHF, in each case at the same threshold amounts set out before but in the relevant foreign currency. Investors are required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and a “qualified purchaser” within the meaning of Section 2(a)(51) of the Investment Company Act. Also, Investors are required to make certain representations when investing in a Fund, including that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the Funds. Details concerning applicable Investor suitability criteria are set forth in the respective Fund Offering Documents and subscription materials, which are furnished to each Investor.

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

### **8.A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

As described in Item 7, the Feeders invest substantially all of their assets (to the extent not retained in cash) in the Master Fund.

The investment objective of the Master Fund is to seek to achieve superior returns through investment in fixed income, currency, credit and equity markets and their related derivatives in global emerging markets, although the Master Fund may invest in a wider range of asset classes and markets in its discretion. However, this investment strategy entails risk and Avantium cannot and does not give the Funds or Investors any guarantee or assurances that the Master Fund will achieve this objective. In addition, please be aware that an Investor’s investment results may vary substantially over time and from period to period.

In order to seek to achieve the investment objective, Avantium applies an investment process based on combining a top down fundamental economic analysis at the country level, augmented by global macro-economic trends, with micro-economic input from the company and industrial level. It is expected that this process identifies dislocations in financial markets that can be exploited by appropriate directional and comparative value strategies. Furthermore, the intrinsic synergies between fixed income, currency, credit and equity markets should allow Avantium an opportunity to extract a favourable risk/return profile while preserving a satisfactory level of diversification. Avantium believes that imbalances and disequilibria are created from time to time by the influence of economic, political and technical factors as well as capital flows.

The key medium term investment themes that evolve from this investment process determine the portfolio construction, and may include long and short positions in fixed income, currency, credit and equity, and their related derivatives. Short-term tactical positions may be added to the portfolio to give incremental return and diversity. The resulting portfolio is subject to risk control

analysis consistent with the long-term investment objective of the Master Fund. The analysis of technical factors is employed to assess market positioning and liquidity, and to gauge in light of this information the preferred entry and exit points.

It is expected that the Master Fund will take positions in the fixed income, currency, credit, equity and commodity markets of emerging market countries and the OECD. Avantium will typically position the majority of the Master Fund's portfolio in the emerging markets and outside the G7 Group of industrialised economies. From time to time, long or short investments in the G7 industrialised economies will be added to the portfolio to express cross market investment strategies. The resulting portfolio will be subject to risk control analysis consistent with the long term investment objectives and the liquidity profile of the Master Fund. There is no minimum credit rating for securities whether government or corporate, that the Master Fund may invest in.

The base currency of the Master Fund is the US Dollar. The assets of the Master Fund, however, are invested in securities and other investments which may be denominated in other currencies. Avantium may, although there is no guarantee, seek to hedge the foreign currency exposure of the Master Fund. In addition, the Shares of the Cayman Feeder are denominated in Euro, CHF and US Dollars and are issued and redeemed in those currencies. Avantium may, although there is no guarantee, also seek to hedge the foreign currency exposure of the Euro and CHF Shares of the Cayman Feeder against the US Dollar.

The Master Fund has maximum flexibility to invest in a wide range of instruments, including listed and unlisted equities, debt securities (which may be below investment grade), loans, bonds, other collective investment schemes (which may be open-ended or closed-ended, listed or unlisted and which may employ leverage), currencies, futures, options, warrants, swaps and other derivative instruments. Derivative instruments may be exchange-traded or over-the-counter. The Master Fund may engage in short sales. The Master Fund may also retain amounts in cash or cash equivalents pending reinvestment or if this is considered appropriate to the investment objective.

Investing with Avantium may be deemed speculative. Such investing involves a risk of loss, including the risk of loss of the entire amount invested. The investment strategy offered by Avantium could lose money over short or long periods.

**8.B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

The nature of the Master Fund's investments involves certain risks and the Master Fund will utilize investment techniques (such as leverage, short selling and the use of derivatives) which may carry additional risks. An investment in the Funds may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors only who fully understand and are capable of bearing all the risk of an investment in the Funds, including without limitation the risk of losing their entire investment. No guarantee or representation is made that the Funds will achieve their investment objective or that Investors will not lose all or substantially all of their investment in the Funds.

The descriptions contained below are a brief overview of associated risks related to an investment in the Funds; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. Investors are advised to refer to the Fund Offering Documents for more comprehensive information on associated risks.

#### Business Risk

There can be no assurance that the Funds will achieve the investment objectives. There is a limited operating history by which to evaluate their likely future performance. The investment results of the Funds are reliant upon the success of Avantium as investment manager to the Funds. The success is affected, amongst other factors, by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Master Fund's investments. Volatility or illiquidity could impair the Master Fund's profitability or result in losses.

#### Concentration of Investments

The Feeders invest all their assets (to the extent not retained in cash) in ordinary shares of the Master Fund and accordingly are not diversified. Although it is the policy of the Master Fund and Avantium to diversify the Master Fund's investment portfolio, there may be a substantial correlation between positions and the Master Fund may at certain times hold fewer investments. Upon the occurrence of certain market events, the portfolio of the Master Fund could become more correlated. The Master Fund could be subject to significant losses if it holds a large position in a particular investment, or correlated positions, that decline in value or are otherwise adversely affected, including by default of the issuer(s).

#### Counterparty Risk

The Funds are subject to the risk of the inability of any counterparty (including their prime brokers) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

#### Currency Exposure in Certain Markets

Some markets have economies where the risks associated with holding currency are structurally greater than in other countries. Currency exchange rates are highly volatile and subject to severe event risks, as the political situation with regard to the relevant foreign government may itself be volatile. Moreover, if the cash flow of the assets is contingent, it may be difficult to quantify the attendant cross-currency risk, compounding the risk of changes in underlying currencies by the other risks in the portfolio.

#### Effect of Substantial Redemptions, Withdrawals

Substantial redemptions and withdrawals by Investors within a short period of time could require the Master Fund to liquidate positions more rapidly than would otherwise be desirable, possibly reducing the value of the Master Fund's assets and/or disrupting Avantium's investment strategy. Reduction in the size of the Master Fund could make it more difficult to generate a positive return or recoup losses due to, among other things, reductions in the Master Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its

expenses. In addition, substantial redemptions and withdrawals by Investors may result in the delay of payment of redemption and withdrawal proceeds to Investors in accordance with the provisions of the applicable Fund Offering Documents.

#### Financing Arrangements; Availability of Credit

As a general matter, the banks and dealers that may provide financing to the Master Fund can apply essentially discretionary margin, “haircuts”, financing, security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, government, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Master Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the Master Fund’s equity. The Master Fund could also be subject to a “margin call”, pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the securities over which the broker has been granted security to compensate for the decline in value. A “margin call” can essentially be made at the discretion of the relevant broker, even if the securities over which that broker has been granted security to secure the Master Fund’s margin accounts have not declined in value. In the event of a sudden drop in the value of the Master Fund’s assets, Avantium might not be able to liquidate assets quickly enough to pay off the margin debt. In such a case, the relevant broker may liquidate additional assets of the Master Fund, in its sole discretion, in order to satisfy such margin debt. Whilst Avantium may take steps to mitigate these risks (including, but not limited to, entering into committed credit facilities and margin lock-up agreements with relevant banks and dealers), there can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances.

#### Global Financial Market Crisis and Governmental Intervention

The global financial markets have recently undergone pervasive and fundamental disruptions and dramatic instability. The extent to which the underlying causes of instability are pervasive throughout global financial markets and have the potential to cause further instability is not yet clear but these underlying causes have led to extensive and unprecedented governmental intervention. Regulators in many jurisdictions have implemented or proposed a number of wide ranging emergency regulatory measures, including restrictions on the short selling of financial and other stocks in many jurisdictions and proposals to introduce new financial transaction or services taxes. Such intervention has in certain cases been implemented on an “emergency” basis without much or any notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated. In addition, due to the uncertain stability of global financial institutions, the security of assets held by any financial institution cannot be guaranteed, notwithstanding the terms of any agreement with such institution. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in

confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies. It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on Avantium's ability to implement the Master Fund's investment objective. However, Avantium believes that there is a likelihood of increased regulation of the global financial markets and the hedge fund industry, and that such increased regulation could be materially detrimental to the performance of investment vehicles employing strategies generally similar to that of the Master Fund (including the Master Fund).

#### Highly Volatile Markets

The prices of derivative instruments, including options prices, may be highly volatile. Price movements of forward contracts and other derivative contracts in which the Master Fund may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programmes and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Master Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

#### Illiquid Investments

The Master Fund may make investments that due to legal or other restrictions suddenly may become illiquid. The market prices, if any, of illiquid investments tend to be more volatile and it may not be possible to sell such investments when desired or to realise their fair value in the event of a sale. Moreover, securities in which the Master Fund may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realised from these sales could be less than those originally paid. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

#### Investment Management Risk

The investment performance of the Funds is wholly dependent on the services of certain directors, members of, and/or individuals employed by, as appropriate, Avantium. In the event of the death, disability, departure, insolvency or withdrawal of any of these directors or individuals, the performance of the Funds may be adversely affected.

#### Leverage

The Master Fund may employ leverage, including through the use of borrowings, for the purpose of making investments. The level of interest rates at which the Master Fund can borrow will affect the operating results of the Master Fund. If the Master Fund leverages its assets to borrow additional funds for investment purposes, the Master Fund may be required to pledge its assets to secure such borrowings, potentially reducing the Master Fund's liquidity. The Master Fund may

also, in effect, borrow funds through entering into repurchase agreements and may leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. Investments made by the Master Fund may also contain a significant amount of leverage. While Avantium will look to any such inherent leverage in assessing the leverage to be applied within the portfolio overall, the use of leverage creates special risks and may significantly increase the Funds' investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase the Master Fund's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the net asset value to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the net asset value may decrease more rapidly than would otherwise be the case. Any limitation on the availability of borrowing facilities may have a detrimental effect on the Master Fund's ability to maintain its intended level of leverage. As the holders of Shares and Interests rank for repayment after all other creditors, they may not get back their full investment if there are insufficient funds to discharge creditors (including such Investors who have redeemed their Shares or withdrawn amounts from their capital accounts in the Delaware Feeder, but have not been paid their respective redemption or withdrawal proceeds in full).

#### Liquidity and Market Characteristics

In some circumstances, investments may be relatively illiquid making it difficult or impossible to acquire or dispose of them at the prices quoted on the various exchanges or at the prices which Avantium considers reflects their then value. Accordingly, the Master Fund's ability to respond to market movements may be impaired and the Master Fund may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. The Master Fund may be adversely affected by a decrease in market liquidity for the instruments in which it invests which may impair the Master Fund's ability to adjust its positions. The size of the Master Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, leveraging as a consequence of a decision by the prime brokers not to offer credit or by other counterparties with which the Master Fund enters into repurchase/reverse repurchase agreements or derivative transactions, to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Master Fund's portfolio.

#### Market Disruptions

The Master Fund may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices 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 Master Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Fund. A sudden restriction of credit by the dealer community has resulted in forced liquidations and major losses for a number of investment funds and other vehicles. Because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment funds and other vehicles have suffered heavy losses even though they were not necessarily heavily invested in credit related

investments. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause losses for the Master Fund and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Master Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Master Fund to close out positions.

#### Net Asset Value and Price Fluctuations

The net asset value is expected to fluctuate over time with the performance of the Master Fund's investments. Investors may not fully recover their initial investment when they choose to redeem their Shares from the Cayman Feeder or withdraw from the Delaware Feeder, or upon a compulsory redemption or withdrawal as provided for under the Fund Offering Documents, if at the time of such redemption or withdrawal the net asset value is less than at the time of the initial subscription by such Investor. Moreover, the value of Shares and Interests and the income (if any) derived from them can go down as well as up.

#### Service Providers and Counterparties

The Funds and Avantium, in pursuit of the Funds' investment objectives, rely on the services of certain prime brokers, custodians, an administrator and other service providers, market and other counterparties. Such independent service providers and counterparties are not under the control of the Funds or Avantium, and may suffer market, credit or operational problems or defaults of their own that have a material adverse effect on the Funds. Indemnification provisions for the benefit of the Funds may be limited and/or ineffective, in particular (but not limited to) where a default results in or has the nature of counterparty insolvency. During such an insolvency procedure (which may last many years), the Funds may be an unsecured creditor in relation to certain assets (including without limitation in respect of which the Master Fund had previously been a secured creditor) and accordingly the Funds may be unable to recover such assets from the insolvent estate of the relevant prime broker, custodian, administrator or other service provider in full, or at all.

#### Short Selling

Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no absolute guarantee that securities and/or currencies necessary to cover a short position will be available for purchase. Due to regulatory or legislative action taken by certain regulators as a result of volatility in the global financial markets, taking short positions on certain securities has been restricted. The levels of restriction vary across different jurisdictions and are subject to change in the short to medium term. These restrictions have made it difficult in some cases for market participants either to fully implement their investment strategies or to manage the risk of their open positions. Accordingly, where such restrictions exist, Avantium may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of Avantium to fulfill the investment objective of the Master Fund may be constrained. This position is monitored regularly by Avantium.

Tax Considerations

The Master Fund may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by the Master Fund is incorporated, established or resident for tax purposes. Where the Master Fund invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be withheld or imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Master Fund will not be able to recover such tax and so any change would have an adverse effect on the net asset value of the Shares or Interests. Where the Master Fund sells securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser, not the Master Fund. Where the Funds choose or are required to pay taxation liabilities and /or account for reserves in respect of taxes that are or may be payable in respect of current or prior periods by the Funds (whether in accordance with current or future accounting standards), this would have an adverse effect on the net asset value of the Shares or Interests. This could cause benefits or detriments to certain Investors, depending on timing of their entry to or exit from the respective Funds.

Trading Errors and Trading Execution Risks

Trading errors and order errors, which may be due to a mistake of fact, processing error or other similar reason, are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. If trading errors and /or order errors do occur, they will be for the account of the Funds, unless they are the result of conduct inconsistent with the standard of care set forth in the Management Agreement and the Investment Management Agreement. Based on such standard of care, except in the case of negligence (as defined under English law), fraud or willful default, losses (including indirect losses, loss of opportunity and consequential loss) arising from unintended errors in the communication or administration of trading instructions shall be for the account of the Funds. Avantium will not be responsible for the errors of other persons, including the prime brokers, the custodian or the administrator. In the event of a trading error or an order error, it shall be a matter of Avantium's discretion as a free-standing investment judgment whether or not to retain the relevant position.

Undervalued Securities

One of the objectives of the Master Fund is to identify and invest in undervalued securities and other financial instruments. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments may involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed. The Master Fund may make certain investments in securities which Avantium believes to be undervalued; however, there can be no assurance that the securities purchased will in fact be undervalued. In addition, the Master Fund may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Master Fund's capital may be committed to the securities, thus possibly preventing the Master Fund from



investing in other opportunities. In addition, the Master Fund may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

### Valuations

The net asset value of the Master Fund is calculated by the administrator based, to the extent possible, on prices obtained from independent third-party sources including exchanges. Investors should note that there is a risk that an Investor which redeems its Shares (or withdraws amounts from its capital account in the Delaware Feeder) while the Master Fund holds particular assets may be paid an amount less or more than it would otherwise be paid if the actual value of such assets is higher or lower than the value provided to the administrator. In addition, there is a risk that a subscription for Shares or Interests could dilute the underlying value of such assets for the other Investors if the actual value of such assets is higher than the value provided to the administrator. There is also a risk that greater management fees, and performance fees or incentive allocations, may be paid by the relevant Funds in respect of certain assets or liabilities than would have been paid if the actual value of such assets or liabilities is lower or higher than the value determined for the purposes of calculating those fees. There is no obligation to remit excess management fees, performance fees or incentive allocations to the relevant Funds or any Investor if a price reasonably believed to be an accurate valuation of a particular asset of the Master Fund is found not to be accurate. The Funds' financial statements are prepared in accordance with US GAAP. For the purposes of calculating net asset value and net asset value per Share, the valuation principles set out in the Fund Offering Documents, under "Net Asset Value", are used. Investors should note that US GAAP and such principles may differ in certain respects and, therefore, the monthly net asset value and net asset value per Share may differ from the corresponding values in the financial statements.

Each Investor and prospective Investor is provided with a private offering memorandum that contains a detailed description of the material risks related to an investment in the Funds, and is advised to carefully review all risk factors set forth in such private offering memorandum.

### **8.C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

Avantium does not recommend any particular type of security to its clients. Instead, it engages in various securities transactions in order to best achieve the investment objectives of its clients. Listed below are the key securities traded by Avantium's clients and the associated risks.

### Credit Default Swaps

The Master Fund may take long and short positions in credit default swaps. A credit default swap is a type of credit derivative which allows one party (the "protection buyer") to transfer credit risk of a reference entity (the "reference entity") to one or more other parties (the "protection seller"). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events (each, a "credit event") experienced by the reference entity. Credit default swaps carry specific risks including credit event risks such as the reference entity's bankruptcy or failure to pay, high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to

fulfill its obligations to the Master Fund if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

#### Currency Options

The Master Fund may acquire currency options, the value of which depend largely upon the likelihood of favourable price movements in the underlying currency in relation to the exercise (or strike) price during the life of the option. Many of the risks applicable to trading the underlying currencies are also applicable to over-the-counter options trading. In addition, there are a number of other risks associated with the trading of options including the risk that the purchaser of an option may at worst lose his entire investment (the premium it pays).

#### Debt Securities

The Master Fund may from time to time invest in debt securities which may be unrated by a recognised credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Master Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Master Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Master Fund will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves a higher degree of uncertainty making comparison across countries, issuers and borrowers difficult. Credit markets are volatile and may become illiquid and as a consequence may be of limited use when determining the value of instruments.

#### Derivatives

The Master Fund may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment policy and for hedging purposes. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits sometimes required to establish a position at the outset in such instruments may permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in potentially unquantifiable further loss exceeding any margin deposited. In the event that a call for further margin exceeds the amount of cash available in the Master Fund, the Master Fund will be required to close out the relevant contract. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect collateral calls or delays in collateral recovery. The Master Fund may also sell covered

and uncovered options on securities and other assets. To the extent that such options are uncovered, the Master Fund could incur an unlimited loss.

#### Emerging Markets Securities

The Master Fund will primarily invest in fixed income, currency, credit and equity instruments and their related derivatives in and with reference to global emerging markets. These investments carry many common risk factors to those encountered in more developed markets, but also entail different and at times additional risk exposures for the Master Fund and, therefore, Investors. The economies of individual emerging countries may differ favourably or unfavourably from the economies of more developed or other emerging market countries in such respects as growth of gross domestic product, higher rates of inflation, rapid interest rates fluctuations, currency appreciation or depreciation, asset reinvestment, state of technological development, resource self-sufficiency, dependency upon international trade, capital flows and balance of payments position. Government and political regime, local laws and regulations, central bank policies, social and economic stability, protection of legal rights and the effectiveness of the legal and financial system differ materially across many emerging market countries, and are often subject to change at a faster pace than in more developed countries. Government intervention in the private sector and financial markets varies between different emerging market countries, and may include nationalisation, expropriation, confiscatory levels of taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income as well as capital. Emerging market governments may introduce new or impose additional registration requirements for domestic investments and restrictions on the repatriation of foreign direct or indirect investments, wage and price controls, trade barriers and other protectionist measures. Similarly, emerging market countries have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade, as well as by shifts in the social, economic conditions and policies in the countries with which they trade. All these and related factors remain volatile and there can be no assurance that future developments in emerging markets or more developed markets will not lead to social, economic or political developments in emerging markets that are or may become detrimental to and adversely affect the value of investments by the Master Fund. Where the Master Fund invests in securities of issuers based in certain emerging markets, this may carry a greater degree of risk than an investment in securities of issuers based in more developed countries. Among other things, such emerging market securities investments may carry the risks of less publicly available and less reliable information, significantly more volatile markets and temporary trading suspensions, less strict securities market and other financial regulation, less favourable tax provisions, settlements being slower and subject to greater risk of failure, intermediaries being less experienced or technologically equipped, as well as custodians not offering the level of service, administration and safe-keeping that is customary in more developed markets. The Master Fund may not always be recognised as the owner of securities held by local custodians, and whilst the Master Fund will work with its prime brokers and custodian to mitigate any such risk, there is no guarantee that this will always be possible or effective to protect the value of investments made by the Master Fund. Where the Master Fund seeks exposure to emerging markets countries through securities of issuers from more developed countries or exchange-trade instruments, the Master Fund may still suffer from adverse developments of all or any of the underlying risk factors in emerging market countries, and it may bear additional embedded cost compared to direct investments in securities from emerging market issuers.

Each Investor and prospective Investor is provided with a private offering memorandum that contains a detailed description of the material risks related to an investment in the Funds, and is advised to carefully review all risk factors set forth in such private offering memorandum.

## **Item 9: Disciplinary Information**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

Neither Avantium nor any of its officers, directors, employees or other management persons or affiliates, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

**10.A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither Avantium US nor any of its management personnel are registered with, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**10.B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

As of the date of submission of this ADV2, neither Avantium US nor any of its management personnel are registered with, or have an application pending to register, as a futures commission merchant, commodity trading advisor, or an associated person of the foregoing entities.

Avantium US and certain of its affiliates intend to register, with effect as of January 1, 2013, with the U.S. Commodity Futures Trading Commission (the "CFTC") as commodity pool operators. Certain of such entities' management personnel will, concurrent with such registration application, apply to register with the CFTC as associated persons of such entities.

**10.C. Describe any relationship or arrangement that is material to your advisory business or to your clients that your or any of your management persons have with any related person listed below. Identify the related person and if the relations or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

- 1. broker-dealer, municipal securities dealer, or government securities dealer or broker**

2. **investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
3. **other investment adviser or financial planner**
4. **futures commission merchant, commodity pool operator, or commodity trading advisor**
5. **banking or thrift institution**
6. **accountant or accounting firm**
7. **lawyer or law firm**
8. **insurance company or agency**
9. **pension consultant**
10. **real estate broker or dealer**
11. **sponsor or syndicator or limited partnerships.**

As discussed in Item 4, Avantium US has entered into the IASA with Avantium UK, an affiliated investment adviser under common control with Avantium US, pursuant to which Avantium US will, following SEC registration, begin sub-advising the Funds on an integrated basis with, and under the overall direction and supervision of, Avantium UK and its London-based Chief Investment Officer. Among other matters, Avantium US will provide Avantium UK and the Funds with investment advice and recommendations, research and trade execution services on the terms set out in the IASA. Avantium US has no clients other than Avantium UK and the Funds and does not hold itself as an investment adviser to the public.

Avantium UK, through its affiliates, the Manager and the GP, organizes and sponsors the Funds, for which it serves as discretionary Investment Manager and for which Avantium US serves as sub adviser and the GP serves as general partner, as discussed in Item 4. In addition, Avantium UK and the GP are commodity pool operators that are, as of the date of submission of this ADV2, exempt from registration with the CFTC.

Avantium US does not believe that the affiliated entities, discussed above, create a material conflict of interest with the Funds or Investors because Avantium US and the affiliated entities act to conduct a single advisory business, and all relationships are fully disclosed. The independent directors of the Master Fund, the Cayman Feeder, the GP and Avantium UK provide direction and oversight of Avantium’s investment management activities for the Funds and on behalf of Investors, thus creating a further check on Avantium US, but not a conflict of interest.

**10.D. If you recommend or select other investment advisers for your clients and your receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Avantium US does not recommend or select other investment advisers for its clients nor does it receive compensation directly or indirectly with such advisers that would create a material conflict of interest. Nor does Avantium US have other business relationships with such advisers that would create a material conflict of interest.

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

**11.A. If you are an SEC registered investment adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.**

Avantium US has adopted a Code of Ethics and Conflicts of Interest Policy and Procedures which contains provisions designed to (i) prevent improper personal trading by employees; (ii) prevent improper use of material, non-public information about securities recommendations made by Avantium US or securities holdings of advisory clients and (iii) identify conflicts of interest, including monitoring of pay-to-play issues that could arise due to political donations by Avantium US or its personnel. These policies and procedures are contained in the Avantium US Compliance Manual. Avantium US will provide a copy of the Code of Ethics free of charge to any client, Investor or prospective client or investor upon request. Requests may be by contacting Avantium's Chief Compliance Officer at +44 (0) 207 870 4949 or email [arnd.sieling@avantiuminvest.com](mailto:arnd.sieling@avantiuminvest.com).

**11.B. If you or a related person recommends to client or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address the conflicts that arise.**

Neither Avantium US nor its related persons recommend to clients, or buys or sells for client accounts, securities in which Avantium US or a related person has a material financial interest.

**11.C. If you or a related person invests in the same securities (or related securities, e.g. warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

Generally, neither Avantium US nor its related persons invest in the same securities (or related securities) that Avantium US or a related person recommends to clients; provided that exceptions may from time to time occur, subject to compliance with Avantium's compliance manual. However, related persons of Avantium US do have investments in the Funds. The fact that such persons have financial ownership interests in the Funds creates a potential conflict in that it could cause Avantium US to make different investment decisions than if such parties did not have such financial ownership interests. In addition, potential conflicts relating to personal trading are addressed by the personal securities transaction policies set forth in Avantium US' Code of Ethics.

**11.D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts to interest it presents.**

Neither Avantium US nor its related persons recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that Avantium US or a related person buys or sells the same securities for their own accounts.

## **Item 12: Brokerage Practices**

### **12.A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commission).**

Avantium maintains a list of approved brokers with whom orders are typically placed. Subject to the terms of the Management Agreement, the Investment Management Agreement and the IASA, Avantium US has full discretion to choose a broker from Avantium UK's current list of brokers for executing any order or orders, but in doing so shall assess and balance a range of all relevant factors, including those set out in its best execution policy which Avantium US considers (in its reasonable determination) relevant to achieving the best result for the Funds. Avantium acknowledges that some orders may be executed outside a regulated market or multilateral trading facility.

When buying and selling financial instruments for the Master Fund, Avantium takes all reasonable steps to achieve the best overall result. In doing so, Avantium takes account of client categorization, the nature of the orders, the characteristics of the financial instrument concerned and the markets in question. Avantium uses its knowledge, experience and judgment to execute orders on behalf of the Funds, taking into consideration a range of different execution factors that include not just price, but also the costs incurred in the transaction, the need for timely execution, the likelihood of execution and settlement, the liquidity of the market and the size and nature of the order, including whether it is executed on a regulated market or over-the-counter. The relative importance of these execution factors on each order is influenced by the following execution criteria: the nature of the order, the financial products the order relates to and the nature of the venues available for execution of the order.

Avantium has identified those brokers through which it most regularly seeks to execute/direct orders and that it believes offer the best prospects for providing the Funds with best execution. In selecting the most appropriate brokers for the purpose of executing an order on behalf of the Funds, Avantium takes full account of the factors relevant to such order, including the execution criteria set out above, and will consider:

1. What Avantium reasonably assesses to be in the best interests of the Funds in terms of executing such order; and
2. Such other factors as may be appropriate, including the ability of the venue/broker to manage complex orders, the speed of execution, the creditworthiness of the venue and the quality of any related clearing and settlement facilities.

Although Avantium seeks competitive commission rates, it will not necessarily pay the lowest commission rate available. Transactions, in particular in emerging markets, may involve specialized services on the part of a broker-dealer, which may justify higher commissions than would be the case for more routine services elsewhere. In addition, the diversity in those markets

and instruments and the kind of orders that may be placed mean that different factors may have to be taken into account when Avantium assesses the application of this policy in the context of different instruments and different markets. For example, there is no formal market or settlement infrastructure for over-the-counter transactions. In some markets, price volatility may mean that the timeliness of execution is a priority, whereas, in other markets that have low liquidity, the fact of execution may itself constitute best execution. In other cases, Avantium's choice of broker or execution venue may be limited (e.g. there may only be one platform/market upon which it can execute an order) because of the nature of the Master Fund's requirements.

**12.A.1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.**

Avantium US may receive proprietary research from broker-dealers that is produced for general dissemination to market participants in addition to execution services as long as those research products and execution services fall under the "safe harbors" provided by the SEC in relation to "soft dollars." Although Avantium does not "pay up" through commission mark-ups or markdowns, full service broker-dealers providing proprietary research may charge higher commission rates that are "bundled" in their negotiated rates than those that are charged by broker-dealers not providing such proprietary research. The provision of proprietary research could provide Avantium with an incentive to favor full service broker-dealers over those offering execution-only services at lower commission rates. Any research received through this process benefits all clients because Avantium only provides investment advice to the Funds. Avantium's selection process with respect to broker-dealers is described above in Item 12.

**12.A.2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related persons receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interests it creates.**

In selecting brokers, Avantium takes into account the benefits listed in Item 12.A.1 above. In addition, in evaluating its broker-dealers, Avantium considers a broker-dealer's ability to provide Avantium with the opportunity to participate in capital introduction events sponsored by the broker-dealer and to refer Investors to the Funds. It should be emphasized that Avantium does not select broker-dealers solely in return for referrals.

Avantium recognizes that it may have an incentive to favor broker-dealers that provide capital introduction services to Avantium or refer Investors. Avantium receives asset-based fees and accordingly would receive a financial benefit from the increase in assets under management that result from capital introduction services and Investor referrals. Similarly, Avantium receives a performance-based fee and accordingly could receive a larger performance-based fee in any given profit period as a result of an increase in assets under management that results from capital introduction services and Investor referrals. The potential for higher fees presents a potential conflict in that Avantium has an incentive to favor broker-dealers that provide services that have a direct impact on fees even if those broker-dealers rate unfavorably in other categories that are part of Avantium's best execution analysis.



Avantium addresses this potential conflict by evaluating the performance of its broker-dealers on an overall “best execution” basis, which considers a wide variety of categories. In the event a broker-dealer is outperforming in capital introduction and Investor referrals but underperforming in other areas, Avantium may provide heightened scrutiny to its relationship with such broker-dealer.

#### **12.A.3. Directed Brokerage.**

Avantium US does not recommend, request, require or permit a client to direct brokerage for execution through a specified broker-dealer.

**12.B. Discuss whether and under what condition you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Due to the master-feeder nature of the Funds and the lack of any separate accounts co-managed therewith, Avantium does not aggregate trades for different clients when placing orders.

### **Item 13: Review of Accounts**

**13.A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

The investments made by the Master Fund are monitored by the Portfolio Manager, Scott Kramer on a current basis, with oversight by Avantium’s London-based Chief Investment Officer. In addition, Avantium’s Chief Risk Officer reviews the Funds on a daily basis for various risks and profit and loss attribution. These reviews are designed to monitor and analyze Fund transactions and positions and ensure compliance with investment objectives. The results are shared with Avantium’s CIO, CEO and investment and relevant infrastructure professionals on a regular basis.

**13.B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

Avantium US generally reviews client accounts as circumstances warrant, in addition to the periodic basis described in 13.A above.

**13.C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

Investors will receive annual audited financial reports based on U.S. generally accepted accounting principles, as well as reasonably necessary tax related information, directly from the administrator. In addition, the administrator to the Funds provides to all investors:

- Monthly Investor statements with firm NAV/monthly performance;
- Monthly TruView risk and transparency reports; and

- Monthly OPERA reports.

Avantium provides or makes available via its website to all investors the following additional standard information:

- Weekly and monthly NAV estimates;
- Monthly Investor letter; and
- Monthly portfolio presentation.

On behalf of the Funds, the administrator also provides a monthly portfolio data feed to RiskMetrics and Measurisk for independent risk reporting to Investors who are signed up to these providers.

Avantium does not provide firm valuation data to the administrator; portfolio valuations are derived from a pricing matrix agreed by the directors of the Master Fund, the Cayman Feeder and the GP, as applied by the administrator and monitored by Avantium UK under the terms of a formalized valuation policy for the Funds.

## **Item 14: Client Referrals and Other Compensation**

**14.A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

No one other than clients of Avantium provides an economic benefit to Avantium for the provision of investment advice or other advisory services.

**14.B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

Avantium does not compensate any person for client or Investor referrals. Prime brokers providing services to Avantium may provide introductory services for potential investors, but are not compensated for it.

## **Item 15: Custody**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Avantium US does not take or maintain physical custody of any of the Funds' cash or securities and conducts all business operations such that all of the Funds' cash and securities are preserved in the safekeeping of State Street Bank and Trust Company, as independent custodian for the Funds, or Credit Suisse Securities (Europe) Limited, Deutsche Bank AG and UBS AG as prime brokers for the Funds, or, where applicable, as margin or collateral with other trading counterparties under the terms of relevant ISDA agreements.

Affiliates of Avantium US may be deemed to have custody of the Funds' funds or securities (and Avantium US may in the future be deemed to have such custody) by virtue of their status as an investment manager or general partner of the Funds. To ensure compliance with Rule 206(4)-2 under the Advisers Act, the Funds, among other matters, are subject to an annual audit in accordance with generally accepted auditing standards and the audit reports are issued in accordance with generally accepted accounting principles by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and the relevant audited financial statements are distributed to each Investor via the administrator within 120 days of the Funds' fiscal year end.

## **Item 16: Investment Discretion**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

In accordance with the terms and conditions of the Fund Offering Documents, the Management Agreement and the Investment Management Agreement, Avantium UK generally has discretionary authority to determine, without obtaining specific consent from the Funds, their directors or Investors, the securities, other financial instruments and the amounts to be bought or sold thereof on behalf of the Funds, and to implement the day-to-day investment decisions for the Funds. Avantium US will, following SEC approval, begin to exercise investment discretion over all or a portion of the Funds' assets in connection with sub-advising the Funds on an integrated basis with, and under the overall direction and supervision of, Avantium UK and its London-based Chief Investment Officer.

Investors do not have the ability to impose limitations on Avantium's discretionary authority. Each Investor must execute a subscription agreement in which it makes various representations, including representations regarding its suitability to invest in a high-risk investment pool.

## **Item 17: Voting Client Securities**

**17.A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, include those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so how, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

In limited situations, Avantium may receive a proxy or corporate action involving the Master Fund's investments. In such instances, it will vote such proxy or move on such corporate action. Avantium has developed a written policy and procedures governing its activities in this area. In general, Avantium's proxy voting policy requires it to vote the Master Fund's proxies in the interest of maximizing value on behalf of the Funds. To that end, Avantium will vote in a way that it believes, consistent with its fiduciary duty to the Funds, will cause the relevant security, financial instrument or issue to increase the most or decline the least in value.

Avantium may have a conflict of interest in voting a particular proxy or exercising on a corporate action. A conflict of interest could arise, for example, as a result of a personal relationship with corporate directors or candidates for directorships. If Avantium US determines that it or one of its employees faces a material conflict of interest in voting a proxy or corporate action, Avantium US's procedures call for it to abstain from action.

Investors do not have the ability to direct proxy votes.

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Avantium US has adopted and implemented written policies and procedures governing the voting of client securities. Clients may obtain a copy of Avantium US's proxy voting policies and procedures, as well as information about how the Company voted with respect to their securities, by contacting us at: +44 (0) 207 870 4949 or email [arnd.sieling@avantiuminvest.com](mailto:arnd.sieling@avantiuminvest.com).

**17.B. If you do not have authority to vote client securities, disclose this fact.**

As described in 17.A. above Avantium does have authority to vote client securities.

## **Item 18: Financial Information**

**18.A. If you request or solicit pre-payment of more than \$1200 in fees per client, six months or more in advance, include a balance sheet for your more recent fiscal year.**

A balance sheet is not required to be provided as Avantium US does not solicit fees more than six months in advance.

**18. B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

Avantium US does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients.

**18. C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

Avantium US has not been subject to any bankruptcy proceeding during the past 10 years.