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Brochure / Form ADV 2A

1 – INTRODUCTION

City Financial Investment Company Limited ("CFIC" or the "Firm") is authorised and regulated by the UK Financial Services Authority ("FSA") and is registered with the U.S. Securities and Exchange Commission ("SEC"). This brochure provides information about the qualifications and business practices of CFIC. Any questions about the contents of this brochure should be addressed to CFIC at: Tel: +44 20 7726 9850 or email: enquiries@cityfinancial.co.uk.

The information in this brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that CFIC, or its associates, have attained a certain level of skill or training. This brochure provides information for our U.S. clients. Most provisions of the U.S. Investment Advisers Act of 1940 (the "Advisers Act") and of this brochure do not apply to our non-U.S. clients.

More information about CFIC can be gained by visiting the SEC's Investment Adviser Public Disclosure ("IAPD"). The IAPD web address is: www.adviserinfo.sec.gov.

2 – MATERIAL CHANGES

This brochure is CFIC's initial Form ADV Part 2A submitted with its application for registration with the SEC, therefore, there are no material changes to report. If CFIC makes any material changes to this brochure, this section will be revised to include a summary of such changes.

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4 – ADVISORY BUSINESS

CFIC is a privately owned company registered in the United Kingdom. The majority shareholders comprise CFIC's board, with the largest positions ultimately owned by CFIC's Chairman and CEO.

Since establishing its core fund range in 2006, CFIC has grown its assets under management to over US\$350 million of assets managed across a diverse range of investment strategies. More information is available in CFIC's Form ADV Part 1 and on the Firm's website.

Rob Hain, formerly CEO of Invesco Perpetual and Andrew Williams, former Head of Distribution at the same firm, acquired CFIC in 2006 and created a new business offering a highly differentiated client proposition for investors.

CFIC is the Authorised Corporate Director of a range of funds. The funds span a range of asset classes, strategies and risk categorisations. It is the purpose of CFIC to be accountable on a regulatory basis for all aspects of the fund and to oversee all delegated functions of the fund management process. The funds themselves are classified by the United Kingdom Financial Services Authority as:

- Undertakings for Collective Investment in Transferable Securities Opening (UCITS) Opening Ended Collective Investment Schemes (OEICS),
- Undertakings for Collective Investment in Transferable Securities Opening (UCITS) Unit Trusts (UTs), or,
- Non-Undertakings for Collective Investment in Transferable Securities Opening (NURS) Opening Ended Collective Investment Schemes (OEICS).

The aim of CFIC is to grow assets under management both organically, through healthy fund performance, and through strategic acquisitions of pools of assets or companies. CFIC acquired the Foresters assets in October 2006 and then the Neptune MultiManager business was acquired in October 2007. In December 2010 CFIC acquired the rights to the pH Investment Portfolio from Unizone Financial Solutions Limited. In September 2012 CFIC purchased the Octopus Investment Fund range and three pools of assets from PCE Investors Limited. The purchase of fund management businesses allows CFIC to create value from cost and revenue synergies and capital market trends.

CFIC operates a robust, client focused business infrastructure, delivering an alignment of interests between investor and fund manager through firmly embedded transparent systems of risk management, reporting and compliance, all providing an independent second layer of oversight over the portfolio management process. CFIC maintains a culture of continuous improvement, role specialisation and the use of cutting-edge technology.

CFIC manages funds through a partnership ethos whereby portfolio managers have the required independence to encourage creative investment ideas, whilst benefiting from economies of scale, strong central business leadership and operational excellence. CFIC believes the resulting business model is conducive to developing high performing strategies, since operational risk is mitigated and complete investment focus from the portfolio managers is assured. CFIC also participates in the marketing of the funds which it manages.

Investor Benefits

- CFIC provides access to a broad range of high quality strategies within a control environment,
- Independent compliance and risk management departments add security,
- Operational risk is addressed through an established, specialised infrastructure, and,
- A focus on technology provides enhanced transparency via independent risk and performance reporting.

Manager Benefits

- Portfolio managers access economies of scale without relinquishing equity or investment control,
- Funds benefit from an infrastructure of institutional quality, and,
- CFIC's experienced management and operational support removes the opportunity cost of back and middle office management.

5 – FEES AND COMPENSATION

CFIC provides the regulatory oversight services as Authorised Corporate Director of the funds for which it generally charges each of the funds a management fee ("Management Fee") based on the fund's net assets. The Management Fee will usually range from 1.5% to 2% of assets under management on an annualized basis, depending on the terms of the particular fund, and is normally payable monthly in arrears.

The specific manner in which fees are charged by CFIC is established in the prospectus of each fund. In this document, what fees are payable to CFIC and what other expenses may or may not be payable by the funds is clearly explained. For example, funds may incur certain charges imposed by custodians, brokers, directors, auditors etc, and other fees and taxes on brokerage accounts and securities transactions – none of which will be receivable by CFIC.

CFIC may enter into rebate or trail agreements with platforms or advisors who refer prospective investors to a CFIC fund. Such parties may have a conflict of interests in advising prospective investors whether to purchase or redeem their shares or interests in a fund due to the fees paid to them by CFIC and this arrangement will be adjusted in line with UK fund governance requirements issued by the Financial Services Authority.

CFIC may enter into fee sharing arrangements with third party marketers who refer prospective investors to a fund managed by CFIC. Such marketers may be paid a portion of the fees earned by CFIC from the assets relating to the referred investor, subject to negotiation. Such third party marketers may have a conflict of interests in advising prospective investors whether to purchase or redeem their shares or interests in a fund due to the fees paid to them by CFIC.

6 – PERFORMANCE-BASED FEES

CFIC will charge a number of funds an incentive fee or performance allocation (the "Performance Fee"). The Performance Fees range from 10% to 20% of profits made and can be charged monthly, quarterly or annually in arrears. These fees are usually subject to a high water mark and, in some cases, to a hurdle rate.

While we believe that performance-based fee arrangements align our interests with the interests of our clients who are subject to these fees, performance-based compensation may create an incentive for us to make investments that are riskier or more speculative than

would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments that may not ultimately be realized. Performance fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts, including accounts that are charged no performance-based fees, in the allocation of investment opportunities. We have adopted policies and procedures that seek to mitigate any such conflicts presented by our performance-based fee arrangement and to ensure that all clients are treated fairly.

7 – TYPES OF CLIENTS

CFIC may provide services to a variety of clients. However, in line with the permission granted to CFIC by the FSA, the only customer types for which CFIC is authorised to act for are eligible counterparties and professional clients. In practice, CFIC's clients are restricted to the funds for which it acts as Authorised Corporate Director or Investment Manager, and in each case CFIC will specifically agree with the fund concerned that it will treat it as a professional client.

As CFIC's clients are the funds for which it provides services on CFIC's Form ADV 1, all clients are described as "Other pooled investment vehicles (eg hedge funds)", but it is possible that the actual mix of types of clients may change over time, based upon market conditions, business plans and other factors. Funds are only accepted by CFIC as clients once appropriate due diligence has been completed by the Third Party Administrator, Capita Financial Administrators, in line with regulations.

As at 10th August 2012, funds managed by CFIC included the following:

Fund Name Domicile / Structure	Investment Focus & Strategy	CFIC Role
CFIC Octopus UK Micro Cap Growth Fund UK Master/Feeder	UK long equity fund focusing on micro cap stocks.	Authorised Corporate Director
City Financial UK Equity Fund UK Master/Feeder	UK equity long/short fund.	Investment Manager
City Financial Asian Absolute Growth Fund Cayman Single Company	Fund of Asian Hedge Funds.	Investment Manager
City Financial UK Equity Income Fund UK Master/Feeder	UK long equity fund focusing on income generating stocks.	Authorised Corporate Director

City Financial Strategic Global Bond Fund UK Master/Feeder	Combines global corporate and sovereign debt.	Authorised Corporate Director
City Financial Strategic Gilt Fund UK Master/Feeder	UK Gilt Fund.	Authorised Corporate Director
City Financial Dynamic Fund UK Master/Feeder	Multi asset fund primarily investing in Collective Investment Schemes.	Authorised Corporate Director
City Financial Diversified Fund UK Master/Feeder	Multi asset fund primarily investing in Collective Investment Schemes.	Authorised Corporate Director
City Financial MultiManager Growth Fund UK Master/Feeder	Multi asset fund primarily investing in Collective Investment Schemes.	Authorised Corporate Director
City Financial MultiManager Income Fund UK Master/Feeder	Multi asset fund primarily investing in Collective Investment Schemes.	Authorised Corporate Director

The prospectus and offering document of each fund contain a more detailed description of its investment strategy, liquidity terms etc.

8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The types of risk considered by CFIC are:

Market Risk

Market risk is the exposure of the fund to movements in net asset value as a result of changes in factors that affect the price of the underlying assets in the fund. While investors should expect market risk that occurs as a result of applying the fund's investment policy to meet its investment objectives, the deployment of derivatives will bring different parameters into the market risk equation. For example, the value of an option will not necessarily move on a one for one basis with the underlying security but with the delta of the option. In addition, other external factors that may not affect the underlying security will have a bearing on the value of the derivative such as interest rates, volatility, time to maturity and dividend yield.

The use of CFIC's chosen tool RiskRadar, while specifically chosen to assist in the Risk Management Process for derivatives, is also a useful tool to allow the ACD and fund manager to monitor the

overall market risk of a fund and the impact of changes in market conditions on the NAV of the fund to ensure that it is within the acceptable boundaries of the investment objectives in terms of market risk.

Valuation Risk

Fund Managers must mark to market positions on a daily basis and demonstrate that they can obtain a price from the derivative provider as at each valuation point and at any other time that it is required. The Compliance Team will independently verify the price of each derivative used. The Fund Managers also provide the Compliance Team with a weekly sign off report.

The pricing of more complex derivatives will be reviewed by the Committee and properly documented - especially if a third party is involved - to ensure that this independent price can be maintained throughout the life of the derivative.

Counterparty/Credit Risk

The Fund's counterparty risk can be broken down into two elements (i) the credit risk of the counterparty i.e. can it meet its obligations under the derivative contract, and (ii) the regulatory requirements on maximum counterparty exposure as laid down in the COLL rules.

Care needs to be taken when dealing with derivative counterparties that the correct legal counterparty is identified as some investment banks deal via legal entities specifically set up to deal in derivatives and these may fall under the 5% limit for an eligible institution rather than the 10% limit for an approved bank.

The credit strength of each entity should also be assessed. This will typically be expressed as a rating from an agency such as Standard & Poor's, Moody's or Fitch. The Committee may determine a minimum rating requirement for the counterparty. Should the counterparty fall below a certain level then the derivative can be closed out or suitable collateral demanded from the counterparty to increase the comfort to the fund.

Consideration should also be taken of other assets held by the fund that expose it to non-derivative exposure to take into account the overall exposure limits to counterparties.

The counterparty assessment should also take into consideration any substantial delays in settling collateral or derivative trades and timely submission of documentation as this increases the potential credit risk on the counterparty (see specific risks covered elsewhere) should one of these risks be realised.

Key Man Risk

This is the risk that the parties undertaking elements of the derivative process understand the type of derivatives that the fund is entering into as well as how to properly execute and monitor them within the COLL rules. This specifically refers to the Fund Manager and the derivatives counterparty who will be the initial parties to the derivative. The ACD should ensure that these parties can demonstrate the appropriate level of expertise and competence in executing the trades and that the due diligence undertaken is documented. This area is becoming increasingly important as funds are being set up by non traditional fund managers who might be structured product producers, distributors or alternative Fund Managers who either (i) do not have the appropriate FSA CF27 regulatory requirements to run a fund and rely on a third party Fund Manager to successfully

implement the investment process or, (ii) do have the appropriate regulatory requirements but do not understand the COLL rules.

Conflicts of Interest

Many investment banks are setting up funds as sponsor to allow them to generate additional business through dealing in derivatives with those funds. It is important that the parties can demonstrate that there is a proper arms length dealing process between the Fund Manager and the investment bank/derivative provider. This can either be as a separate legal entity or that they can demonstrate appropriate independence from each other in terms of dealing facilities (i.e. something similar to Chinese walls or the ability to be able to freely deal with other external counterparties). In all cases the Fund Manager should be able to demonstrate best execution as appropriately defined. For simple short term derivatives such as exchange traded or currency forward contracts this might be based on price alone. For more complex derivatives other factors such as counterparty risk will play a part.

Documentation Risk

This is the risk that the documentation of the derivative contract does not match what the Fund thought it had entered into. In terms of funds governed by the COLL rules there is another dimension in that the documentation must also ensure that the terms of the derivative do not breach those rules or allow for the derivative to be unwound if a breach does occur. These risks can be minimised through the use of best practice standards.

Document risk is monitored by the Compliance Team, with the assistance of, where appropriate, external counsel. CFIC's policy is to have general derivative documentation signed and in place prior to the Fund Manager entering into any derivative contract on behalf of the fund. The documentation should also be agreed by the Fund's Depositary. This includes over the counter agreements such as ISDAs, collateral arrangements and any documentation covering the use of exchange traded derivatives. Non industry standard documentation should be avoided or approved by a suitably qualified external lawyer. This will ensure that the requirements of the COLL rule book are met through the inclusion of specific language to cover these points

Certain points in particular need to be addressed, specifically:

- **Counterparty Exposure**
Specific wording to ensure that exposure to the counterparty can be kept within the COLL requirements. Where closing out the position is not practical then alternative arrangements such as suitable collateral requirements or partial cash settlement can be considered.
- **Closing Positions**
The derivative counterparty must agree that it will unwind the derivative position at the prevailing market price at any time that is required. This might be as a result of when (a) the derivative position no longer meets the investment objectives of the company, (b) cannot be considered to be appropriately covered, (c) liquidity is required to meet redemptions, or (d) counterparty exposure is exceeded. For certain funds due consideration should also be given to the minimum size of partial unwinds of derivative positions to ensure that the fund does not deviate away from its stated investment objectives through holding an inappropriate amount of derivative position as investors subscribe for more or divest units in the fund.
- **Pricing**
The documentation must state that the counterparty will supply a price for the derivative as of the dealing time on each dealing date of the fund and a price at any other time that it

might so be requested. The basis for the price should be specified and this may relate to the unit pricing of the specific fund e.g. bid/offer for two way pricing or mid market for single priced funds.

The source of the third party independent pricing or at least the requirement for the counterparty to provide a third party source should also be documented.

- **Minimising Contagion Risk**

Traditionally, sub funds of an umbrella company were at risk from contagion, that is if one fund were to have liabilities exceeding its assets then those liabilities could be divided amongst the unit holders of other sub funds. However, as required by the protected cell regime, each sub fund going forward will be treated as a separate entity and the liabilities of one sub fund will no longer be discharged out of the assets of another. Liabilities that are not attributable to one fund in particular will be allocated between sub funds in a manner which treats shareholders fairly.

- **Collateral**

As part of this documentation the parties should also consider whether a Credit Support Annex or Deed should be put in place. This is particularly relevant where it is anticipated that the fund's exposure to the counterparty is likely to breach the COLL counterparty concentration rules or where the quality of the derivative counterparty will require it.

- **Storage of Documents**

Original documents are retained on site in the offices of CFIC. Copies of documents are circulated to the other counterparties e.g. the Depositary.

Operational Risk

For specific structured product payoffs the operational risk is the implementation of that derivative i.e. that the parties deliver documents, settle in a timely manner, and place collateral when called for. The non delivery of these operational requirements can be an early signal of a wider problem such as credit risk or misunderstanding of what is required that could enhance the other risks outlined above and can lead to further breaches of the COLL rules and potential losses to investors.

Operational requirements are detailed in the operations manual of each Fund. The aim of the operations manual is to ensure that the smooth operation of each Fund is not reliant on key individuals who may not always be at the organisation. The operations manual outlines the correct procedures should be put in place by each Fund. This shows the various parties what is expected of them during certain events (e.g. the unwinding of a derivative, or the calling for more collateral) and how they should implement it. Operational manuals will vary in content according to the complexity of the underlying schemes, however at the very least they will include a complete list of contacts at CFIC, the Fund Manager, the Depositary and any third party such as a derivative counterparty or collateral provider.

There is also a trigger process operated by the Fund Managers.

Basis Risk

This risk is important for the RMP where a fund is relying on assets that don't exactly or may not in the future exactly match the derivative exposure it is taking on (e.g. writing a call option on the FTSE 100 index while holding the underlying stocks to cover the position). The danger is that the composition of stocks diverges away from the index as a result of a re-composition or rebalancing of the index. The potential impact is that it moves the fund away from a non-sophisticated derivatives requirement to a sophisticated one and may also be a breach of the investment policy of the fund.

CFIC is mindful of this risk and it has been discussed with the Fund Managers.

Liquidity Risk

Liquidity risk arises when the Fund Manager is unable to trade an asset because nobody in the market wants to enter into the trade. Liquidity risk becomes particularly important when the fund holds or is about to an asset, since it may affect their future trading ability.

Liquidity risk also arises when the Fund Manager is unable to meet the requirement to provide liquidity for withdrawals, and to meet the fund's liabilities to deliver assets or cash under derivative contracts. The Committee monitors this risk to ensure that the former is not unduly affected by the latter. This may also have an impact on the temporary borrowing requirements of the fund that need to be monitored to ensure that limits are not breached.

In order to control liquidity risk, CFIC and the Fund Managers employ cash monitoring procedures. The Compliance Team review the daily NAV received from the Administrators and they also receive large deal notifications.

Cash Flow Risk

The Fund Manager's remit is to manage the investment of the monies flowing into the fund but must also be mindful of the requirement to provide liquidity for withdrawals and to meet the fund's liabilities to deliver assets or cash under derivative contracts. The Committee should ensure that the former is not unduly affected by the latter. This may also have an impact on the temporary borrowing requirements of the fund that need to be monitored to ensure that limits are not breached.

Regulatory Risk

This is the risk that the fund, or parties to the fund, falls afoul of the regulations laid down by the FSA. Following the proper procedures, documenting the Risk Management Process and monitoring activities will assist in minimising this risk.

In addition any derivative contract entered into should be mindful of potential future changes to the COLL rules and their impact when these conflict with the terms of the derivative.

Reputational Risk

Reputational risk can occur by association even if a party has followed all the rules and regulations. The rigorous compliance of the standards set out by the risk management process documented herein will assist in minimising any reputational risk.

CFIC uses a very wide range of sources of information and types of analysis, from purely quantitative methods using only price data to highly qualitative methods using independent analytical work or direct research on the companies or instruments being assessed.

Sources of information include:

- Broker and investment bank research,
- Market data from vendors such as Reuters, Bloomberg and DataStream,
- Other independent research houses, and,
- Internal analysis and data gathering.

Strategies include (but is not limited to):

- Stock picking strategies (with both long and short positions),
- Arbitrage strategies,
- Global macro strategies,
- Themed investment (eg weather driven), and,
- Fixed income strategies.

More detail is provided in the promotional material of the individual fund, which can be provided on request.

The Firm will generally invest for its clients in listed securities and listed derivatives and, to a lesser degree, in unlisted securities and over-the-counter derivatives. Investments in securities may be in both mature and emerging markets, including but not limited to: sovereign and corporate debt, hybrid securities, convertible bonds, long-dated subordinated debt, preference shares, exchange-listed securities, foreign issuers, warrants and commercial paper.

Subject to the investment restrictions and other parameters set out in each fund's prospectus/private placement memorandum, CFIC makes use of certain investment techniques. These can include:

Short Selling – for certain accounts, CFIC is permitted, subject to the rules of the local regulator and/or exchange, to sell securities short, in the expectation of covering the short sale with securities acquired in the open market at a price lower than that received from the short sale. The possible losses from short selling are unlimited. This differs from the possible losses that could be incurred from taking long positions in securities, which are limited to the total amount invested. In addition, short selling can cause downward price pressure on a stock and could therefore pose a potential conflict of interest if some client accounts were selling short the same security other client accounts hold long (and vice versa).

Use of Leverage – In managing certain accounts, CFIC may also use leverage, such as investing monies borrowed on margin or taking positions in certain types of derivatives that involve leverage. The Firm may also invest client accounts in certain ETFs (exchange-traded funds) that provide leveraged exposure to their underlying indexes. Use of leverage can cause portfolio values to rise and fall faster than if leverage were not used. Use of leverage also involves the risk that securities in an account will have to be liquidated in order to meet margin calls or maintain sufficient asset coverage, at a time when it may not be desirable or advantageous to sell.

Concentrated or Non-Diversified Positions - Investments in accounts managed by CFIC may be concentrated in certain industries, sectors or markets. Investments may also be focused on the securities of a particular issuer such that the account is relatively non-diversified. Concentration and non-diversification pose increased risk of loss to the extent that the account is more susceptible to adverse events affecting the industry or issuer on which the account is focused.

Options Trading - The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the

underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

9 – DISCIPLINARY INFORMATION

As an SEC-registered company, CFIC is required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the Firm or the integrity of its management. No events have transpired applicable to this Item.

The Firm strives to maintain the highest level of business standards as evidenced by its employee handbook and compliance manual as well as by the importance which its officers attach to professional standards.

10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CFIC's business is providing a regulatory environment and investment management services, and it is not engaged in any other business endeavour.

11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL ACCOUNT TRADING

CFIC does not at this time invest its own capital or share in transactions.

Employees of CFIC may, from time to time, buy or sell securities for themselves. Personal account trading by CFIC personnel may only be undertaken in line with CFIC's Personal Account Dealing policy, which is contained in the Firm's Compliance Manual and also further developed in a Code of Ethics ("Code") adopted by CFIC.

Generally, the Code sets general standards of conduct for CFIC's personnel and imposes specific requirements aimed at preventing, detecting and correcting fraudulent activity, market abuse or activities that would pose a conflict of interest in connection with personal securities transactions. The Code prohibits personnel from engaging in conduct commonly known as "insider trading" and restricts their giving and receiving of gifts and their ability to accept certain positions with external organisations. The Code also restricts personal securities transactions by various means, such as a requirement for pre-trade compliance clearance and a prohibition on any trading ahead of the fund for which the individual is acting as portfolio manager.

In order to monitor compliance by CFIC's personnel with the Code and applicable law, each officer and employee is required to provide CFIC with duplicate copies of their personal account trading contract notes which are reviewed by the Firm's Compliance department. In addition, each officer and employee is required to sign a statement to acknowledge that they have read and understood and will abide by the terms of the Compliance Manual, including the sections on insider trading and money-laundering, which are also set out in the Code.

Individuals associated with CFIC may buy or sell securities for their personal accounts, even if they are identical to those traded in the portfolio of client funds. However, it is the express policy of CFIC that no person employed by CFIC shall place his or her own interests ahead of those of a client.

This is only a summary of CFIC's Code of Ethics. The entire Code will be made available to clients upon request. CFIC maintains a log of material conflicts and the means to address/resolve them, which are reviewed on a regular basis.

12 – BROKERAGE PRACTICES

A. Brokerage Partners and Best Execution

Portfolio investments may normally be purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the investments. Securities transactions will be executed by brokers or counterparties selected by CFIC or its appointed Investment Managers in its sole discretion. In placing portfolio transactions and negotiating commission rates, where applicable, CFIC will seek to obtain the best execution for the funds, taking into account the following factors: the ability to effect prompt and reliable executions at favourable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity, reputation in the industry, infrastructure and stability of the broker; the firm's risk in positioning a block of securities and committing its capital; efficiency of error resolution; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying CFIC's selection criteria.

CFIC or its delegated Investment Managers places orders for execution in accordance with its best execution policy, procedures and criteria (see below). The Firm's brokerage policy seeks to achieve the most favourable net results for clients on each transaction. CFIC believes that the key components to achieve the most favourable net results are transaction specific and dependent upon the broker's ability to accommodate special transaction needs. Trades may involve specialized services on the part of the broker-dealer involved and entail higher commissions than would be the case with other trades requiring more routine services, and therefore may not always be executed at the lowest available price or commission.

CFIC uses the following factors when selecting and evaluating brokers and counterparties: financial standing, regulatory status and best execution policy. The Firm requires evidence that they are regulated by their national regulator, confirmation that they will classify CFIC as a professional client, a copy of their best execution and conflict of interest policies, and a copy of their latest audited financial statements.

B. Soft dollars

CFIC may pay a broker a commission in excess of that which another broker may have charged for effecting that transaction, in recognition of the value of the research and/or brokerage services provided by that broker. This is commonly referred to as "soft dollars" and is the subject of Commission Sharing Agreements between CFIC and certain brokers for trades carried out for specific funds, subject to a strict policy in line with FSA and SEC rules (see below) that ensures such commissions are used solely for the enhancement of investment research to the benefit of those funds.

This use of commissions or soft dollars to pay for certain research products or services is within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934 and COBS 11.6 of the FSA Handbook. Products or services received from brokers as a result

of clients' transactions may be used by a fund's portfolio managers in servicing other accounts. In the past year, we have used soft dollars to purchase: broker, investment bank and third-party research that addressed both economic trends and analyses specific markets, sectors and issuers.

In selecting a broker providing research or brokerage services to execute client transactions, CFIC will make a good faith determination that the amount of the commission charged is reasonable in relation to the value of the research and brokerage services received, viewed either in terms of the specific transaction or the Firm's overall responsibility to the accounts over which it exercises investment discretion. CFIC may choose on a case-by-case basis to place a trade with a particular broker when, for example, a research analyst at that broker has provided valuable perspective or advice regarding a specific company or security or its trading market. In order to have continued access to that type of perspective and advice, the Firm may develop relationships with brokers who have research and analytical expertise relevant to the needs of CFIC and its clients.

C. Aggregate Trade Allocations

CFIC will execute transactions on an aggregated basis when it believes this will allow it to obtain best execution and negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When orders are aggregated, all of the Firm's clients will be treated in a fair and equitable manner, and the prices obtained may be averaged so that all clients involved in the transaction pay or receive the same average price. This may result in one fund obtaining on some occasions a more favourable transaction price and on others a less favourable transaction price than had that fund's order been effected separately.

CFIC will not aggregate orders unless aggregation is consistent with the Firm's duty to obtain best execution. No account will be favored over any other client; however, a variety of factors will determine whether or not a particular fund may or may not be included in a particular aggregated transaction. These factors include, but are not limited to: investment objectives and strategies, position weightings, cash availability and risk tolerance. Because of these factors, there may be differences in portfolio allocations from a strict pro rata basis even between client accounts following the same strategy.

When CFIC determines that order aggregation is in the best interest of its clients, the following guidelines generally are followed for all portfolios which are participating in the execution under the same trading circumstances (e.g., price limits and time of entry). Aggregated orders filled in their entirety or partially will be allocated within strategy among the participating accounts pro-rata by account market value. In the event of a de minimis allocation for a partial allocation, the trader has the authority to determine an appropriate allocation methodology.

D. Trading Errors

Consistent with CFIC's fiduciary duties, the Firm's policy is to exercise care in making and implementing investment decisions for client accounts. To the extent trading errors occur, the Firm seeks to ensure that clients' best interests are served. CFIC's policy is to resolve all trade errors within a reasonable time while ensuring the client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. As

a general matter, actual losses suffered by a client account as a result of a trade error caused by CFIC will be reimbursed by CFIC; however, as a general matter, CFIC does not compensate its client funds for lost investment opportunities (e.g., failure to take advantage of investment or market improvements).

13 – REVIEW OF ACCOUNTS (CLIENT FUND PORTFOLIOS)

A. Frequency of Reviews

All accounts managed by CFIC are reviewed, generally on a daily basis, by the respective portfolio managers and risk management and compliance staff of CFIC and operations staff of EDD Fund Services LP (EDD) to whom CFIC outsources core operational functions for a number of funds. (EDD has been working with hedge funds since 1998 and has 5 experienced employees in London, plus 12 employees in the USA).

EDD reconciles all positions and transactions and helps to ensure consistency with CFIC's investment processes and conformity with client objectives and guidelines. Reviews may include an evaluation of account performance relative to certain agreed benchmarks or objectives, while others may include an analysis of current positions and/or asset mix. Account reviews may result in adjustments to a client's portfolio. CFIC and/or EDD liaise directly with the funds' third-party Administrators to ensure that each side's books and records agree or can easily be reconciled.

CFIC's Portfolio Managers review each client account continuously (at least daily) to determine, among other things, whether it is appropriately positioned and whether investment objectives and policies are being followed.

Further oversight is provided daily by CFIC's Compliance department to monitor each portfolio against that fund's investment restrictions laid out in the private placement memorandum, other factors mentioned in the fund's promotional material, and the rules of the relevant exchange and regulator for each of the markets traded.

In addition, CFIC's Risk Management Committee monitors the investment strategy risk and the market risk per fund, as well as the counterparty risk and the operational risk per fund and for the entire Firm. Issues, including regulatory breaches, are escalated to the portfolio management team of the fund concerned, CFIC's Risk Management Committee, and the Board of the Fund, as well as being reported where appropriate to the relevant regulator and/or exchange.

B. Written Reports

For a number of funds, the underlying investors in those funds typically receive on a monthly basis (i) statements from the fund's Administrator, which include, among other things, the change in value of their accounts since the last reports that were provided, and (ii) communications from CFIC in the form of a shareholder newsletter, explaining recent trading activity and the outlook for the fund based on the current state of the markets.

Investors also typically receive on an annual basis (i) audited financial statements from the fund Administrator, and (ii) certain tax information for preparation of their respective tax returns, including a Schedule K-1 or PFIC for United States persons.

Customised reports may be provided to certain investors on request on a case-by-case basis.

14 – CLIENT REFERRALS AND OTHER COMPENSATION

CFIC has not entered into contractual arrangements with firms that may solicit clients for us. However, in some cases firms may market CFIC's client funds to prospective underlying investors and receive a fee as a proportion of amounts invested as a result of their efforts.

15 – CUSTODY (AND CLIENT ASSETS)

CFIC does not hold client assets – it does not maintain physical possession of the monies or securities of any fund. Instead, CFIC has entered into agreements with brokerage firms and/or commercial banks which are “qualified custodians.” These institutions serve as custodian of client assets.

All client funds receive statements of account holdings from their custodian not less than quarterly, and in most cases monthly. Additionally, CFIC will provide client funds with account balances and activity details upon request.

16 – INVESTMENT DISCRETION

As a discretionary investment manager, CFIC has complete discretion over the investments it makes on behalf of its clients, subject to the stated guidelines and investment restrictions set forth in the investment management agreement or similar agreement relating to the relevant fund. Compliance with these guidelines and restrictions is monitored by the Firm's Compliance department and CFIC's Risk Management Committee, who will report any breaches to the portfolio managers and where appropriate to the Board of the fund concerned. Subject to a client's specified investment objectives and guidelines, CFIC determines which securities are bought or sold, the total amount of securities to be bought or sold, the broker or dealer through which the securities are to be bought or sold and the commission rates to be paid, all without further consultation with the client. In exercising its investment discretion, CFIC is guided by the investment policies and guidelines that are established at the inception of the adviser-client relationship in the investment management agreement (and as amended from time to time). The guidelines cover matters such as the types and amounts of securities that will comprise the portfolio. In certain circumstances, some clients may also restrict certain securities from being purchased for their account.

17 – VOTING CLIENT SECURITIES (PROXY VOTING FOR CLIENT FUNDS)

CFIC's policy on proxy voting is to base voting on the investment objectives and approach of its client funds, as interpreted by its portfolio managers, as the strategy of some funds is more interventionist than others. Where CFIC is asked to clients policies and procedures, the Firm take steps to ensure that proxy voting is carried out relating to securities held in client accounts. If CFIC votes on this basis, it would do so in the best interest of its clients. As an alternative to giving CFIC discretion to vote proxies, client funds may provide their own written proxy voting guidelines or their own policies, procedures or directions regarding proxy voting. Such guidelines or directions must be in writing and delivered to CFIC sufficiently in advance to allow the Firm to vote as directed.

18 – FINANCIAL INFORMATION

CFIC does not have any adverse financial information to disclose. The management of CFIC believes that the Firm is financially sound and has confirmed to the FSA that it has set aside a line of credit for the firm to meet its liquidity and regulatory capital requirements.