

Sirius Capital Markets, LLC & Sirius Capital Markets (Bermuda) Ltd.

March 26, 2014

This brochure (“Brochure”) provides information about the qualifications and business practices of Sirius Capital Markets, LLC and its affiliate Sirius Capital Markets (Bermuda) Ltd. (together, “SCM”).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about SCM also is available at the SEC’s website at www.adviserinfo.sec.gov

If you have any questions about the contents of this brochure, please contact SCM’s Chief Compliance Officer at (212) 312-0222.

Item 2 - Material Changes

This annual amendment to the Brochure contains no material changes from the last version of the Brochure filed January 16, 2014.

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Item 4 - Advisory Business

A. General Description of Advisory Firm.

Sirius Capital Markets, LLC's ("SCM US") principal place of business is in New York, New York. It was formed on May 22, 2013. Sirius Capital Markets (Bermuda) Ltd., ("SCM Bermuda" and together with SCM US, "SCM"), an affiliate of SCM US, was formed on May 23, 2013, and its principal place of business is in Hamilton, Bermuda.

White Mountains Insurance Group, Ltd. ("White Mountains") is the ultimate parent company of SCM. The SCM companies are indirect wholly-owned subsidiaries of White Mountains. White Mountains is a financial services holding company. Its principal business interests are in property and casualty insurance and reinsurance. White Mountains is publicly traded on the New York Stock Exchange and the Bermuda Stock Exchange under the symbol "WTM". Sirius International Insurance Group, Ltd., an exempted Bermuda limited liability company (together with its subsidiaries, the "Sirius Group") is an indirect wholly-owned subsidiary of White Mountains and an affiliate of SCM.

B. Description of Advisory Services.

SCM Bermuda specializes in providing investment management services on a discretionary basis to investors who seek access to property catastrophe insurance and reinsurance Risk-Linked Assets (as defined below). SCM Bermuda expects that substantially all of its advisory services revenues will be derived from providing investment supervisory services on a private basis to a limited number of qualified institutional and high net worth investors. SCM Bermuda provides its investment services to privately offered pooled investment vehicles, including but not limited to, SCM High-Yield Reinsurance Risk Strategies Fund, Ltd. (together with any future pooled investment vehicles, the "Funds"). In addition, SCM Bermuda will provide investment advice for separately managed accounts with institutional clients, which may be structured as single investor private investment vehicles (collectively, "Separately Managed Accounts").

Each Fund is open for investment by qualified institutional or high net worth investors that meet the relevant eligibility criteria as set forth on the applicable Fund's subscription documents. Interests in the Funds are offered only to (i) Non-U.S. Persons who are qualified participants as defined in the Bermuda Investment Funds Act 2006 and (ii) U.S. Persons who are "qualified purchasers" as defined in the U.S. Investment Company Act of 1940, as amended (the "40 Act"), "accredited investors" as defined in Regulation D under the U.S Securities Act of 1933, as amended (the "Securities Act") and "qualified participants" as defined in the Bermuda Investment Funds Act 2006.

SCM Bermuda manages the assets for each Fund in accordance with such Fund's investment program as described in its offering documents. The investment and risk guidelines applicable to each Separately Managed Account will be determined by the relevant client and set forth in the applicable advisory agreement. SCM Bermuda and the Funds may also enter into side letter agreements with certain investors to provide such investors additional disclosure rights, notification and special fee arrangements.

SCM Bermuda provides investment advice to the Funds and any Separately Managed Account in the following types of potential investments (“Risk-Linked Assets”):

- collateralized reinsurance transactions arranged with and through traditional property catastrophe reinsurance markets, e.g., first, second and subsequent event coverages, aggregate and stop loss coverages, reinstatement premium protection coverages and indemnity triggered ILWs;
- catastrophe bonds, principal-at-risk event-linked notes and/or swaps;
- derivatives linked to insurance risks (e.g., index triggered industry loss warranties (“ILWs”));
- insurer or reinsurer sidecar debt and equity instruments (i.e., special purpose (re)insurers engaged in catastrophe-exposed transactions); and
- shares of special purpose vehicles and non-indemnity based Risk-Linked Assets.

In addition, SCM Bermuda directs its clients in respect of investing any collateral posted for the benefit of its counterparties, unearned premium, uninvested assets or cash in highly-rated money market funds principally holding national government obligations or other highly-rated investments.

The Funds may invest directly or through a “master-feeder” structure. As the Funds do not enter into insurance or reinsurance transactions directly, in order for them to participate in the above noted traditional market collateralized reinsurance transactions, the Funds also invest directly or indirectly in one or more segregated accounts of Alstead Reinsurance Ltd. (“Alstead Re”). Alstead Re was incorporated in June 2013 and is registered in Bermuda as a segregated accounts company under the Bermuda Segregated Accounts Companies Act 2000, as amended, and as a Class 3 insurer under the Bermuda Insurance Act 1978. Alstead Re enters into the ILWs and private fully collateralized reinsurance arrangements sourced in traditional property catastrophe reinsurance markets on behalf of the Funds. SCM Bermuda provides insurance management services to Alstead Re in respect of these transactions.

SCM US provides portfolio, investment and strategic advice and other services to SCM Bermuda in connection with SCM Bermuda’s investment advisory services.

C. Client Assets Under Management.

As of February 28, 2014, SCM managed approximately \$25,708,214 of client assets on a discretionary basis. SCM did not manage any client assets on a non-discretionary basis.

Item 5 - Fees and Compensation

A. Advisory Fees and Compensation.

SCM Bermuda is compensated for its services by its clients through management and performance fees. The applicable offering documents or investment management agreement for each Fund or Separately Managed Account will provide details regarding the specific amount of fees charged. SCM Bermuda may reduce or waive its fees in its sole discretion in respect of any client or Fund investor. SCM US is compensated directly by SCM Bermuda for the portfolio, investment and strategic advisory and other services that SCM US provides to SCM Bermuda.

B. Payment of Fees.

Fees are generally payable quarterly in advance. SCM Bermuda typically will debit its fees directly from the Funds which it manages. In the case of Separately Managed Accounts, SCM Bermuda may invoice a client for any fees that it is owed.

C. Other Fees and Expenses.

The Funds are responsible for the fees of their administrator, banks and custodians, as well as all other ongoing operating costs and expenses of the Funds. Item 12 of the Brochure discusses reinsurance brokerage and other transaction costs. In general, standard reinsurance brokerage expenses are 5-10% of the premium for collateralized reinsurance transactions paid out of the reinsurance premium associated with the subject transaction.

Other operational expenses applicable to an investment in a Fund may include: direct legal, accounting, tax and audit expenses, fees and expenses of any administrator and registrar, expenses related to the continuous offering of interests in the Fund, including marketing related travel and associated expenses, the cost of producing and distributing offering memoranda and other marketing materials, expenses relating to the licensing, development and/or implementation of software, proprietary investment models and data (including the cost of any related or ancillary hardware or communications (e.g., T-1, T-3 etc.) lines or facilities or related consulting services) and any other licensing costs as may be incurred or undertaken on a Fund's behalf by SCM or its affiliates or designees. The foregoing are exclusive of any management and performance fees payable to SCM Bermuda by a Fund.

As an indirect investor in Alstead Re, a Fund will indirectly bear its share of the investment, administrative and other expenses incurred in the ordinary course of business and the expenses of operating the Bermuda office of Alstead Re, including but not limited to, investment, administrative and operating expenses of the type described above. In addition, the compensation and benefits of certain Alstead Re employees, directors and officers will be borne by Alstead Re (and therefore, by a Fund). Employees of SCM may serve in such roles, and a portion of their salaries attributable to the services that they provide to Alstead Re will be borne by Alstead Re (and therefore, by a Fund).

The expenses borne by any Separately Managed Account will be agreed to by the relevant client and set forth in the applicable advisory agreement.

Item 6 - Performance-Based Fees and Side-by-Side Management

Performance based fees will be charged on an annual basis as a percentage of appreciation above a defined level and vary, depending on the Fund or client involved. Such fees will be described in detail in the relevant Fund offering documents or Separately Managed Account advisory agreement.

It is anticipated that in the future, SCM will manage multiple accounts. Such accounts may have different investment objective and fees. For example, a Fund may be subject to a performance-based fee while SCM may only be compensated with an asset-based fee in respect of another Fund or client account. When an adviser manages multiple accounts with different objectives and fees, side-by-side management conflicts may arise. SCM will address any side-by-side management conflicts generally within its overall compliance program, and specifically through its aggregation and allocation policies in addition to its general policies regarding conflicts of interest. Such policies are discussed in further detail in Item 12.

Item 7 - Types of Clients

SCM Bermuda provides investment advice to SCM High-Yield Reinsurance Risk Strategies Fund, Ltd. and SCM Master Fund, Ltd. and may in the future provide investment advice to other Funds and Separately Managed Accounts. Investors in the Funds and the clients holding Separately Managed Accounts will typically be either (i) Non-U.S. Persons who are “qualified participants” as defined in the Bermuda Investment Funds Act 2006 or (ii) U.S. Persons who are “qualified purchasers” as defined in the Company Act, “accredited investors” as defined in Regulation D under the Securities Act, and “qualified participants” as defined in the Bermuda Investment Funds Act 2006. Affiliates of White Mountains invest in certain Funds.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies.

SCM seeks to provide investors with returns derived from Risk-Linked Assets and as such, these opportunities are intended not to be materially correlated with the broader credit markets. SCM conducts its own analysis of individual opportunities to invest in Risk-Linked Assets, and leverages the analytical, risk sourcing, relationships and selection capabilities available within White Mountains’ reinsurance affiliate, Sirius International Insurance Corporation (“SINT”), all the while considering the opportunities quantitatively and qualitatively to fashion each client’s portfolio. SCM relies in fundamental part on its relationship with SINT in accessing opportunities, analyzing and modeling risk to complement the expertise and efforts of SCM and its key personnel. In so doing, the expectation is that SCM will take advantage of and build upon the historical relationships, institutional knowledge of potential counterparties and SINT goodwill and expertise as it fashions each client’s portfolio.

SCM uses a variety of methods and strategies to make investment decisions. The methods of analysis in analyzing Risk-Linked Assets include proprietary event risk modeling tools and processes, third-party catastrophe exposure risk models, fundamental research, as well as use of other quantitative tools and techniques. When selecting Risk-Linked Assets for investment, SCM Bermuda, with portfolio, investment and strategic advice from SCM US, conducts its own analysis of individual opportunities to invest in Risk-Linked Assets, leverages the resources, proprietary modeling, analyses and relationships of SINT, and considers the opportunities quantitatively and qualitatively to fashion the portfolio. SCM may also rely upon information and analyses from brokers, dealers and nationally recognized statistical rating organizations (“NRSROs”) to supplement its quantitative and qualitative analyses. Further, in considering such opportunities, SCM’s quantitative and qualitative analyses may include various factors such as historical underwriting and claims performance, trigger transparency, transaction structure, basis risk, moral hazard, correlation with other positions in the portfolio, allocation to perils, events, regions and other factors.

SCM’s investment horizon involves a longer-term analytical perspective of risk-adjusted returns. Investments in such instruments are generally made pursuant to a buy-and-hold strategy. Since the Risk-Linked exposures include natural disasters such as hurricanes, earthquakes, tornados and winter storms, which are distinct risks from what the investor might be exposed to in the traditional credit and equity markets, SCM believes its investments will be complementary to investments made in traditional investments and therefore, SCM does not expect to trade in such traditional markets.

Using a combination of third-party models, including global property catastrophe models from AIR Worldwide Corporation and Risk Management Solutions Inc., two of the leading vendors of industry-

standard catastrophe modeling software (as well as the proprietary modeling tools and processes described below), SCM seeks to arrive at a consistent portfolio based view of (i) the modeled risk, (ii) acceptable pricing and (iii) aggregate exposure, amongst other elements, to determine whether a position or series of positions should be added to and/or remain part of a client's portfolio. These modeling tools are utilized further to manage concentration of exposures to catastrophic events, primarily by seeking to limit concentrations of exposure to what SCM deems to be acceptable levels.

In addition to industry-standard modeling tools, Sirius Group utilizes a variety of proprietary modeling tools and processes to manage its own risk portfolio and to price its property catastrophe-exposed business. Such third-party and Sirius proprietary tools will be available to SCM and gauge among other factors, expected probable maximum loss from various property natural catastrophe scenarios.

Further, as part of its reinsurance underwriting and asset selection process, SCM considers key factors, including amongst others: (a) the underwriting skill, claims handling capabilities and management reputation of potential cedants, (b) cedant historical loss and claims data, (c) the mix of perils and geographic exposure in any potential position and its effect on the portfolio and (d) underwriting considerations such as historical industry performance and risk pricing in the targeted opportunities, lines of business, perils, geography and the like.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies

Catastrophes. Risk-Linked Assets are subject to incurring material losses as a result of natural, man-made or other catastrophes. Any climatic or other event which might result in an increase in the likelihood and/or severity of such events could materially adversely affect a Fund or a Separately Managed Account. Furthermore, while the incidence and severity of catastrophes are inherently unpredictable, the loss experience in respect of catastrophes has been generally characterized as low frequency and high severity. Therefore, claims from catastrophic events could, depending on the relative severity, significantly reduce a Fund's or a Separately Managed Account's principal, cause a reduction of interest earned, impact earnings and cause substantial volatility in its results of operations for any fiscal quarter or year and adversely affect its overall financial condition.

An Unusual Clustering of Independent Trigger Events. SCM intends to invest in multiple catastrophe risks positions. It expects, therefore, in the normal course of business to realize losses due to the occurrence of events, including but not limited to, weather events such as tropical cyclones, typhoons, tornados, earthquakes, winter storms, floods, wildfires, drought, fire and explosion, and sabotage and terror disasters, that affect various classes of insurance and reinsurance business such as property, aviation, marine, inland marine, crop and event cancellations. An unusual clustering of such events in a short time would be detrimental to a Fund's or a Separately Managed Account's performance. Even though SCM assumes the probability of any unprecedented clustering of independent risks to be low, its assumptions or models could underestimate the probabilities of some trigger events, thereby creating the potential for a clustering of events over a short time.

Claims and Coverage. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect a Fund's or a Separately Managed Account's exposure to reinsurance risks and its investments in certain Risk-Linked Assets and in some instances these changes may not become apparent until such risks and instruments are affected by these changes. As a result, the full extent of liability as a result of these changes may not be known for many years following a Fund's or a

Separately Managed Account's exposure to such reinsurance risks and its investment in such instruments.

An example of these potential threats are legal and regulatory actions that emerged in the aftermath of Hurricane Katrina. Property insurance policies have generally covered wind-driven water damage and have generally excluded flood damage. Likewise, some have excluded recovery for damage in the case of concurrent wind and flood damage. Court decisions in Louisiana and Mississippi following Hurricane Katrina differed in their interpretation of the type of water damage covered by such policies, drawing distinctions between water damage resulting from flooding and water damage resulting from wind-driven water surges or the ingress of water subsequent to wind damage. These decisions have raised issues concerning causation and apportionment between covered and non-covered damages.

In the event legal or regulatory mandates override either the industry standard flood exclusion clauses in homeowners policies or specific flood exclusions adopted by ceding insurers, a Fund or a Separately Managed Account could experience losses greater than it otherwise would have experienced had the courts or regulators interpreted policies consistently with the underwriting intent. Changes in other legal theories of liability under policies or the failure of any loss limitation ceding insurers apply could also adversely impact loss experience. In addition, to the extent that the judicial processes are prolonged due to the controversies over different interpretations of policies and coverages, they could lead to delay in claim settlements and uncertainties over the reserve process and amounts. The effects of unforeseen developments or substantial government intervention in the handling of claims or coverage could adversely impact the ability of a Fund or a Separately Managed Account to implement its reinsurance and investment strategy or adhere to its objectives.

Model Risk. Catastrophe risk models developed by third parties are used by investors, insurers, governments and businesses to analyze the potential impact that a wide variety of natural and man-made catastrophic events may have to understand the potential for loss (economic and otherwise) in various geographic regions arising from different perils.

SCM's strategy will rely significantly on the use of proprietary and third-party catastrophe risk models to undertake such analyses and manage its clients' portfolios. SCM will utilize such proprietary and third-party event and catastrophe risk models to assist its analysis of such exposures as it considers the development and formulation of a portfolio. These risk models are developed utilizing historical, scientific, economic and other observations and related data, and are not intended to be predictive. There is no guarantee therefore that such proprietary and external third-party catastrophe risk models will predict the future occurrence, frequency, location or severity of any particular catastrophic event, nor calculate the probability of an event or series of events, and such models may therefore underestimate the likelihood or magnitude of such events.

Although both SCM and such third-party modeling firms periodically review and revise the catastrophe risk models, the models are not and should not be interpreted or construed as providing any prediction or guaranty or forecast of the likelihood a Fund or a Separately Managed Account will receive any payment or income on or in respect of their investment, nor return of principal invested. Further, the proprietary and external third-party catastrophe risk models are subject to the risk that they may not accurately forecast optimal portfolio construction. There may be errors and imperfections in such proprietary and external third-party catastrophe risk models, in the data on which they are based or technical issues with how they have been constructed or developed. It would be difficult, if not impossible, for SCM to determine the presence of such errors. Often such errors do not come to light

until (and in some circumstances, after) the catastrophe risk models or software are relied upon to make investment decisions, which, in the context of reinsurance investments, are usually irreversible. Such issues may affect the ability of SCM to use such analyses or models effectively, the result of which could have a negative impact, perhaps significant, on the performance of a Fund or a Separately Managed Account. The failure of a model to adequately forecast optimal portfolio construction may affect the Fund's or a Separately Managed Account's returns.

The results of analyses performed by SCM using any of SCM's proprietary or externally licensed third-party catastrophe risk models, or performed by any third-party catastrophe risk modeling firms in respect of securities (such as catastrophe bonds ("Cat Bonds") or other risk derivatives), cannot be viewed as facts, projections or forecasts of triggering elements on future catastrophic losses and cannot be relied upon as an indication of the future return on the client's assets and activities. Actual loss experience can materially differ from that generated by such models. Loss distributions produced by such models constitute estimated losses based on assumptions relating to environmental, demographic and cost factors, many of which represent subjective judgments, are inherently uncertain and are beyond the control of the respective modeling firm. The assumptions or methodologies used by SCM may not constitute the exclusive set of reasonable assumptions or methodologies, and the use of alternative assumptions or methodologies could yield results materially different from those generated. Further, professional catastrophe risk modeling firms review their modeling assumptions from time to time in the light of new meteorological, engineering and other data and information and refine their loss estimates as such information becomes available. Such refinements may materially alter the modeled loss estimates currently generated by these models.

Unpredictability of Risk as it Relates to Models. The type, frequency and severity of catastrophic and insurance-related events associated with Risk-Linked Assets are difficult or impossible to predict. In some cases, SCM will rely on industry and proprietary models that utilize, among other things, historical information, actuarial analysis, as well as weather forecasting and related models to apply a price associated with the corresponding risk of the position or instrument. Such models contain a material amount of uncertainty.

Modeling insured property losses resulting from catastrophic events is a subjective and imprecise process involving an assessment of information that comes from a number of sources that may not be complete or accurate. No model of catastrophe events is, or could be, an exact representation of reality. Models rely on various methodologies and assumptions, some of which are subjective and subject to uncertainty. There can be no assurance that any model will prove to be an accurate estimate of the risk of loss, its frequency or severity, or for that matter, the attendant risk or purported performance characteristics of any given portfolio.

Counterparty Risk. To the extent that Alstead Re, a Fund and/or a Separately Managed Account purchases protection through reinsurance or industry loss warranties (that is, to the extent they attempt to hedge risk exposure in this manner), or invests in insurance-linked options, swaps, derivatives or synthetic instruments transactions, they may take a credit risk with regard to parties with whom they trade and may also bear the risk of settlement default, particularly since such transactions are not typically effected on an exchange. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from

such protections and expose the parties to the risk of counterparty default (whether due to insolvency, bankruptcy or otherwise).

Situations may arise in which a counterparty may gain control of a portion of collateral for significant periods of time, and the ability of the counterparty to repay any portions of such collateral ultimately owing to the Alstead Re, a Fund or a Separately Managed Account may be impaired in the event of a dispute or insolvency of the counterparty. Thus, Risk-Linked Assets may involve a high degree of structural and financial risk that can result in substantial losses.

Use of Leverage; Availability of Credit. While it is anticipated that most of the positions in portfolios managed by SCM will be executed on a fully funded basis, SCM may in limited circumstances utilize leverage, that is, by funding most but not all of a given position. Such a transaction would result in a Fund or a Separately Managed Account controlling more assets than its equity. SCM does not anticipate engaging in leverage in the classic sense (*i.e.* by borrowing against positions) as little, if any, opportunity to engage in such activity exists in the markets in which it trades.

SCM may utilize leverage in implementing its strategies on behalf of its clients. This leverage (through direct borrowing or synthetic options such as fronting relationships or reinsurance transactions when the collateral required to be posted is less than the full limit of the reinsurance protection) results in a Fund or a Separately Managed Account holding substantially more assets than its equity. Leverage increases a Fund's or a Separately Managed Account's returns if the Fund or Separately Managed Account earns a greater return on investments purchased with borrowed funds than the cost of borrowing such funds. However, the use of leverage exposes the Fund or the Separately Managed Account to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Fund or Separately Managed Account not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds. In the event of a sudden, precipitous drop in value of a Fund or a Separately Managed Account's assets, including in the case of a loss event under a Reinsurance Contract (as defined below), the Fund or Separately Managed Account might not be able to liquidate assets quickly enough to meet its unfunded obligations, further magnifying its losses.

Most of a Fund's or a Separately Managed Account's leverage will be the result of its synthetic instruments. These arrangements allow a Fund or a Separately Managed Account to write more notional reinsurance than it posts in collateral. Although no money is borrowed under these arrangements, investment gains and losses are magnified as if funds were borrowed.

C. Risks Related to Securities Traded

Nature of Investments. SCM strategies will generally consist of assuming and/or participating in various types of insurance and reinsurance risk in a variety of different transactional forms and investments in Risk-Linked Assets. There can be no assurance that SCM will correctly evaluate the nature, risk and magnitude of the various factors that could affect the value of and return on such positions. The performance of a risk-linked portfolio constructed by SCM and the valuation and prices of its investments and risk positions may be volatile, and a variety of factors that are inherently difficult or impossible to predict, such as domestic or international economic or political developments, man-made or natural disasters (including, e.g., catastrophic events such as hurricanes, tropical cyclones, typhoons, earthquakes, tornados, winter storms, floods, convective storms and other naturally occurring weather events), and may therefore significantly affect the results of SCM's strategies.

Risk-Linked Assets are Not Heavily Regulated for the Benefit of Investors. Risk-Linked Assets typically are not offered or traded on public exchanges, and persons entering into these transactions do not benefit from the regulatory protections of or reviews by such exchanges, the SEC or other governmental or regulatory authorities in any jurisdiction to the same extent as registered securities.

Risks Specifically Associated with Cat Bonds. Investments in Cat Bonds carry a number of risks uniquely associated with this type of investment. The following list of risks specifically associated with this type of investment is not intended to be an exclusive nor complete list of the risks associated with this type of investment, but is intended to highlight some of the more prominent exposures.

- Investors Could Lose All or a Portion of the Investment. Investors in Cat Bonds bear the risk that they could lose all or a portion of the principal of, and interest on, the Cat Bonds if there are one or more covered events causing the Cat Bond issuer to pay losses to the ceding insurer. The possibility of the occurrence of a covered event that results in the Cat Bond issuer paying losses is inherently unpredictable.
- Risks Associated with the Covered Business Can Vary and are Unpredictable. Certain Cat Bond transactions expose investors to the risk of loss with respect to specifically defined covered business written by the ceding insurer. The exposure of the ceding insurer under the covered business, and in turn the exposure to investors in the Cat Bonds, may vary over time. These variations can be amplified over time because Cat Bond transactions typically provide for reinsurance coverage to be provided to ceding insurers for a period of 3-5 years. Variations in risk exposure could result from, among other things, changes in the number of policies included in the covered business and the coverage provided in such policies, amounts of deductibles and policy limits, and the values, locations and types of properties covered by the policies included in the covered business.
- Ceding Insurer's Loss Reserves are Inherently Uncertain. Certain Cat Bond transactions are structured to take into account loss reserves established by the ceding insurer. Loss reserves do not represent an exact calculation of liability. Rather, loss reserves represent an estimate of what the ceding insurer's ultimate settlement and administration of claims will cost. These estimates, which generally involve actuarial projections, are based on the assessment of facts and circumstances then known, as well as estimates of future trends in claims severity, frequency, judicial theories of liability and other factors. These variables are affected by both internal and external events, such as claims handling procedures, inflation, judicial and litigation trends and legislative changes.
- New Legal Theories May Result in Additional Claims or Losses. As insurance industry practices and legal, judicial, social and other environmental conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect the ceding insurer's business by either creating or extending coverage beyond the scope intended, or by increasing the nature, number or size of claims. In some instances, these changes may not become apparent until long after the ceding insurer has issued policies that are affected by the changes. As a result, the full extent of liability under the policies may not be known for many years after a policy is issued. Changes in legal theories of liability under the policies or the failure of any loss limitation the ceding insurer applies could adversely impact the ceding insurer's loss experience, and accordingly could adversely impact the returns on affected Cat Bonds.
- Modeling Risks. The analysis of, and interest rate established on, Cat Bonds are dependent on the results of risk modeling performed by third-party risk modeling firms. In developing such risk models, such firms have relied on published technical papers and studies, catalogs and other data based on past meteorological, seismic and hydrological activity and have selected those

that they believe to represent credible scientific opinion on the covered perils. The results of the models used by any given modeling firm may differ materially from the results of the models used by other modeling firms. Such models do not predict the probabilistic occurrence of any covered events. These models rely on various methodologies and assumptions, some of which are subjective and subject to uncertainty. There can be no assurance that these models will accurately estimate risks on any Cat Bonds. Additionally, these models may not address all of the perils covered in a Cat Bond transaction, and there may be additional losses not modeled that might impact the Cat Bonds.

- Limited Resources of Issuers. The issuers of Cat Bonds often are thinly capitalized, special-purpose entities that do not have ready access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.
- Default on Payment of Interest if the Ceding Insurer Defaults on Its Payment Obligations. Any failure of the ceding insurer to pay any premium payments when due would likely result in the Cat Bond issuer not having sufficient funds to pay the full amount of interest on the Cat Bonds.
- Ceding Insurer May Have Unrestricted Withdrawal Rights from the Collateral Structure. Some Cat Bond transactions have collateral structures that could permit assets in such collateral structures to be withdrawn by the ceding insurer at any time without prior notice to the Cat Bond issuer. Although the ceding insurer typically acknowledges to the Cat Bond issuer that the ceding insurer will not withdraw assets from the collateral structure for any purpose other than to receive loss payments due from the ceding insurer, and such a withdrawal might be a breach of a different transaction contract, the ceding insurer is not prevented from making such a withdrawal under the terms of the collateral structure.
- Investments of Issuers. The ability of issuers of Cat Bonds to pay principal and to otherwise provide the expected investment returns on their issued securities is based in part on such entities' investments, which may be subject to credit default risk, interest rate risk, risk of delay in liquidation or redemption and other risks.
- Maturity Date of Cat Bonds May Be Extended. The maturity date of Cat Bonds may be extended beyond the scheduled redemption date of such Cat Bonds upon the occurrence of certain extension events. Whether an extension event will occur is unpredictable and may be in the sole discretion of the ceding insurer.
- Cat Bonds May Be Redeemed Before the Scheduled Redemption Date. If certain early redemption events occur with respect to Cat Bonds, such Cat Bonds may be redeemed (without any make-whole payment) prior to the scheduled redemption date.
- Market for Cat Bonds May Be Volatile. The market value of Cat Bonds may exhibit substantial volatility to the extent there are market expectations of a covered event leading to losses to be paid by the Cat Bond issuer to the ceding insurer. The market value of Cat Bonds may also be affected if such Cat Bonds have been rated and are downgraded by any NRSRO or if the market experiences limited liquidity. The market value of Cat Bonds may also exhibit substantial volatility if a sizeable other material peril event occurs that affects the insurance or reinsurance industry.
- Limited Liquidity and Transfer Restrictions. There is currently no formal secondary trading market for Cat Bonds. No one is under any obligation to make a market in Cat Bonds. Cat Bonds are typically issued in minimum denominations of \$250,000. Cat Bonds typically may be sold and transferred only to investors that meet certain qualifications. Cat Bonds are typically not registered under the Securities Act or any U.S. state or non-U.S. securities laws, and transfers of Cat Bonds are typically subject to substantial contractual and legal restrictions. Given the risks

associated with an investment in Cat Bonds, the high denominations and the restrictions on transfer, investors may have difficulty locating qualified transferees. Consequently, an investor in Cat Bonds may not be able to liquidate its investment readily, and Cat Bonds may not be readily accepted as collateral for loans. Accordingly, investors in Cat Bonds may have to bear the economic risk of an investment in Cat Bonds until their maturity.

- Low or No Ratings. Cat Bonds may receive low ratings or be unrated by NRSROs. Consequently, such Cat Bonds may be subject to adverse publicity and investor perceptions, any of which may act to depress liquidity and prices.
- Regulation. Entities that issue Cat Bonds may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Conversely, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing issuers and insurance companies subject in the U.S.
- Limited Ability To Serve Process or Enforce Judgments. Because entities that issue Cat Bonds often are subject only to the laws of non-U.S. jurisdictions, and because the directors and officers of such entities are residents of non-U.S. jurisdictions, it could be difficult for an investor in such an entity to effect service of process on such directors and officers or to recover against such Cat Bond issuer or such directors and officers on judgments of U.S. courts predicated upon civil liabilities under U.S. federal securities laws.
- Subordination; No Recourse. Cat Bonds often are subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities. In particular, Cat Bonds are issued with limited recourse to certain assets of the Cat Bond issuer and no recourse to the assets of the ceding insurer. As a result, if an issuer of a Cat Bond defaulted on its obligations under the Cat Bond, an investor would have limited ability to recover any amounts due under the Cat Bond. Additionally, investors in Cat Bonds do not have any rights to enforce or realize against the assets of the Cat Bond issuer until all of such Cat Bond issuer's obligations to the ceding insurer have been fully satisfied or terminated.

Item 9 - Disciplinary Information

SCM is obligated to disclose to clients all material facts with respect to a legal or disciplinary event that is material to an evaluation of SCM's integrity or ability to meet contractual commitments to clients (Rule 206(4)-4 under the Investment Advisers Act of 1940, as amended (the "Advisers Act")). Senior management and other "Supervised Persons," as defined in SCM's Compliance Manual, have an obligation to inform the Chief Compliance Officer ("CCO") of the occurrence of a Disclosure Event or any other event that might require disclosure to clients or disclosure on Form ADV. Each Supervised Person is required to complete and sign SCM's Disclosure Questionnaire and Certification upon initial employment or association with SCM and annually, thereafter.

SCM is not aware of any legal or disciplinary matters which require disclosure.

Item 10 - Other Financial Industry Activities and Affiliations

As described in Item 4 above, SCM Bermuda and SCM US are affiliated investment advisers. SCM Bermuda provides investment advice to the Funds and Separately Managed Accounts in connection with

their respective investment programs. SCM US provides portfolio, investment and strategic advice and other services to SCM Bermuda. All Supervised Persons of each of the affiliates are subject to SCM's Compliance Manual and Code (as defined below). SCM Bermuda is a "relying adviser" in reliance on the Form ADV filed by SCM US. SCM's affiliate, White Mountains Advisors, LLC, is a registered investment adviser located in Guilford, CT that implements substantially different investment strategies.

SCM Bermuda acts as an insurance manager to Alstead Re, a Class 3 licensed Bermuda insurer. All of the outstanding voting common shares in Alstead Re's general account are held by Sirius Group.

SCM and SINT, an affiliated underwriter of reinsurance contracts, may both utilize shared systems developed by the larger White Mountains organization to analyze whether to invest in, as well as how to value, Risk-Linked Assets. As part of its ordinary and regular business, SINT enters into similar reinsurance transactions ("Reinsurance Contracts") in which SCM directs its clients to participate. Although SCM and SINT will generally accept different types of risk, there may be situations in which SINT and clients of SCM have competing interests. Certain potential Reinsurance Contracts may be appropriate for both SINT and SCM clients, and in certain circumstances, SINT may not be required to, or may be prevented from, making such an opportunity available to SCM. Further, SINT and SCM may engage in coordinated or co-marketing activities with potential counterparties and may face conflicts of interest in allocating their respective capacities in respect of potential transactions. SCM seeks to address the conflicts posed by SINT's activities through policies and procedures adopted by SCM and SINT governing: (i) the sharing of information between SCM and SINT, (ii) the circumstances under which referrals of opportunities may occur between SCM and SINT and (iii) the allocation of business opportunities between SCM and SINT. Further, SCM conducts its own independent analysis of investment opportunities in the context of the investment guidelines applicable to its clients and is exclusively responsible for the day-to-day activities regarding its clients' specific positions and portfolio composition.

Affiliates of SCM may acquire material non-public and/or confidential information that may restrict, by law, internal policies or otherwise, SCM from purchasing securities or other assets, or selling securities or other assets for itself or its clients or otherwise using or receiving such information for the benefit of SCM or its clients. In order to maintain flexibility to invest in securities without violating securities laws that restrict trading while in possession of material non-public information, SCM may establish information walls restricting its access to material non-public information that might otherwise be available to it through its relationships with other affiliated parties.

Sirius Group and its affiliates may engage in a broad range of financial and insurance related activities, including insurance underwriting, trading of risk-linked securities, asset management and other activities. Potential investors should be aware that in the ordinary course of business, Sirius Group and its affiliates may engage in activities where its interests or the interests of its clients may conflict with the interests of SCM's clients, and that such conflicts may not always be resolved in favor of SCM's clients. Present and future activities of Sirius Group, in addition to those described herein, may also result in conflicts of interest that may be disadvantageous to SCM's clients.

SCM has an Investment Committee whose role in respect of SCM is two-fold: to provide strategic oversight and general guidance with respect to SCM's clients' portfolios of Risk-Linked Assets and to confirm that SCM is acting consistently with its directives. Members of SCM's Investment Committee devote a majority of their time to other roles within the larger White Mountains organization and/or serve as directors of other White Mountains entities, and as such, will have conflicting duties of loyalty

to White Mountains entities other than SCM. However, SCM employees who are fully dedicated to SCM will make all day-to-day decisions regarding investment opportunities, specific positions and portfolio composition on behalf of SCM's clients.

In the future, it is contemplated that SCM will manage multiple Funds or Separately Managed Accounts that invest in Risk-Linked Assets. Funds or Separately Managed Accounts may be structured with different terms or investment strategies. At different times, particular Funds or Separately Managed Accounts may take up a substantial portion of SCM's time and attention. It is the policy of SCM that all its clients should be treated fairly and that, to the extent possible, all clients should receive equivalent treatment.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Business Conduct.

SCM personnel, including managers, officers and employees, are obligated to put the interests of SCM's clients before their own personal interests. In addition, members of SCM's Investment Committee whose primary professional obligations are to affiliates of SCM must also generally comply with the personal trading policies and certain other aspects of the Code (as defined below), unless otherwise waived by the CCO. SCM personnel are required to act honestly and fairly in all respects in dealings with clients.

Potential conflicts of interest between the interests of SCM's personnel and the interests of SCM's clients may arise in connection with the operation of:

- SCM's investment advisory activities;
- the personal trading activities and other business activities of SCM's Supervised Persons; and
- the exchange of business gifts and invitations to entertainment events between SCM's personnel and its clients and/or vendors.

SCM recognizes its fiduciary duty to its clients and desires to maintain high standards. Accordingly, SCM has adopted a Code of Business Conduct (the "Code") containing provisions designed to prevent improper personal trading, identify conflicts of interest and provide a means to resolve any actual or potential conflict in favor of SCM's clients. Adherence to the Code (and the related restrictions on personal trading) and compliance with all applicable federal securities laws, rules and regulations are essential for all of SCM's Supervised Persons.

The CCO oversees the administration of the Code. The CCO maintains the Code electronically. All Supervised Persons have access to the Code. Amendments to the Code are promptly communicated to Supervised Persons of SCM via email. Annually, Supervised Persons are required to certify that they have read and understand the Code.

Conflicts of interest or suspected violations of the Code are required to be reported immediately to the CCO. Violations of the Code may result in the imposition of sanctions or remedial actions deemed appropriate or required by law. Such sanctions may include formal reprimand, disgorgement of profits, suspension or termination of employment with SCM, removal of affiliated entity personnel from Supervised Person status and/or termination from an affiliated company, in addition to any criminal or civil penalties imposed by federal or state authorities.

Under the Code (except for certain involuntary transfers), a Supervised Person must obtain prior written authorization (“Pre-clearance”) from the CCO, or an individual designated in the CCO’s absence, before engaging in any securities transactions for his/her personal account relating to the insurance and reinsurance industry. In addition, the Code implements special Pre-clearance requirements in connection with private placements, limited investment opportunities and initial public offerings.

The Code requires a Supervised Person to submit holdings reports to the CCO describing securities the Supervised Person beneficially owns. A Supervised Person must submit an initial report within 10 days of becoming subject to the Code and annually thereafter. The Code also requires Supervised Persons to:

- promptly notify the CCO of any new brokerage accounts in which any personal securities are held;
- direct their broker-dealers or custodians to supply the CCO with duplicate copies of securities trade confirmations (“Broker’s Confirmations”) within 15 days after effecting any personal securities transaction; and
- submit a quarterly certification stating that they’ve directed their brokers to send monthly statements and Brokers Confirmations with respect to their brokerage accounts, and any newly opened brokerage accounts have been communicated to SCM.

Supervised Persons are not required to submit any reports with respect to transactions in securities that are excluded from the definition of Reportable Securities, as defined in the Advisers Act, including transactions in money market instruments, direct obligations of the U.S. government, shares of certain registered open-end funds, as well as with respect to accounts over which the Supervised Person does not exercise influence or control and transactions effected pursuant to automatic investment plans.

Holdings reports, monthly personal account statements and Broker’s Confirmations are reviewed on a periodic basis.

The CCO has the authority to exempt any Supervised Person or any personal securities transaction of a Supervised Person from any or all of the provisions of this Code if the CCO determines that an exemption would not negatively impact the interests of any client and is in accordance with applicable law. The CCO will prepare and file a written memorandum of any exemption granted, describing the circumstances and reasons for the exemption.

Clients and investors in the Funds may obtain a copy of SCM’s Code by contacting the CCO via e-mail or by U.S. mail at SCM US’s primary place of business at 140 Broadway New York, New York.

B. Investing in Securities Recommended to Clients.

SCM does not recommend or buy or sell for client accounts, securities in which SCM or a related person has a material financial interest. However, as referenced in Item 10 above, (a) SINT enters into the same types of Reinsurance Contracts entered into by Alstead Re on behalf of the Funds and SCM’s clients; and (b) SINT and SCM may engage in coordinated or co-marketing activities with potential counterparties and may face conflicts of interest in allocating their respective capacities in respect of potential transactions. SCM seeks to address these conflicts through policies and procedures adopted by SCM and SINT governing: (i) the sharing of information between SCM and SINT, (ii) the circumstances under which referrals of opportunities may occur between SCM and SINT and (iii) the allocation of business opportunities between SCM and SINT.

Further, as a general matter, the types of Risk-Linked Assets that SCM recommends to clients are not available for personal trading. Thus, the potential conflicts of interest typically related to personal trading are unlikely to occur. Nevertheless, SCM has adopted the Code (as described above) to address any potential conflicts of interest that may arise in respect of the personal trading of SCM's Access Persons.

C. Procedures to Prevent Insider Trading

SCM has adopted and implemented written Policies and Procedures to Prevent Insider Trading. Pursuant to these procedures, SCM forbids Supervised Persons, either personally or on behalf of others, within and outside their duties at SCM, from trading on material nonpublic information or communicating material nonpublic information to others in violation of the law.

Item 12 - Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

Generally, SCM has discretionary authority to determine (i) securities to be purchased and sold for its clients, (ii) the amount of those securities, (iii) the broker-dealer to be used, and (iv) the amount of commission to be paid for a purchase or sale of a security.

When executing securities transactions, SCM makes a selection from the small group of broker-dealers that are active in the insurance-linked securities market. A number of factors are considered by SCM in selecting a broker-dealer including, but not limited to:

- the breadth of the market in the security;
- the broker-dealer's ability to execute transactions in a confidential, efficient and effective manner;
- the financial stability and reputation of the broker-dealer;
- the broker-dealer's ability to complete the transactions satisfactorily through to clearance, confirmation and delivery; and
- the intrinsic value of any research and services offered by the broker-dealer.

Typically, SCM's selection is primarily based on the availability of the security and the prices being offered in the market. Evaluation of brokerage activity is conducted on an ongoing basis, including periodic meetings of SCM's brokerage committee who will evaluate the counterparties with which SCM transacts.

1. Research and Other Soft Dollar Benefits.

Research. SCM may receive services relating to the investment decision process in the form of research reports and products that are furnished in the normal course of business by broker-dealers or other vendors such as written information and analyses concerning the reinsurance and insurance-linked securities markets. SCM transacts with broker-dealers without regard to obtaining such reports and products and undertakes transactions in the best interests of each client. Any research products and services provided by broker-dealers through which transactions are effected on behalf of client accounts are generally used for the benefit of all of SCM's clients collectively. Consistent with the foregoing, SCM has a duty to obtain "best execution" of the securities transactions being effected for its clients'

accounts. In selecting broker-dealers to execute transactions, SCM need not solicit competitive bids or seek the lowest available cost.

“Soft dollars” refers to the practice of using commission dollars to recognize broker-dealers for investment research and brokerage execution services and other products and services provided by the broker-dealer to SCM. SCM does not intend to agree to incur higher commissions or spreads for securities transactions effected through brokerage firms in exchange for research or other products or services or otherwise enter into formal arrangements for “soft dollars.” However, SCM expects to execute securities transactions with various broker-dealers, and such broker-dealers may provide SCM with access to proprietary research services, as referenced above, received in the ordinary course of business. To the best of SCM’s knowledge, these products are generally made available to all similarly situated institutional investors doing business with these broker-dealers.

Notwithstanding the above, SCM’s agreements with its clients generally authorize the use of “soft dollars” to the extent permitted by applicable law. If SCM engages in formal soft dollar arrangements in the future, any such arrangements must be reviewed and approved by the CCO before being implemented and must be in accordance with SCM’s policy and procedures concerning the use of soft dollars. SCM intends to limit its use of “soft dollars” to those products and services which fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934.

2. Directed Brokerage Arrangements.

SCM does not currently permit clients to direct SCM in executing all or a portion of a trade for such client’s account through a specific broker-dealer. If SCM permits directed brokerage arrangements in the future, the CCO will review the arrangements and obtain all necessary acknowledgements from the relevant client regarding how directed brokerage may impact SCM’s ability to seek best execution of securities transactions on its behalf, which may cause the client to incur higher transaction costs.

B. Order Aggregation.

SCM may aggregate client orders into a single order when it determines that it is consistent with best execution and in the best interests of the clients.

Each client that participates in an aggregated order with the same broker-dealer will participate at the average price for a given trade. Transaction costs will be shared pro rata based on each client’s participation in the transaction. In the event that the aggregated order is partially filled, the order will generally be allocated pro rata among clients participating in the order, although exceptions may be made to avoid odd lots, de minimis allocations and other similar issues.

C. Brokerage Related Practices

1. Allocation of Transactions to Clients.

It is the policy of SCM to allocate investment opportunities and transaction costs among clients in a fair and equitable manner.

2. Trade Allocation Procedures: Investment Assessment.

Each of SCM’s clients may have different investment objectives, guidelines and restrictions, which are among a number of general factors SCM will consider when assessing whether an investment

opportunity is appropriate for a particular client. The investment management process has been developed to enable SCM to consider a number of general factors when assessing whether a Risk-Linked Asset investment opportunity is appropriate for a particular client, including, but not limited to: (i) the outlook for risk and return in various investment and risk markets, (ii) the capacity and demand for risk coverages in various insurance and reinsurance markets, and (iii) each client's investment objectives, strategies, geographic focus, policies, guidelines, limitations, available liquidity, tax status, risk tolerances, account size, liquidity needs, regulatory restrictions, operating risks and business requirements.

In addition, SCM may be given the opportunity for its clients to participate in primary issuances of insurance-linked securities, private securities and other limited investment opportunities. SCM will determine the clients for whom each such issuance is appropriate, taking into account the above mentioned factors, and will generally allocate such trades in a manner consistent with the procedures contained herein.

3. Trade Allocation Procedures: Client Allocations.

If SCM determines that a particular Risk-Linked Asset investment opportunity is appropriate for multiple clients, SCM will generally allocate in its discretion the opportunity (and the associated trade orders) pro rata based on each client's investment strategy and available capital for investment ("Pro Rata"). Client accounts may have similar investment objectives, guidelines and restrictions, and certain risk opportunities may qualify within the guidelines of more than one portfolio strategy. Therefore, more than one client account may be capable of investing in the same or similar securities. However, due to different holding periods, cash flows, liquidity needs, minimum lot sizes, and other factors, SCM may take action with respect to a particular security or securities for one client which differs from that of other clients. As a result, certain clients may receive proportionally larger or smaller allocations of any particular trade opportunity, or insurance or reinsurance transaction.

The manner in which the Pro Rata principle will be applied varies by asset class, based on investment market practices:

- (a) Catastrophe Bonds (144A and other private format offerings exempt from SEC registration): Cat Bonds generally issue and trade in a minimum par lot size of USD 250,000, and integral multiples of USD 1,000 in excess thereof. SCM will seek to allocate Cat Bonds and similar risk-linked securities among clients based on the investment assessment and factors noted above, among others, and subject to the minimum par lot size of USD 250,000.
- (b) Reinsurance Contracts: These opportunities do not have a typical trade size. In the event that SCM does not receive an allotment from a particular opportunity large enough to satisfy all appropriate clients' strategies or expressions of interest, then the allotment received will generally be allocated in the Investment Manager's discretion among appropriate clients on a Pro Rata basis, taking into consideration any minimum commitment levels dictated by the underlying counterparty, and based further on the investment assessment and factors noted above. An exception to the general principle of allocating opportunities on a Pro Rata basis is with respect to renewal of Reinsurance Contracts. In connection with the renewal of a Reinsurance Contract, SCM will likely allocate such renewal to the client or clients that bore the risk on

the original Reinsurance Contract (up to the original limit on such Reinsurance Contract and subject to all the portfolio considerations discussed above applicable to such client or clients that may exist at the time of renewal).

Above the minimum lot size, SCM will endeavor to round all trade amounts for all asset types to the nearest USD 100,000 of current face amount.

4. Trading Error Procedures.

SCM has established policies and procedures regarding the handling of trading errors in client accounts. Pursuant to these policies and procedures, errors are corrected as soon as practicable after discovery. SCM attempts to assess and determine on a case-by-case basis, consistent with applicable standards of care, when reimbursement is due to a client due to a trading error. Such reimbursement will generally only be provided if SCM determines that the applicable standard of care has been violated. In this regard, SCM attempts in good faith to place clients in the position that was intended at the time a decision to trade was made. Where trading errors result in gains for the client account, the account is generally credited with such gains, though in certain circumstances SCM may determine when fair and equitable that it is appropriate to remove such gains. On the other hand, if a trading error results in a loss and the applicable standard of care has been violated, SCM generally tries to make clients whole by reversing out the trade at its own expense in the form of a reimbursement paid by SCM.

Item 13 - Review of Investment Portfolios

A. Frequency and Nature of Review.

Clients' and the Funds' investment portfolios will be monitored on a regular basis. SCM's personnel will monitor the composition of each portfolio and analyze the impact of current events with the aim of ensuring that each portfolio is being managed in a manner consistent with the relevant client's or Fund's investment objectives and guidelines.

In addition to the regular monitoring by SCM personnel, each investment portfolio is subject to periodic review by SCM's Investment Committee to determine whether the portfolio is being managed consistently with the client's investment objectives, guidelines and restrictions.

B. Content and Frequency of Regular Investment Reports.

Investors in the Funds will generally receive (i) quarterly reports regarding the performance of the relevant Fund, (ii) quarterly investor letters prepared by SCM and (iii) audited financial statements within 120 days of the end of the Fund's fiscal year. The extent of reporting provided to a Separately Managed Account client will be negotiated between SCM and the client.

Item 14 - Client Referrals and Other Compensation

SCM will not be compensated by anyone other than its clients for providing its investment management services. SCM will not directly or indirectly compensate any person for client referrals.

Item 15 - Custody

It is anticipated that SCM Bermuda will be deemed to have custody of the assets of the Funds. However, SCM will not take physical custody of any client assets. SCM Bermuda will maintain the funds and securities of the Funds in accounts with a qualified custodian pursuant to Rule 206(4)-2 under the Advisers Act. To ensure compliance with Rule 206(4)-2 under the Advisers Act, investors in the Funds will be provided with audited financial statements for the Funds, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of the Funds' respective fiscal years (i.e., generally by April 30). Investors should carefully review the audited financial statements of the Funds.

SCM US will not have custody of client funds.

Item 16 - Investment Discretion

SCM will provide discretionary investment supervisory services to its clients. In respect of Funds, SCM will manage the assets in accordance with the terms of the governing documents applicable to each Fund.

The nature and scope of SCM's discretionary investment supervisory services for Separately Managed Account clients will be set forth in a written investment management agreement.

Item 17 - Voting Client Securities

Given the nature of its investment activities on behalf of its clients, it is not anticipated the clients or the Funds will hold voting securities. Nonetheless, SCM has adopted proxy voting policies and procedures as required by SEC rules and should SCM receive a proxy, it will vote it in the best interest of the client or Fund.

Clients and investors may obtain a copy of SCM's proxy voting policies and procedures upon request. A record of all proxy decisions will be retained by SCM and available for inspection by clients and investors. For information regarding SCM's proxy voting record or for a copy of its proxy voting policy and procedures, please contact SCM at the number on the front of this brochure.

Item 18 - Financial Information

SCM does not require or solicit prepayment of fees from its clients.

SCM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

SCM has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 - Requirements for State-Registered Advisors

SCM is not registered with any state regulatory authorities and is therefore not subject to this requirement.