



ADV Part 2A – Firm Brochure

Merricks Capital Pty Limited

ACN 126 528 005

Australian Financial Services Licence 319477

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This brochure provides information about the qualifications and business practices of Merricks Capital. If you have any questions about the contents of this brochure, please contact us at +61 3 8319 8111 and/or enquiries@merrickscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any securities authority.

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

Merricks Capital is an SEC-registered investment adviser. This registration does not imply any level of skill or training.

Item 2: Material Changes

This section is used only to discuss material changes to Part 2A of Form ADV: Firm Brochure since the last annual update of the Brochure dated 18 September 2014. There are no material changes. Investors are encouraged to read the entire Brochure.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	4
Item 6: Performance-Based Fees and Side-By-Side Management	5
Item 7: Types of Clients	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9: Disciplinary Information	13
Item 10: Other Financial Industry Activities and Affiliations	13
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
Item 12: Brokerage Practices	14
Item 13: Review of Accounts	16
Item 14: Client Referrals and Other Compensation	16
Item 15: Custody	16
Item 16: Investment Discretion	17
Item 17: Voting Client Securities	17
Item 18: Financial Information	17
Item 19: Requirements for State-Registered Advisers	17

Item 4: Advisory Business

- (A) Merricks Capital Pty Limited (**Merricks Capital**) was established in 2007 and is based in Melbourne, Australia. Merricks Capital is an independent investment manager and is also registered and regulated by the Australian Securities and Investments Commission and is the holder of Australian Financial Services Licence 319477. This registration does not imply any level of skill or training. Adrian Redlich is the Chief Investment Officer of Merricks Capital and he and Bori Liberman are the principal owners of Merricks Capital, together owning approximately 88%.
- (B) Merricks Capital provides a wide range of portfolio management and advisory services to private investment funds and advised accounts which have individuals, businesses and institutions as investors. These portfolio management and advisory services include (but are not limited to) equities, commodities, futures, options, bonds and fixed income.

Please see Item 8 for a detailed description of the Investment Strategy and Methods of Analysis for Merricks Capital's funds (**Funds**).

Merricks Capital may also advise and manage accounts for separate account clients on a discretionary and non-discretionary basis (**Managed Accounts**, and together with the Funds, the **Clients**).

The descriptions set forth in this Brochure of specific advisory services that we offer to our Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

- (C) In its role of managing assets for the Clients, Merricks Capital provides investment advice tailored to the investment objectives and policies of the Client. Except as provided for in the Funds' respective investment policies (or the advisory agreement for Managed Accounts), the Clients may not impose any other restrictions on investing in securities or types of securities. Aside from the above, Merricks Capital does not provide individual tailored advice to Clients and Merricks Capital generally does not provide individual tailored services.
- (D) Merricks Capital does not participate in wrap fee programs.
- (E) As at 31 July 2015, Merricks Capital has \$369,840,155 in net assets under management. \$369,722,918 assets are managed on a discretionary basis. \$117,237 assets are managed on a non-discretionary basis.

Item 5: Fees and Compensation

- (A) Merricks Capital is compensated for its advisory services by payment of both a management fee and performance fee. Please see Item 6 in relation to the performance fee. The management fee that a Client will pay is generally set forth in the organizational and offering documents of the Funds and in the advisory agreements with Managed Account Clients. Merricks Capital may waive, reduce or calculate differently the management fee or performance fee with respect to certain investors.

- (B) With respect to the Funds, fees are deducted from the Fund's assets. The management fee is calculated and paid monthly in arrears. The management fee is calculated monthly as $1/12 \times$ annual management fee (management fee ranges from 1 – 2%) on the net asset value of the Client's investment.
- (C) Merricks Capital's Clients include Funds and Managed Accounts managed by Merricks Capital. In addition to management fees, additional expenses that each respective Fund will incur include (but are not limited to) all transactional costs, including brokerage, banking, sales and purchase commissions and charges, and exchange fees, fees and charges of custodians and clearing agencies, interest and commitment fees on loans and debit balances, income taxes, withholding taxes, transfer taxes and other governmental charges and duties, any costs incurred in respect of meetings of the Directors (including its committees) and meetings, if any, of Shareholders, fees of the Funds' legal advisers and the Auditors, Directors fees, and expenses, the cost of maintaining the ownership of the Management Shares of the Funds. Please see Item 6 in relation to the performance fee which may also be payable.
- (D) None of Merricks Capital's Clients are required to pay any fees in advance.
- (E) Neither Merricks Capital nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sales of mutual funds.

Item 6: Performance-Based Fees and Side-By-Side Management

In addition to the fee that is payable in Item 5, a performance fee of between 10% and 20% of the amount by which the net asset value of a Client's investment, (including any interim distributions past the last 'Performance Fee Period' (as defined below)), exceeds the 'High Water Mark' (as defined below), is payable to Merricks Capital. The 'High Water Mark' means the initial investment amount and the highest net asset valuation at the end of a period where a performance fee has been paid, adjusted for subsequent distributions. The Performance Fee Period is calculated as payable on either 1 July or 1 January.

The variation of performance fee structures among Merricks Capital's Clients may create an incentive for Merricks Capital to direct the best investment ideas to, or to allocate or sequence trades in favour of, Clients that pay the highest performance fees. Merricks Capital is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above.

Item 7: Types of Clients

Merricks Capital provides investment advice to the Funds and may in the future provide investment advice to Managed Accounts as set forth above. Beneficial owners of Managed Accounts may include institutions, pension plans, high net worth individuals and other sophisticated investors. The minimum investment that Merricks Capital accepts is \$50,000 from Australian and New Zealand investors for Australian domiciled Funds and \$2,000,000 from investors for Cayman domiciled Funds managed by Merricks Capital.

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

(A) Investment Strategies and Methods of Analysis

- **Long/Short Equity - Investment Strategy:**

- The Long/Short Equity Strategy focuses on investments in companies in the developed markets of Asia, primarily being Australia, Japan, Hong Kong and Singapore.
- The investment approach starts with forming a macro view and is implemented with fundamental bottom up - long/short market neutral portfolio construction with country and industry exposure limits allowing investors to get exposure to the best/worst large companies in Asia.
- The strategy focuses on being long Asian companies which Merricks Capital thinks are going to be the best performers and is short Asian companies which Merricks Capital thinks are going to be the worst performers over a 6 to 12 month period.
- Investing in securities and derivatives involves risk of loss that Clients should be prepared to bear.

- **Long/Short Equity Method of Analysis - Fundamental Research:**

- Investment ideas are generated by detailed bottom up research processes by the CIO, Portfolio Manager and industry analysts who undertake fundamental research.
- Ideas come from our research processes, our broad private equity network, industry conferences, vendor/channel checks, management contacts and sell-side research.
- The research conducted by Merricks Capital includes review of all filings, prospectuses, annual and half yearly reports, company announcements, analyst calls, meeting with company management, on site company visits, review of broker and industry research and engaging external consultants.

- **Soft Commodities - Investment Strategy:**

- The Soft Commodities Strategy allows investors to get exposure to soft commodities such as grains, oilseeds, vegetable oils, dairy, cotton, sugar and livestock. The strategy generally focuses on relative value investment opportunities along the food supply chain, favouring long commodities/geographies that Merricks believes are in scarce supply and shorting commodities/geographies that Merricks believes are in excess supply. The strategy seeks to take advantage of situations where specific supply and demand imbalances create both long and short opportunities in agricultural commodity markets.
- The Merricks team have a long history and involvement in the Soft Commodities sector and bring these years of specialised knowledge and experience to managing the Clients investing in the strategy. Merricks has long term and deep

relationships with the demand side and industry, including global food companies, Chinese, Japanese and Australian food companies, global trading houses, Asian vegetable oil refiners, sugar plantation owners, palm plantation owners and agricultural freight and logistics companies.

- The investment process focuses on the analysis of soft commodity markets and the strategy is implemented by worldwide trading of exchange based futures and options, physical commodities and over the counter trading. All investments are based on fundamental bottom-up research where Merricks has a 5 step investment process which is followed for all investments. The trading strategies include calendar spreads, substitution trades, quality spreads, geographic spreads, processing spreads and directional trades. Merricks Capital's funds limit exposure of their investments through a strict process of portfolio construction and risk management, seeking to generate consistent risk adjusted long term returns whilst at all times trying to preserve investors' capital.
- Investing in securities, futures contracts, derivatives, OTC products, and physical assets involves risk of loss that Clients should be prepared to bear.
- ***Soft Commodities - Method of Analysis - Fundamental Research and Technical Consideration:***
 - All investments are based on bottom up fundamental research. Detailed bottom up supply and demand models are maintained for each of the major commodities in the grain and vegetable oil complex.
 - A significant portion of the investment thesis is developed from Merricks Capital's extensive involvement and experience in the physical trading and supply chain of grains and vegetable oils. Merricks Capital is in constant dialogue with industry participants including farmers, bulk handlers, physical brokers, food buyers and brokers around the world. The input from these industry sources is benchmarked against current models and market expectations (prices).
 - Technical market aspects such as prices, volatility and spreads are examined in a historical context to assess possible trading ranges and the likely thinking of other market participants.
- ***Soft Commodities -Special Opportunities - Investment Strategy:***
 - The Soft Commodities Special Opportunities strategy focuses on single or highly concentrated trades, trading soft commodities including (but not limited to) wheat, soybeans, corn, palm oil, barley, canola, sugar and livestock. The objective of the strategy is to find outstanding, very small and limited number of investment opportunities in the Soft Commodities sector.
 - This strategy's trading includes (but is not limited to) exchange and option based trading and physical trading of soft commodities. The trading strategies include (but are not limited to) calendar spreads, substitute spreads, quality spreads, basis trades, intra commodity spreads, logistics and storage spreads and directional views. Trading occurs on all markets including (but not limited to) Japan, Australia, Hong Kong, Singapore, Malaysia, New Zealand, Europe, Canada and the United States.
 - Investing in securities, futures contracts, derivatives, OTC products, and physical assets involves risk of loss that Clients should be prepared to bear.

- ***Soft Commodities Special Opportunities - Method of Analysis - Fundamental Research and Technical Consideration:***

- All investments are based on bottom up fundamental research. Detailed bottom up supply and demand models are maintained for each of the major commodities in the grain and vegetable oil complex.
- A significant portion of the investment thesis is developed from Merricks Capital's extensive involvement and experience in the physical trading and supply chain of grains and vegetable oils. Merricks Capital is in constant dialogue with industry participants including farmers, bulk handlers, physical brokers, food buyers and brokers around the world. The input from these industry sources is benchmarked against current models and market expectations (prices).
- Technical market aspects such as prices, volatility and spreads are examined in a historical context to assess possible trading ranges and the likely thinking of other market participants.

(B) Material Risks

- ***Transaction costs***

- The Long/Short Equity strategy involves frequent trading of securities and derivatives, and the brokerage and other transaction costs and taxes, can affect the investment performance.
- The Soft Commodities strategy involves frequent trading of securities, futures contracts, derivatives, OTC products, and physical assets and the brokerage and other transaction costs and taxes, can affect the investment performance.

- ***Speculative Nature of Certain Investments***

- Certain investments by the Clients may be regarded as speculative in nature and involve increased levels of investment risk. An inherent part of a strategy may be to identify securities which are undervalued (or, in the case of short positions, overvalued) by the marketplace. Success of such strategy necessarily depends upon the market eventually recognizing such value in the price of the securities, which may not necessarily occur. Equity positions, including IPOs, may involve highly speculative securities.

- ***Special Assets***

- The Clients may invest in assets that are special in nature, including but not limited to assets that are illiquid, subject to seasonal variations in value, restricted on sale or not susceptible to valuation prior to disposition or maturity. Assets purchased for purposes of the Clients' 'soft commodity' strategy may, for example, fall into this category. These factors may affect their value.

- ***Liquidity***

- Under certain conditions liquidity of a particular market or security may be restricted, thus affecting the performance of Client accounts and/or an investor's ability to redeem participating shares. Lack of liquidity or market depth can affect the valuation of a Client's assets and/or an investor's ability to redeem participating shares as it looks to realize securities at quoted prices.

- ***Economic Conditions***

- Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of the Clients. None of these conditions is within the control of Merricks Capital and no assurances can be given that Merricks Capital will anticipate these developments.

- ***International Investing***

- A substantial portion of the trades executed for the Clients takes place on foreign exchanges including (but not limited to) United States, Australia, Japan, Hong Kong, Singapore, Canada, France, United Kingdom, and Malaysia. Additional risks of international investing include political or economic instability in the country of issue, the possible introduction of new laws, and the possible imposition of exchange controls or other laws or restrictions.

- ***Risk of Government Intervention***

- The prices of instruments in which the Clients may trade or invest are subject to certain risks arising from government regulation of or intervention in the relevant capital markets, through regulation of their local markets, restrictions on investments by foreigners or limits on flows of investment funds or risk of government expropriation of assets of the companies in which the Clients hold interests. Such regulation or intervention could adversely affect an investment's performance.

- ***Short Selling***

- Each of Merricks Capital's investment strategies may engage in short selling. Selling securities short creates the risk of losing an amount greater than the initial investment, and can also involve borrowing and other costs which can reduce profits or create losses in particular positions.

- ***Market Risk***

- Any investment made in a specific group of securities is exposed to the universal risks of the securities market. However, there can be no guarantee that losses equivalent to or greater than the overall market will not be incurred as a result of investing in such securities.

- ***Foreign Exchange Risk***

- It may not be possible, or practicable to hedge successfully against currency risk exposure in all circumstances. Further, exchange rate fluctuations and the costs of the currency hedging arrangements utilized in respect of each class of shares denominated in currencies other than USD may prejudicially affect the net asset value per participating share of such classes even where investment performance in respect of those classes are positive.
- Client assets may be invested in securities and other investments denominated in currencies other than USD. The value of such investments may be affected favourably or unfavourably by fluctuations in exchange currencies. Transactions undertaken to hedge adverse currency exchange movements may also involve

the risk that a counterparty to any transaction may default on its obligation thereunder. While Merricks Capital will endeavour only to enter into transactions with counterparties who are reputable financial institutions, there is still a risk that a counterparty may default on its obligations.

- In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than the operational currency should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the operational currency and such other currencies.

- ***Leverage***

- Merricks Capital's Clients may leverage their capital because it is believed that the use of leverage may enable the Clients to achieve a higher rate of return. Accordingly, the Clients may pledge their securities in order to borrow additional funds for investment purposes. The Clients may also leverage their investment return with short sales. The amount of borrowings which the Clients may have outstanding at any time may be substantial in relation to their capital. Leverage can magnify both the gains and losses and investors may experience increased volatility in the value of their investments.

- ***Foreign Taxation***

- Merricks Capital's Clients trade in markets located in many jurisdictions around the world with different tax regimes some which may subject Clients to withholding or other taxation, which may impact the Clients' returns. It is possible that the taxing authorities of certain jurisdictions, including Australia, will not agree with the tax positions taken by the Clients and will successfully assert a tax liability (plus interest and possibly penalties) against the Clients.

- ***Risk Management***

- Merricks Capital intends to apply a risk management approach that it believes is appropriate for the Clients. The application of any risk management approach involves numerous judgments and qualitative assessments. No risk management system is fail-safe, and no assurance can be given that the Clients' risk control framework will achieve its objectives. From time to time, without notice to the participating shareholders, Merricks Capital may modify or change the Clients' risk management system and procedures.

- ***Margin Risk***

- When financial instruments are traded on a leveraged basis, the financial instrument can be purchased by depositing only a percentage of the instrument's face value and borrowing the remainder (margin). As a result, a relatively small adverse price movement in a financial instrument's value may result in immediate and substantial losses to the investor. Like other leveraged investments, any purchase or sale of a financial instrument on margin may result in losses in excess of the amount invested. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the investments purchased. In addition the Clients may be subject to additional risks, including the possibility of a "margin call", pursuant to which the Clients must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in the value of the Clients' assets, the Clients might not

be able to liquidate assets quickly enough to pay off their margin debt. Such an event would adversely affect the Clients' investment.

- **Counterparty Risk**

- Counterparty risk is the risk of loss caused by another party defaulting on its financial obligations either because they become insolvent or cannot otherwise meet their obligations to the Clients. A party defaulting on its obligations could subject the Clients to substantial losses because the Clients will still be required to fulfil their obligations on any transactions which were to have substantially offset other contracts.

- **Limited Diversification**

- Merricks Capital intends to seek to diversify the Clients' investments as it deems appropriate and consistent with the Clients' investment objective. If the Clients' investment portfolio is concentrated in a small number of investments, the portfolio will be subject to a greater level of volatility. Also, the use of a single investment manager applying generally similar trading programs could mean lack of diversification and, consequentially, higher risk.
- The Long/Short Equity Strategy invests in different securities in Asian companies. However, the strategy is concentrated towards a small number of countries and sectors, and therefore will be subject to limited diversification which may result in a significant level of volatility.
- The Soft Commodities Strategy invests in different soft commodities. However, the strategy is concentrated towards a small number of investments, and therefore will be subject to limited diversification. The strategy has a high level of correlation with each investment, which may result in a significant level of volatility.
- The Soft Commodities Special Opportunities Strategy invests in a very small and limited number of positions and is highly concentrated. Therefore it will be subject to limited diversification which may result in a significant level of volatility.

- **Derivative Instruments**

- The Clients may utilise derivative instruments including swaps which seek to modify or replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. Other risks related to the use of derivative instruments include, but are not limited to:
 - *Tracking* - When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Clients from achieving the intended hedging effect or expose the Clients to the risk of loss.
 - *Liquidity* - Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Clients may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Clients may conduct their transactions in

derivative instruments may prevent prompt liquidation of positions, subjecting the Clients to the potential of greater losses.

- *Leverage* – Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Clients and could cause the net asset value of the Clients' accounts to be subject to wider fluctuations than would be the case if the Clients did not use the leverage feature in derivative instruments.
- *Over-the-Counter Trading* – Derivative instruments that may be purchased or sold by the Clients may include instruments not traded on an exchange. The risk of non-performance by the obligor on such an instrument may be greater and the ease with which the Clients can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument. In addition, significant disparities may exist between “bid” and “ask” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions.

(C) Particular types of securities and material risks

- *Equity Securities* – The Long/Short Equity Strategy will often invest in equity securities. An equity holder is a shareholder, owning a share of the issuer. Different types of equity securities (common, ordinary, preferred or convertible stock) provide different entitlements on voting, distribution of profits and return of capital on a winding up. The material risks that the holder of an equity security has are the volatility of the price of the security, the liquidity of the security and the economic conditions that may affect the issuer of the security.
- *Futures Contracts* – The Soft Commodities Strategy will often invest in futures contracts. A futures contract is a standardized exchanged based contract between two parties to buy or sell in the future a specified asset (e.g. wheat), at an agreed price. The contract standardization includes quantity, quality, and delivery point. The material risks are that the futures contracts typically have an interim partial settlement which may require the posting of margin if there is a price movement against the holder, prior to the settlement date. Further a futures contract is a derivative contract and dislocation between the value of the underlying asset and the futures contract may occur.
- *Physical Soft Commodities* - The Soft Commodities Strategy will often invest in physical soft commodities such as wheat, barley, corn, soy oil and canola oil. The material risks that the holder of physical soft commodities has are the volatility of the commodity, the liquidity of the commodity, and the perishable nature of the commodity.
- *Derivatives* – The Long/Short Equity Strategy and the Soft Commodities Strategy will often invest in derivatives. A derivative is a contract that derives its value from the performance of an underlying security, such as an asset, index or interest rate. Common derivatives types are futures, forwards, swaps and options. The material risks involving derivatives is the dislocation between the value of the underlying asset and the derivative contract.

- OTC Products – The Soft Commodities Strategy will at times invest in over the counter (OTC) products. OTC products are typically traded directly between two parties without going through an exchange, such as variance swaps and currency options. The material risks to the holder of an OTC product are liquidity risks due to the non-standardized nature of the contracts, and counterparty risk in the event of default.

Item 9: Disciplinary Information

Merricks Capital is obligated to disclose any legal or disciplinary event that would be material to a Client's or prospective Client's evaluation of our advisory business. Merricks Capital does not have any material legal, financial or disciplinary items to report.

Item 10: Other Financial Industry Activities and Affiliations

- (A) Neither Merricks Capital nor any management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- (B) Merricks Capital is registered as a commodity pool operator and a commodity trading advisor and certain management persons are registered as associated persons of a commodity pool.
- (C) Merricks Capital or its management persons do not have any relationships or arrangements with related persons that would be material to the advisory business of Merricks Capital or to the Clients of Merricks Capital.
- (D) Merricks Capital does not select or recommend other investment advisers for our Clients. Accordingly we do not receive any such fees or compensation from other investment advisers.

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

- (A) Merricks Capital has adopted a Code of Ethics pursuant to SEC rule 204A-1, for all employees and supervised persons of the firm describing Merricks Capital's high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics sets out the standards of conduct expected of all staff and addresses conflicts that arise from personal trading and includes provisions in relation to the general ethical principles, pre-approval and reporting personal securities trading (including initial public offerings and private placements), reporting ethical violations and violations of the Code of Ethics, distribution of the Code of Ethics and review and enforcement. The Code of Ethics is designed to protect Clients by deterring misconduct, educating supervised persons regarding expectations and laws governing their conduct, and reminding them that they are in a position of trust and must act with complete propriety at all times, protect Merricks Capital's reputation and guard against violation of the securities laws. The Code of Ethics also establishes procedures for supervised persons to follow so that Merricks Capital may determine whether they are complying with ethical principles. Merricks Capital will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

- (B) Neither Merricks Capital nor a related person recommends to Clients to buy or sell for Client accounts, securities in which Merricks Capital or a related person has a material interest in.
- (C, D) All employees of Merricks Capital must at all times ensure that they in no way compete with the Clients or take inappropriate advantage of information or opportunities which they come by in the course of their duties. Generally Merricks Capital does not permit any investments to be made on Merricks Capital's own behalf or by any related person in any securities that Merricks Capital is either recommending or investing in for Clients. In the rare circumstance where permission is granted, such permission will firstly have to adhere to Merricks Capital's Code of Ethics and secondly, to avoid the creation of any conflicts of interests, can only occur once Merricks Capital has ceased its intended buying or selling (as the case maybe) and does not have an immediate view to trade further in the relevant security.

As Merricks Capital manages many different Clients, many Clients will trade in the same securities and positions at the same time. In all such cases as far as is practical, Merricks Capital seeks to ensure that net average prices (for both purchases and sales) applies to all Clients. It is the policy of the Merricks Capital to allocate investment opportunities among all Clients fairly, to the extent practical and in accordance with each Client's applicable investment strategies, over a period of time. As described above, Merricks Capital allocates investment opportunities among the Clients equitably, consistent with its allocation policies.

Item 12: Brokerage Practices

(A) Selection of broker-dealers

(1) Research and Other Soft Dollar Benefits

- (a) Generally for any investment that is easily traded Merricks Capital will seek to conduct the trade in the manner in which the least amount of commission will be payable which is normally via direct market access. If a position is illiquid or hard to trade, Merricks Capital will select a broker-dealer according to the ability of the broker-dealer to execute the trade and the commission that will be payable. Merricks Capital receives research from broker-dealers and the provision of such research from broker-dealers to Merricks Capital is a benefit, as Merricks Capital does not have to produce or pay for the research. Merricks Capital's primary source of research is from its own bottom-up fundamental processes.
- (b) Merricks Capital may enter into "soft dollar arrangements" under which commissions or other compensation generated by the Clients' transactions are used to obtain products and services provided to the Firm but which can reasonably be expected to benefit the Clients and which may contribute to an improvement in the Clients' performance.
- (c) Merricks Capital has determined that its use of soft dollars will be for research and brokerage products and services that it believes meet the requirements of the safe harbor provisions of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended ("Section 28(e)"), and the SEC interpretations thereof. This includes research and brokerage products and services paid for with soft dollars where we determine in good faith that the amount of commission is reasonable in relation to the value of the services provided, viewed in terms of either that particular transaction or our overall

responsibilities to the Client. Merricks Capital monitors its use of soft dollars so that it will come within the safe harbor provisions Section 28(e).

- (d) Merricks Capital acknowledges that the provision of research from broker-dealers can create the perception that Merricks Capital has an incentive to select a broker-dealer based on Merricks Capital receiving the research. However, portfolio transactions for the Clients will be allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services which are of benefit to Merricks Capital and its Clients. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Clients by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services.
- (e) Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Clients may be used by Merricks Capital to service one or more other Clients, including Clients that may not have paid for the soft dollar benefits. Merricks Capital does not seek to allocate soft dollar benefits to the Clients in proportion to the soft dollar credits the Clients generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to Merricks Capital (i.e., a "mixed use" item), Merricks Capital will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Merricks Capital's allocation of the costs of such benefits and services between those that primarily benefit Merricks Capital and those that primarily benefit the Clients.
- (f) Merricks Capital does not pay for any administrative products or services with Client brokerage. Research which Merricks Capital receives may be paid from commissions received from broker-dealers.
- (g) Within the last fiscal year, Merricks Capital or its related persons acquired research and research-related services and services with respect to trading, operations, and technology with Client brokerage commissions (or markups or markdowns).

(2) Brokerage for Clients Referrals

Whether or not a broker-dealer refers Clients to Merricks Capital is not a consideration when determining which broker-dealers to engage.

(3) Directed Brokerage

- (a) Merricks Capital does not routinely recommend, request or require that a Client direct Merricks Capital to execute transactions through a specified broker-dealer. Whilst Merricks Capital makes the decisions for which broker-dealer the Funds and accounts that Merricks Capital manages will trade with, Merricks Capital is not an affiliate of nor does it have an economic relationship that creates a material conflict of interest with any broker-dealer. As stated in Item 12(A)(1)(a) above, Merricks Capital will seek to conduct the trade in the manner in which the least amount of commission will be payable which is normally via direct market access. If a position is illiquid or hard to

trade Merricks Capital will select a broker-dealer according to the ability of the broker-dealer to execute the trade and the commission that will be payable.

- (b) None of Merricks Capital's Clients are permitted to direct brokerage.

(B) Aggregation of the sale and purchase of securities

Merricks Capital generally buys all securities, futures, physical commodities, bonds and all other investments for Clients on an aggregated basis, ensuring that all Clients get the best pricing and an average price based on an equitable pro rata basis.

Item 13: Review of Accounts

- (A) Merricks Capital reviews Client accounts on a daily basis. The review includes a review of all positions to ensure that all trading is within the stated investment mandate. The review is conducted by Adrian Redlich the Chief Investment Officer and also by the Risk Manager. In addition, to the above, on a daily basis a reconciliation of all cash, custody and trading are undertaken by the Fund Accountant and the Senior Fund Accountant which is overseen by the Chief Operating Officer.
- (B) In addition to the above review, where applicable, a full reconciliation is undertaken at the end of each month between Merricks Capital's records and that of its custodians and external fund administrator. Please see Item 15 for further information.
- (C) For the Funds which are managed by Merricks Capital each month the administrator of the Fund calculates the monthly NAV of the Fund which is then provided to the investors. In addition to this Merricks Capital provides a monthly Newsletter report to each Client. Please refer to Item 15 Custody, below.

Item 14: Client Referrals and Other Compensation

Neither Merricks Capital nor any of its employees receives any economic benefit (including sales awards or other prizes) for providing investment advisory or other services to Clients from any person who is not a Client.

Item 15: Custody

Merricks Capital may be deemed to have custody of the Funds because it has the authority to obtain Client funds or securities, for example, by deducting management fees from a Fund's account or otherwise withdrawing funds from a Fund's account.

However, offshore advisers registered with the SEC are not subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), with respect to offshore funds pursuant to SEC guidance. As such, Merricks Capital is not subject to the Custody Rule with respect to the Funds.

Merricks Capital has undertaken certain procedures with respect to custody, including that each of the Funds is subject to an annual audit by an independent public accountant, and Merricks Capital distributes audited financial statements with respect to each Fund to investors in such Fund annually.

It is anticipated that Merricks Capital shall not have custody of the Managed Accounts' assets and securities.

Item 16: Investment Discretion

Merricks Capital accepts discretionary authority to manage accounts. The limitations (if any) which are imposed on Merricks Capital are set out in the investment memorandum of the Fund that the Client is investing in (or the advisory agreement with respect to a Managed Account). Discretionary authority to manage accounts is conferred upon Merricks Capital through an investment management agreement with the Client.

Item 17: Voting Client Securities

In accordance with Merricks Capital's voting policy Merricks Capital retains the right to vote in all circumstances. Pursuant to Merricks Capital's policy, Merricks Capital is required to vote in all resolutions relating to a security where Merricks Capital accounts control 5% or more of the issued capital of the security. Where Merricks Capital accounts do not control 5% or more of the issued capital Merricks Capital has the discretion to decide whether to vote or not and in most such circumstance Merricks Capital will not vote. In accordance with the above, a Client may contact Merricks Capital to direct the vote on a specific proposal relating to a security held in the Client's account and such request will only apply to that account. Any vote which may be determined to present a conflict of interest between Merricks Capital and its Clients, Merricks Capital will request the Clients to direct Merricks Capital with respect to that particular vote. Merricks Capital retains a record of its proxy voting which is available upon request. Clients may contact Merricks Capital for a copy of its proxy voting policies.

Item 18: Financial Information

- (A) Merricks Capital does not require or solicit any prepayment of Client fees.
- (B) There is no financial condition that is reasonably likely to impair Merricks Capital's ability to meet contractual commitments to Clients.
- (C) Merricks Capital has not been the subject of a bankruptcy petition at any time.

Item 19: Requirements for State-Registered Advisers

This Item is not applicable to Merricks Capital as it is not a State-Registered Adviser.