

Farnam Street Fund Management (Cayman) Limited

3rd Floor,
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD
Channel Islands

Contact number: +44(0)1481 749364 or +44(0)207 2404302

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This brochure provides information about the qualifications and business practices of Farnam Street Fund Management (Cayman) Limited. If you have any questions about the contents of this brochure, please contact us at telephone number +44 207 2404302 or email gmackay@mundane.co.uk. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Farnam Street Fund Management (Cayman) Limited is also available on the SEC's website at www.adviserinfo.sec.gov.

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Farnam Street Fund Management (Cayman) Limited is registered in the Cayman Islands and is regulated by the Cayman Island Monetary Authority. The Company has a Mutual Fund administrator's licence. Licence number: 4926. Farnam Street is also registered with the SEC. The CRD number is 139109.

Advisor - Farnam Street Fund Management (Cayman) Limited is the Advisor to the Mundane USA Partnership LP which is a Delaware onshore partnership for US investors. Mundane USA LP only invests in Mundane Master Fund Limited which is a Cayman Island registered Fund.

Advisor - Farnam Street Fund Management (Cayman) Limited is the Advisor to Mundane International Limited which is a Fund for US offshore or tax exempt investments. Mundane International Limited only invests in Mundane Master Fund Limited which is a Cayman Island registered Fund.

Investment manager - Farnam Street Fund Management (Cayman) Limited is the Investment Manager of the Mundane Master Fund Limited and the Mundane World Leaders Fund both of which are Cayman Island registered Funds. The Mundane World Leaders Fund Limited is not open to US investors.

Ownership -the share ownership of **Farnam Street Fund Management (Cayman) Limited** is

50% - Anthony C. Garnett and 50% - Gregory Mackay.

Types of service provided - Farnam Street Fund Management (Cayman) Limited is responsible for electing all the third party service providers to the Mundane World Leaders Fund and the Mundane Master Fund such as Administrators, Investment advisors, and Bank and Custody providers.

Segregated Funds - Farnam Street Fund Management (Cayman) Limited does **NOT** look after any segregated funds.

Assets under management - are US\$ 265m for the Mundane World Leaders Fund Limited and US\$ 89m for the Mundane Master Fund Limited. (This is made up of \$71m from the Mundane USA Partnership LP and \$18m from Mundane International Limited).

Fees – as advisor to both the Mundane USA Partnership and to Mundane International Limited, **Farnam Street Fund Management (Cayman) Limited** charges a fee of 1.5% pa. or 1% pa. if more than \$10m is invested.

As Investment Manager to the Mundane World Leaders Fund, **Farnam Street Fund Management (Cayman) Limited** charges a fee of 1.2% pa. and as Investment Manager to the Mundane Master Fund Limited it does not charge a fee.

Performance Fees - Farnam Street Fund Management (Cayman) Limited also charges a performance fee but this is only to the Mundane World Leaders Fund Limited (only open to non US Investors). The fee is 10% of the outperformance of the yield on the US 10 year Treasury bond averaged twice a year at the end of March and the end of September.

Types of Clients - Both the Mundane World Leaders Fund and the Mundane Master Fund are designed for long term investments. These funds should only be bought by high net worth individuals or institutions who understand the risks of these Funds. The minimum investment into the Mundane World Leaders Fund is US\$100,000 and the minimum investment into the Mundane Master Fund is US\$250,000.

Investment Strategy

-What we aim to do

Mundane provides advice to funds that seek long-term capital appreciation through investment in the equities of world leading companies. The investment strategy recognises that to prosper winning corporations must have outstanding management and the ability to take their products to the global marketplace.

Our investment philosophy of seeking out world leaders is based, on the probability, but not certainty, of the enduring nature of these winners. Generally, we seek out companies with sound capital structure, superior and sustainable financial returns and enduring competitive advantage.

We don't advise investment in the famous for being famous. Instead, we search for businesses priced in the stock market cheaply in relation to their intrinsic value. Our method harks back to the process laid down by Benjamin Graham; an approach which affords plenty of upside but also maintains a good margin of safety.

Investment Process

-How we do it

Our investment approach is 'bottom up'. We seek to identify companies and with good long-term prospects and to select amongst them those whose shares offer attractive absolute returns. We maintain a search for global leaders across the world's stock markets.

Our definition of world leadership is quite idiosyncratic.

We look for companies that:

- operate successfully in a home market and are judged to be amongst the market share leaders.
- have successfully developed operating exposure to other regions of the world, both developed economies and developing economies. Generally companies with sales over a third outside their home market may have demonstrated this ability.
- possess a range of attributes that confer an economic advantage against also-rans in the relevant industry. This 'competitive advantage' is often displayed by an ability to take market share outside a home market.

Valuations are principally framed on return based methodologies (the expected return to an investor) including discounted cash flow analysis. To a lesser extent we consider peer group comparisons and replacement cost.

We believe that companies sustain economic returns on shareholder capital by prudent investment of the cash flows derived from their activities. We therefore assess the rationale behind the spending plans of the companies considered for investment through meetings with company management.

Our overall approach is to afford plenty of upside potential whilst maintaining safety of principal.

Brokers – the Funds do make the use of Brokers for the buying and selling of investments. These are always done at the best possible rates of commission and this commission is allocated to the Brokers on the amount of research which they have provided to the Investment Manager or Investment Advisor. Neither the Funds nor the Investment Manager will ever negotiate a **Soft Dollar** deal with brokers.

Trade Allocation and Aggregation Policy -

Trade Allocation

Farnam Street Fund Management (Cayman) Ltd. (the “Investment Manager”) acts as the investment adviser to Mundane World Leaders Fund Limited, which follows the same investment strategy as Mundane Master, Ltd. Currently, these are the only two clients of the Investment Manager (each a “Client”). The Investment Manager intends to manage these two Clients on a *pari passu* basis.

No Client will receive preferential treatment over any other. The Investment Manager’s portfolio management team will take steps to ensure that trades are allocated on a fair and consistent basis and that neither Client will be systematically disadvantaged by the aggregation, placement, or allocation of trades. However, it is important to note that primarily as a result of Client redemptions or subscriptions, while the underlying stock holdings of the two Clients will be the same, the percentage allocation for each holding between the Clients may be different. The Investment Manager may determine that a Client may not receive an allocation of a purchase and/or sale opportunity even if such opportunity is suitable for such Client for a variety of reasons, including, without limitation, the determination that the amount of an opportunity that would otherwise be allocated to such Client would not result in a meaningful impact on the performance of such Client.

The Investment Manager considers a number of factors when determining to purchase or sell a security for its Clients including, but not limited to:

- Existing levels of ownership of the investment and other similar securities;
- The immediate availability of cash or buying power to fund the investment;
- The need to rebalance positions held by any Client in an investment due to capital subscriptions or withdrawals;
- Each Client’s own investment restrictions; and
- The avoidance of odd lots.

Transactions will be allocated promptly, usually on the trade date, and no reallocations are permitted from one Client to another except where the original allocation was done in error.

Aggregation

Aggregation describes the practice of combining the orders of more than one client for the purchase or sale of the same security.

Absent Client-specific factors, the Investment Manager will generally execute transactions on an aggregated basis in light of the fact that the Clients generally trade *pari passu*. The Investment Manager may aggregate transactions only if it believes that this practice will enable the Clients to receive more favorable executions and net prices for the combined order and is consistent with its duty to seek best execution (which shall include best price). Neither Client will be favored over the other Client. When an aggregated order is filled through multiple trades at different prices on the same business day, each participating Client will be allocated aggregated orders on a pro rata basis (or otherwise) and will receive the average price for all transactions of the Clients on a given business day, with transaction costs generally allocated pro rata based on the size of each Client’s participation in the order as determined by the Investment Manager. Notwithstanding the foregoing, aggregated orders may be allocated among the Clients other than pro rata if a given security meets additional investment criteria with respect to a participating account or for other reasons including, without limitation, tax consequences with respect to a given Client or liquidity concerns.

If the aggregated order is filled in its entirety, it shall be allocated in accordance with the policy set forth above. In the event of a partial fill, allocations may be modified on a pro rata basis that the Investment Manager deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

With respect to any aggregated orders, the Investment Manager's books and records will separately reflect the securities held by and bought and sold for each Client's account. The Investment Manager will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation procedure.

Custody and Administration – Custody is carried out by Northern Trust. The Bank holds the shares for The Mundane World Leaders fund as well as the Mundane Master Fund. The bank also holds cash for both of the Funds.

Administration is carried out by Rawlinson and Hunter Fund Services (Guernsey) Limited for both the Mundane World Leaders Fund, the Mundane Master Fund. Rawlinson and Hunter is also the administrator of the Mundane International Fund and Mundane USA Partnership.

Voting Securities – Farnam Street has control of the management shares of the Mundane World Leaders Fund and the Mundane Master Fund and votes the shares of these two Funds on behalf of the investors.

Code of Ethics

- To act honestly and fairly at all times when dealing with clients or customers and to be a good steward of their interests.
- To act with integrity at all times so as never to damage the reputation of the organisation.
- To always observe applicable laws, regulation and professional conduct when carrying out the duties of the company.
- To manage any conflicts of interest in a fair and effective way including the making of any disclosures as may be required by law.
- To maintain a level of professional competence, to commit to continuing learning and to the further development of all company members.
- To uphold the highest professional standards.

