

**PART 2A OF FORM ADV**  
**FIRM BROCHURE**



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**This brochure (the “Brochure”) provides information about the qualifications and business practices of Headway Capital Partners LLP (“Headway”), an investment adviser registering with the United States Securities and Exchange Commission (the “SEC”). The information in this brochure has not been approved or verified by the SEC or any state securities authority. If you have any questions about the contents of this Brochure, please contact Headway’s Chief Compliance Officer, Juan-Sebastian Fernando Junoy, at +44 207 518 8888 and/or by email at [sjunoy@headwaycap.com](mailto:sjunoy@headwaycap.com).**

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

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

An investment adviser is required to identify and discuss any material changes made to this Brochure since its last annual update. This is Headway's initial firm Brochure. As such, there are currently no material changes to be noted in response to this Item 2.

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## ITEM 4 – ADVISORY BUSINESS

Headway Capital Partners LLP, an England and Wales limited liability partnership (known together with its US subsidiary HCP US Inc. as “Headway”), was founded in 2004. It is principally owned by Herman Christiaan De Lint, Laura Shen Lefranc, and Sebastian Junoy through various intermediate holdings. Headway specialises in underserved small to mid-size private equity secondary transactions and complex situations, including structured transactions, direct portfolios, general partner restructurings and, to a lesser extent, limited partner stakes. Headway targets secondary and special situation investments predominantly in Western Europe and North America, but may invest opportunistically in other markets. Headway currently provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets utilizing pooled-investment vehicles intended for institutional and other sophisticated investors.

Headway provides advice to client accounts (*i.e.*, pooled-investment vehicles) based on a specific investment objective and strategy. Headway neither tailors its advisory services to the individual needs of investors in its pooled-investment vehicles nor accepts investor-imposed investment restrictions with respect to its pooled-investment vehicles. An investment in a pooled-investment vehicle does not, in and of itself, create a client-adviser relationship between any underlying investor and Headway.

Headway currently manages the following pooled investment vehicles:

- Headway Investment Partners II, L.P. (“HIP”), a United Kingdom Limited Partnership;
- Headway Investment Partners II, L.P. (“HIP II”), a United Kingdom Limited Partnership;
- Headway Investment Partners II-A, L.P., a co-investment vehicle and United Kingdom Limited Partnership (“HIP II-A”);
- Headway Investment Partners III (“HIP III”), a United Kingdom Limited Partnership;
- Headway Co-Investment Partners III-A L.P. Inc (“HCP III-A”), a co-investment vehicle and Guernsey Incorporated Limited Partnership;
- Headway Co-Investment Partners III-B L.P. Inc (“HCP III-B”), a co-investment vehicle and Guernsey Incorporated Limited Partnership;
- HCP III-C L.P. Inc (“HCP III-C”), a co-investment vehicle and Guernsey Incorporated Limited Partnership;
- HCP III Flash L.P. Inc (“HCP III Flash”), a co-investment vehicle and Guernsey Incorporated Limited Partnership; and
- HIP IV SCSp (“HIP IV”), a Luxembourg *société en commandite special*

Each of the pooled investment vehicles may be referred to individually in this Brochure as a “Fund”, and collectively as the “Funds” or “Advisory Clients”.

The general partners to each of the Funds are:-

- HIP GP, L.P., a Guernsey limited partnership, is the general partner to HIP;
- HIP II GP, L.P., a Guernsey limited partnership, is the general partner to HIP II and HIP II-A;
- HIP III GP L.P., a Guernsey limited partnership, is the general partner to HIP III;
- HCP III L.P. is the general partner to HCP III-A, HCP III-B, HCP III-C, and HCP III Flash; and
- HIP IV GP SCSp, a Luxembourg *société en commandite special* is the general partner to HIP IV.

It should be noted that for HIP IV, Duff & Phelps (Luxembourg) Management Company S.à.r.l. is the Fund’s alternative investment fund manager (the “AIFM”) in accordance with certain regulatory requirements. The AIFM has appointed Headway as its investment adviser.

Headway does not participate in wrap fee programs.

As of April 30, 2018, Headway had approximately \$624,006,315 of regulatory assets under management (“RAUM”) on a discretionary basis. Headway does not manage any assets on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### General Partners Share and Carried Interest

Headway charges each Fund investor a monthly management fee (the “General Partner’s Share”), at an annual rate between 0%-2.00% of total aggregate commitments of all investors.

Clients also pay respective affiliates of Headway a performance allocation in the form of carried interest (“Carried Interest”) generally equal to 10%-12.5%, and subject to a preferred return for investors. All income and realisation proceeds are subject to satisfying any expenses and liabilities of the Funds, the payment of the General Partner's Share (if any) and limited re-investment rights (if any).

Following the end of every other accounting period and on termination of a Fund, the Fund’s General Partner will be obliged to return any excess carried interest distributions (net of tax). Carried Interest recipients will also sign personal clawback guarantees adjusted for taxes.

In Headway’s sole discretion, the General Partners’ Share and/or Carried Interest may be waived, reduced or calculated differently with respect to certain investors, including, without limitation, investors that are members, shareholders, partners, affiliates or employees of Headway or its affiliates.

See Item 6 for discussion of potential conflicts of interest associated with the Carried Interest received by the General Partners, which are related persons of Headway.

### Other Fees and Expenses

Headway is responsible for and pays all overhead expenses of an ordinary and recurring nature such as rent, supplies, secretarial expenses, stationery, charges for furniture and fixtures, employee insurance, payroll taxes and compensation of employees.

Establishment costs will be borne by the Funds. The General Partners will bear any establishment costs in excess of this amount by way of offset against the General Partner’s Share. Placement fees shall similarly be offset against the General Partner’s Share and shall not be borne by the Funds. The Funds shall bear their own operating expenses. Such expenses include:

- all fees, costs and expenses incurred in connection with the identification, research, evaluation, negotiation, acquisition, financing, hedging, holding, monitoring, management, realisation, re-financing, recapitalisation, re-structuring, sale, exchange, syndication, pledging or other disposal or monetisation of investments and potential investments, in each case whether or not the relevant transactions proceed to completion, including: private placement fees, brokerage and sales fees and commissions, commitment fees, abort fees, warehousing fees, transfer taxes and premiums, underwriting commissions and discounts; the fees, costs and expenses of lawyers, accountants, auditors, investment banks, corporate finance advisers, third-party industry, sector and due diligence experts, finders, originators and consultants; filing and other related fees; travel and accommodation expenses; the fees, costs and expenses incurred in relation to the exercise of voting, conversion or other rights attaching to any asset of the Fund, and the fees, costs and expenses incurred in connection with undertaking anti-money laundering, counter-terrorist financing and sanctions compliance checks with respect to actual and potential counterparties;
- all custody, safeguarding, trustee and nominee fees, costs and expenses, including those charged or incurred by the depositary utilized by Headway;
- bank charges and all fees, costs and expenses incurred in connection with any borrowing, financing and/or hedging activities of the Funds (whether undertaken directly or through special purpose vehicles), including interest, any fees, costs, and expenses incurred in obtaining lines of credit, loan commitments and letters of credit for the accounts of the Funds (whether directly or

through special purpose vehicles) and in guaranteeing the obligations in respect of any investment;

- the fees, costs and expenses of the auditors in connection with the preparation of the annual audit of the Funds;
- all fees, costs and expenses associated with the maintenance of the books and records of the Funds and any investment holding entity, the preparation and distribution (including via a secure website or similar portal) of accounts and financial statements, tax returns, schedules K-1 (or similar schedules), reports and notices, and the making of distributions in accordance with the governing documents of each Fund, including any subscription fees payable with respect to fund accounting or similar software and any amounts charged or incurred by accountants, administrators and other professional advisers, consultants and service providers to the Fund or any investment holding entity;
- all taxes and other governmental charges that may be incurred or payable by the Funds;
- all insurance premiums and expenses in connection with the activities of the Funds, including errors, omissions, general partner liability, directors' and officers' liability and similar coverage for any person acting on behalf of the Funds;
- all fees, costs and expenses incurred in connection with complying with any law or regulation related to the activities of the Funds;
- all fees, costs and expenses incurred in connection with any litigation, investigation, claim, proceeding, mediation or arbitration (including any tax or regulatory investigation) involving the Funds, including the amount of any judgments, settlements or fines imposed or levied on the Funds;
- all costs and expenses incurred in connection with any meeting of partners of the Funds or the advisory board and all out-of-pocket expenses incurred by members of the advisory board in connection with the fulfilment of their duties in respect of the Funds, excluding expenses incurred in connection with attending advisory board meetings, save for travel expenses;
- all fees, costs and expenses incurred in connection with any amendment to, or interpretation of, the government documents relating to the Funds;
- expenses incurred in connection with compliance with side letters that may be granted to investors;
- all fees, costs and expenses incurred in connection with determining the value of any asset of the Funds (including, without limitation and as applicable, any and all fees, costs and expenses of advisers, independent pricing services and third-party valuers and/or valuation consultants);
- the amount of any advance on account of the General Partner's Share;
- all fees, costs and expenses incurred in connection with the establishment, operation and liquidation of any special purpose vehicle, including Alternative Investment Vehicles and investment holding entities, and including the fees and expenses of any independent directors (or equivalent) of any such vehicle;
- all fees, costs and expenses incurred in relation to any independent directors of the general partner; and
- any fees, costs or expenses of the types described above to the extent charged to or borne by any feeder fund.

Additionally, 100% of all transaction fees, break-up fees and investment-related fees earned from the making of Fund investments, whether or not completed, will be applied on an annual basis to offset against the General Partner's Share for the relevant Fund for the relevant accounting period.

Any expenses attributable to a particular series of interests will be allocated solely to such series. To the extent that expenses to be borne by the Funds are paid by the General Partner or Headway, the Funds will reimburse such party for such expenses.

If any of the expenses listed above are incurred jointly for the account of multiple Funds, such expenses will be allocated among the Funds in such a manner as the General Partner considers fair and equitable.

Please refer to Item 12 below for further information regarding Headway's brokerage and soft dollar practices.



## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, Headway (or an affiliate) may receive performance-based compensation from the Funds. All Funds are subject to performance-based fees.

It should be noted that the possibility that Headway (or an affiliate) could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Headway to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation. Investors are provided with clear disclosure as to how performance-based compensation is charged with respect to a particular Fund and the risks associated with such performance-based compensation prior to making an investment.

Headway is required to act in a manner that we consider fair, reasonable and equitable in allocating investment opportunities to the Funds. Headway recognizes that it is a fiduciary and as such must act in the best interests of its Funds.

## **ITEM 7 – TYPES OF CLIENTS**

As previously described in Item 4, Headway’s clients consist of the Funds. Investors in the Funds consist of institutional investors and other sophisticated investors.

The minimum investment for an investor is outlined in the Limited Partner Agreement, which may be reduced by the General Partner of the Fund, as applicable. Investors in the private pooled-investment vehicles must also meet certain eligibility requirements which generally require an investor to qualify as an “accredited investor” as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Investors also need to meet additional requirements set forth in the subscription agreements for the pooled-investment vehicles.

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

*Investing in securities involves the risk of loss that investors should be prepared to bear. Thus, investors that have invested in the Funds should be prepared to lose some or all of their investment.*

### **Methods of Analysis, Investment Objective and Strategy**

The Funds target investments in under-addressed segments of the secondaries market where Headway hopes to generate more attractive risk-adjusted returns. The Funds seek to meet its return objectives through the following types of transactions: i. Purchases of portfolios of direct investments or single minority investments in private companies, such as those held on corporate balance sheets or in primary private equity funds (“Secondary Directs”); ii. GP restructurings, where full or partial liquidity is offered to LPs late in the life of a fund, typically with a legal restructuring of said fund (“GP Restructurings”); iii. Structured transactions and liquidity facilities, including “top-up” funds and preferred equity, to provide additional capital to existing private equity portfolios (“Structured Secondaries”); and iv. Purchases of limited partnership interests in alternative investment funds (“LP Interests”). As a secondary investor, the Funds focus on investing in mature transactions with significant visibility on cash flow generation.

Headway pursues a differentiated niche strategy of providing a full range of innovative solutions designed to address all types of liquidity needs for smaller holders of private assets, and to take advantage of inefficiencies in the secondaries market. Headway believes it is uniquely positioned in the secondaries market due to its ability to provide liquidity solutions across the full range of transaction types and various sectors in both Western Europe and North America (something other smaller players typically are unable to do), coupled with its strategy of focusing on small, complex deals, active deal sourcing, valuation and execution experience, and value centric approach. Despite heavy competition in the overall secondaries market, Headway believes that certain sectors of the market, especially at the smaller end, remain under-addressed and inefficient. The Funds’ strategy is to target these sectors and market dislocations, where there is significant potential for out-performance due to lower levels of competition. Specifically, the Funds focus on smaller (up to €50m), more complex transactions, such as Secondary Directs, GP Restructurings and Structured Secondaries, across all industry sectors and geographies (mostly Western Europe and North America and opportunistically elsewhere).

In a Secondary Direct transaction, Headway acquires a portfolio of equity and / or other securities in private companies (“Assets”), typically through a special purpose vehicle. Headway typically also engages a specialised manager with relevant sector and geographical expertise to provide post-investment management and follow-on investment to the underlying portfolio companies in an effort to maximise value. Secondary Directs allow sellers to generate liquidity from their direct portfolios whilst also providing portfolio companies with value added, reincentivised investors and access to follow-on capital.

In a GP Restructuring, Headway acquires a stake (up to 100%) in a private equity fund that has a remaining portfolio of equity and / or other securities in private companies, providing liquidity to a subset of LPs. These transactions typically change an existing fund structure by modifying it through a restructuring (“Restructured Fund”). The Restructured Fund would typically have an extended term, as well as revised governance and economics for the GP. Alternatively, GP Restructurings could also involve a transfer of assets into a special purpose vehicle, with some existing LPs rolling over into the new structure. In GP Restructurings, unlike Secondary Directs that introduce a new GP, the Restructured Fund retains the existing GP to continue managing the portfolio. In some instances, the Restructured Fund may also receive additional capital to support the underlying portfolio companies. GP Restructurings

provide LPs with a liquidity option whilst allowing GPs, who naturally are most familiar with the assets, to continue managing end of life portfolios with new incentives but enhanced governance.

A Structured Secondary transaction is typically based on providing additional financing to, or partial liquidity for, a portfolio of assets but does not involve the outright sale of those assets. Structured Secondaries can include top-up funds, earn-out based structures and liquidity, and preferred equity facilities secured by a portfolio of direct investments or funds. A typical Structured Secondary transaction may be a liquidity facility structured as a senior participating preferred security that ranks ahead of the claims of other investors and is used to provide follow-on capital to a fund, enabling it to support growth and further maturation of its portfolio companies, ultimately generating improved returns to all investors. In this way, Structured Secondaries can provide liquidity to investors or portfolio companies whilst allowing original investors to retain a share of the upside.

In an LP Interest transaction, Headway purchases LP Interests in other private equity funds, typically when these funds are near the ends of their investment periods or later in their lives. In an LP Interest transfer, the selling limited partner ("Selling LP") transfers its underlying LP Interest to Headway. Headway then assumes all future liabilities, such as unfunded commitments, of the Selling LP and also benefits from all future distributions. Since Headway typically buys into mature fund interests past or near the ends of their investment periods, these unfunded commitments tend to be less significant. LP Interest transfers allow Selling LPs to exit cleanly from a fund at any point during that fund's life.

The final investment decision relating to investments by HIV IV shall be made by the AIFM. The investment committee of the AIFM consists of the conducting officers of the AIFM. Decisions of such investment committee must be approved by a majority of its members subject to a veto right in favour of the AIFM's risk manager.

There can be no assurance that the Funds will achieve their investment objectives.

## **Risks**

**Headway has broad and flexible investment authority. Headway may have other investment strategies or methods of analysis, or engage in other activities, than those described herein. The following list of risk factors is not an exhaustive explanation of all risks involved in an investment in its clients. Investors should refer to the relevant governing documents for a more complete understanding of that Fund's investment objectives and strategies.**

**There can be no assurance that the Funds' investment strategy will achieve profitable results. The Funds may be deemed to be a highly speculative investment and are not intended as a complete investment program. They are designed only for sophisticated persons who can bear the economic risk of the loss of all or a portion of their investment in a Fund and who have limited need for liquidity.**

Unquoted Investments. Direct or indirect investments in unquoted companies are intrinsically riskier than in quoted companies as the unquoted companies may be smaller, more vulnerable to changes in markets and technology and dependent on the skills and commitment of a small management team.

Investor Default. Any default by an investor in advancing cash in respect of commitments to the Funds could have an adverse impact upon the Funds' ability to complete a transaction and/or could increase the relative exposure of other investors to such transactions. If an investor defaults, it may be subject to various remedies as provided in the governing documents, including a forfeiture of its interests in the Funds as more fully set forth in the governing documents.

**Illiquidity.** Investments in private equity funds and unquoted companies can be difficult to realise or value. The return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. An investment may be sold at any time, although it is not generally expected that this will occur for a number of years after the investment is made. Upon the termination of the Funds, such investments may be distributed in specie so that investors may then become investors in underlying funds and/or minority shareholders in a number of unquoted companies. The marketability of interests in funds and in unquoted shares is restricted and there can be no guarantee that an exit can be found for any investment. Consequently, this is an inappropriate investment for investors seeking liquidity or short-term cash return. In addition, in some cases the Funds may be prohibited by contract or legal or regulatory reasons from selling certain securities for a period of time. As a consequence, the realisable value of an asset may be less than the full value based on its estimated future cash flows and realisation of the value may be subject to timing constraints. The Funds may make investments which may not be advantageously disposed of prior to the date the Funds will be dissolved, either by expiration of the Funds' term or otherwise. The Funds may therefore have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

**Transferability of Interests.** Commitments in the Fund are not freely transferable and no market for such commitments currently exist, nor is one expected to develop. Furthermore, since the commitments are not registered and will not be registered under the Securities Act, commitments may only be transferred pursuant to exemptions from the registration requirements under the Securities Act and applicable state securities laws. The General Partner has the right, exercisable in its sole discretion, not to permit a proposed transfer of an investor's interest. Also, investors may not redeem their interests or (subject to certain very limited exceptions) withdraw from the Funds. Accordingly, investors must be prepared to bear the risk of their interests in the Funds until they terminate.

**Dilution from Subsequent Closings.** Investors who are admitted or increase their commitment at a subsequent closing will participate in the Funds' existing investments. This will have the effect of diluting existing investors with respect to those investments.

**Confidentiality.** The Funds may be required by law, regulation, court order or governmental authority to disclose information in respect of the Funds, their investments and the investors. Certain investors may be subject to freedom of information or similar laws requiring disclosure of information, which could have a detrimental effect on the Funds and/or their investments.

**Nature of Portfolio Investments.** The returns achieved by the Funds will depend in large part on the efforts and performance results obtained by the adviser and/or manager of any funds in which it invests. Although Headway will attempt to evaluate each such investment based on criteria such as the performance history of the fund adviser and/or manager as well as its investment strategies, the past performance of the funds and their adviser and/or manager may not be a reliable indicator of future results, and the adviser and/or manager, their key personnel or the investment strategies of such fund may change at any time without the consent of the Funds. Furthermore, the Funds will not have a role in the day-to-day management of the fund investment or the ability to approve specific investment or management decisions made by the advisers and/or managers of such funds. As a result, the returns of the Funds will primarily depend on the performance of these unrelated advisers and/or managers and other management personnel and could be substantially adversely affected by the unfavourable performance of such advisers and/or managers. Some of the Funds' investments will incur carried interest payments as well as management costs and other administrative expenses. In addition, the Funds themselves will incur carried interest payments as well as management costs and other administrative costs. This will result in greater expense than if investors invested directly in the Funds' portfolio investments.

**Minority Interests.** The Funds will invest generally in minority positions in existing funds and directly or indirectly in shareholdings in unquoted companies and, as a minority investor, might not always be in a

position to protect its interests effectively. Indeed, investments may be structured through vehicles which prevent the Funds participating in the management and operations of investee funds and companies.

Lack of Investor Control. Investors will have no opportunity to control the day-to-day operations of the Funds (which include investment and disposal decisions). In order to maintain their limited liability status with respect to the liabilities and obligations of the Funds, investors must rely entirely on the General Partner and Headway to conduct and manage the affairs of the Funds.

Past Performance. Past performance of similar investments is not necessarily a guide to the future performance of the Funds' investments. The Funds will make investments in different investee funds and companies than those in which previous funds managed or advised by Headway have invested, and accordingly the results of the Funds and its respective investee funds and companies are independent of previous results achieved by Headway.

Key Individuals. The success of the Funds depends in substantial part upon the skill and expertise of Headway. There can be no assurance that these persons, or any individuals hired in the future by Headway will continue to be so employed throughout the term of the Funds.

Co-Investment by Limited Partners. The risk of loss for an investor in respect of a particular investment may be increased if an investor has also invested in other entities which co-invest with the Funds.

Competition/Pricing. The Funds will be competing for its investment opportunities with other investors (whether seasoned secondary investors or otherwise). It is possible that competition for appropriate investments may increase, thus reducing the number of opportunities available to the Funds and adversely affecting the price and terms upon which such investments can be made. Accordingly, there can be no assurance that the Funds will be able to identify and complete attractive investments in the future. In addition, a key element to successful investing in the secondary market is negotiation of the purchase price. In determining an appropriate price for a secondary acquisition, Headway will analyse numerous factors, including but not limited to the current value of an underlying fund's portfolio of investments, the amount of funded and unfunded commitments and the level of distributions. In addition, Headway must make certain assumptions regarding future events and market conditions over which Headway has no control. Any of these assumptions may prove to be incorrect, which could result in the Funds paying too high a purchase price for an investment. In such an event, the performance of the Funds could be substantially and adversely affected.

Portfolio Concentration. The Funds will participate in a limited number of investments and may seek to make a number of investments in the same industry / business sector. As a result, the Funds' portfolio could become concentrated in a few investments and the performance of a few underlying funds' portfolio of investments or a particular industry may affect the Funds' aggregate return. There is no guarantee that the Funds will be able to achieve full investment during their respective commitment period and, accordingly, the Funds may only make a limited number of investments. If a limited number of investments is made, poor performance of a small number of investments could significantly affect returns to investors.

Leverage. The Funds may borrow in order to leverage its investments. Although the use of leverage may enhance returns and increase the number of investments that can be made, it will also increase the risk of loss. As a result, poor performance of one Fund (or multiple funds managed by the same investment manager) could substantially and adversely affect the performance of the other Funds.

Diversification. Further, although Headway will seek to diversify the Funds' investments, there is no assurance that such investments will not be concentrated in certain industries or geographic regions, which could create more risks to the performance of the Funds than if the portfolio were more diversified.

Currency. Some investments may be in currencies other than in Euros and therefore their value may vary with the relevant exchange rate. Such fluctuations may have an adverse effect on the value, price or income of investor's investment in the Funds. The use of hedging transactions to protect the value of the Funds' assets would not eliminate potential losses arising from fluctuations in the value of the Funds' underlying securities. The Funds' use of hedging transactions involves certain investment risks and transaction costs to which it might not be subject were such strategies not employed. General fluctuations in the market prices of securities may affect the value of investee funds and companies and instability in the securities markets may also increase the risks inherent in such investments. Returns from investee funds and companies may vary from those projected as a result of changes in the rate of inflation. Movements in interest rates may also affect the appropriate discount rate to be used to value investee funds and companies, resulting in fluctuations in valuation.

European Debt Crisis. The on-going European sovereign debt crisis in certain member-countries has raised questions concerning the continued viability of the Eurozone's single currency and increased the risk of a possible failure of the Euro. These developments may also present an additional risk resulting from the fact that the Euro is the base currency of the Funds. Investments that are denominated in Euros will be subject to the risk that the value of the Euro will change in relation to one or more other currencies. Furthermore, in the event that the Funds were to re-denominate their functional currency from the Euro into another currency, the Funds may incur additional costs and expenses, thereby reducing returns to investors. Finally, given the high degree of exposure to European sovereign debt by European financial institutions, this may increase the risk of a failure by one or more such institutions. Any such failure could have an adverse effect on one or more of the Funds' investments and/or the Funds themselves.

Brexit. On 23 June 2016, the United Kingdom held a referendum to decide whether or not the United Kingdom should leave the EU. The referendum results were determined in favour of "Leave" with the consequence that HM British Government begin negotiating the withdrawal of the United Kingdom from the EU. No member state has previously withdrawn from the EU following the withdrawal mechanism set out in Article 50 of the Lisbon Treaty. There will therefore be a long period of political and economic uncertainty in the UK and EU and the wider impact on the UK and European economy is unknown. Such uncertainty is likely to have a negative impact on economic activity, stock markets and business sentiment, especially in the short term.

Recall of Distributions. The General Partner may recall distributions made to any investor to meet certain obligations of the Funds in which they have invested, including without limitation the Funds' obligations to its investee funds and companies. If a Fund has a recontribution obligation to an underlying investee fund or company, the General Partner may recall distributions in order to satisfy such obligation. Moreover, as a purchaser of interests in a fund, a Fund could be required to satisfy recontribution obligations related to distributions received by a prior owner of the Fund's interest in that fund. Importantly, these potential recontribution obligations can survive for an indefinite period of time.

Indemnification. The Funds will indemnify the General Partners and certain other persons against claims, liabilities, costs and expenses incurred by them by reason of their activities on behalf of the Funds, subject to certain exclusions. Such indemnification, if invoked, may affect the financial performance of the Funds and the returns generated for investors.

Distributions in Kind. While the General Partners intend to make distributions to investors in cash, they may not be able to do so in all circumstances. The governing documents of the Funds provide that distributions in kind may be made in connection with the winding up of a Fund, the withdrawal of certain regulated investors, and where the distribution is of certain listed securities. In relation to distributions of listed securities during the life of the Funds, the value of any listed securities distributed shall be determined by (i) for any distribution where the date of listing is on or around the date of distribution, calculating the mean of (x) the listing price and (y) the midmarket price at the close of business on each of

the five dealing days immediately following the listing date and (ii) for all other distributions, calculating the mean of the mid-market price at the close of business on (x) each of the five dealing days immediately preceding the date of the distribution (y) the date of distribution itself and (z) each of the five dealing days immediately following the date of distribution. An investor will have the ability, instead of receiving such listed securities, to request that the General Partner retain the securities and use reasonable endeavours to sell those securities and distribute the sale proceeds to such investor (less the amount of any fees, costs, expenses and taxes). Any such securities retained by the General Partner shall be deemed to have been distributed in kind to the relevant investor at the value described above. Where distributions in kind (other than listed securities) are made in connection with the winding up of a Fund, such distributions will be made at a value determined by the General Partner in accordance with the IPEV Valuation Guidelines.

Conflicting Investor Interests. Investors may have conflicting investment, tax, and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the issuer regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partners generally will consider the investment and tax objectives of the Funds and their investors as a whole, not the investment, tax, or other objectives of any investor individually.

Agreements with Certain Investors. The Funds, the General Partners or Headway, may in their absolute discretion agree to enter into arrangements (whether by means of a side letter or other arrangement) with any existing or potential investors that have the effect of altering or supplementing the terms governing an investment in the Funds set out in the governing documents and the subscription documents (a “Modification of Terms”). Any Modification of Terms will generally be based on factors such as the size of an investor’s Commitment, an investor’s existing relationship with the Funds or Headway or any particular regulatory or legal considerations applicable to an investor, but the Funds, the General Partners or Headway, may enter into such arrangements for any reason. Furthermore, any Modification of Terms may be made in relation to (but is not limited to) “most favoured nation” provisions, co-investment opportunities, the advisory board, transfers, use of name, prohibited and excused investments, borrowing, confidentiality, notification of investigations, change of control, assignment of right to capital call, commitment percentage holding, distribution in specie and other legal and regulatory matters. The Funds shall be required to disclose the existence of specific terms of any side letter or other agreement which gives rise to a Modification of Terms to any other investors, in accordance with the relevant provisions in the governing documents.

Conflicting Interests of Headway and the General Partners and Service Providers. The Funds may be adversely affected by potential conflicts of interest between the Funds, the General Partners, Headway, the depositary, the administrator and/or their respective affiliates, and investors. Such conflicts may include (without limitation) the following:

- The General Partners, Headway, the depositary, the administrator and/or their respective affiliates engage in a wide range of activities including investment management, and depositary and administrator services, for themselves, other funds and other third-party investors. Situations may arise in which any one or more of the General Partners, Headway, the depositary, the administrator or their respective affiliates, have a duty or an interest which conflicts with their duties to, or the interests of, the Funds. In the ordinary course of their businesses, the General Partners, Headway, the depositary, the administrator and/or their affiliates may engage in activities in which their interests or the interests of their clients may conflict with or be adverse to the interests of the Funds. The General Partners, Headway, the depositary, the administrator and/or their respective affiliates may receive customary fees and expenses for such services which they will not share with the Funds.
- Except as otherwise set out in the governing documents, the General Partners, Headway and/or their respective affiliates may act as general partner, manager or adviser in or of other funds (or funds of funds) or engage in any other activity without investor consent.



- The General Partners and Headway shall be under no duty or obligation to disclose to, or use for the benefit of, the Funds any information in relation to any transaction in which it, or any person to whom it owes a duty, has an interest.

The above list is not, and does not purport to be, an exhaustive list or explanation of the conflicts of interest associated with investing in the Funds. If a conflict of interest does arise, the General Partners and Headway will endeavour to ensure that it is resolved fairly, taking into account the respective interests of the persons involved and, as provided in the governing documents, seeking the involvement of the advisory board.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. The availability of credit for businesses, consumers and homeowners, including credit used to acquire businesses, is currently severely restricted. In addition, prior acts of terrorism globally, the threat of additional terrorist strikes and the fear of a prolonged global credit crisis have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a “self-reinforcing” economic downturn. This may have an adverse effect on the economy generally and on the ability of the Funds and their investee funds and companies to execute their respective strategies and to achieve an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty increases the difficulty of modelling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the business of the Funds’ investee funds and companies.

FATCA Withholdings. FATCA may require investors to make disclosures to the General Partners so that the General Partners can apply under the FATCA regime to receive distributions free of withholdings from certain counterparties. If an investor does not provide such information in a timely manner, or such information is incomplete, the General Partners may be entitled to take corrective action against such General Partners under the governing documents, including levying indemnity payments or withholding amounts from distributions.

ERISA. The General Partners intend to use reasonable efforts so as to not have assets of the Funds deemed to be assets of an employee benefit plan under the rules of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the U.S. Internal Revenue Code. However, fiduciaries of such plans are urged to review carefully the matters discussed in the relevant governing document and consult with their own legal and financial advisors before making an investment decision.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Headway and its employees have not been involved in any disciplinary events that require disclosure in response to this Item 9.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither Headway nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Headway nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Christiaan de Lint is Chairman of Mont-Fort Funds AG (“Mont-Funds”), a company providing fund representation services in Switzerland. Furthermore, Headway also use Mont-Funds as marketer for HIP IV. Headway does not believe his position, or the marketer services provided raise a conflict. Firstly, Mont-Fort’s business does not overlap with Headway’s and secondly, the marketer services provided are treated as a third-party transaction.

Cliff Meijer serves on the Private Equity Operating Committee of the Babson College Endowment Fund (“Babson”). Headway does not believe this position to be in conflict with Headway’s Funds, as Babson’s strategy does not overlap with Headway’s.

Jason Howard is currently a director of Crown Bidco Limited, which is a legacy investment vehicle for EQT Services UK Ltd, a former employer. Headway does not believe this to be a conflict with Headway Funds.

Certain of Headway’s employees may invest directly in the Funds. Headway has adopted a Code of Ethics concerning trading by personnel of Headway that is designed to detect and prevent potential conflicts of interest between Headway and the Funds and investors. Please refer to Item 11 below for additional information regarding Headway’s Code of Ethics.

Headway does not recommend or select other investment advisors for the Funds.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Headway's Code of Ethics (the "Code of Ethics") describes Headway's high standard of business conduct and has been designed to comply with the requirements of Advisers Act Rule 204A-1. Among other things, the Code of Ethics (i) requires that all employees comply with federal securities laws, (ii) requires that all employees report to Headway their personal securities holdings and transactions in reportable securities, and that Headway review such reports, (iii) requires all employees to obtain pre-approval of certain personal securities transactions, and (iv) limits trading in certain situations that may pose a potential conflict of interest. All personnel of Headway are required to certify their compliance with the Code of Ethics. Personnel who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

Under the Code of Ethics, generally Headway, its employees, affiliates or their related persons may buy, sell or otherwise invest in securities for their own accounts, provided, however that such transactions require pre-approval from the Chief Compliance Officer. In order to manage any conflict of interest, such transactions will be reviewed in the best interests of Funds and will be denied by the Chief Compliance Officer if there is risk of potential adverse consequences to the Funds.

Headway serves as investment adviser to the Advisory Clients. Headway, its employees, affiliates or their related persons may also invest directly in any one, some or all of the Advisory Clients. The fact that Headway, its employees, affiliates or their related persons may have a financial ownership interest in Headway's Advisory Clients creates a potential conflict in that it could cause Headway to make different investment decisions than if they did not have such a financial ownership interest.

Furthermore, Headway and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the existing clients, and/or may involve substantial time and resources of Headway. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Headway and its affiliates are not devoted exclusively to the business of the existing advisory clients but are allocated between the business of the existing advisory clients and the management of the monies of future funds and accounts managed by Headway. Headway uses its best judgment to be fair and equitable to all Funds to minimize this conflict of interest.

Investors or prospective investors may arrange a time to review Headway's Code of Ethics by contacting the Chief Compliance Officer, Juan-Sebastian Fernando Junoy, at [sjunoy@headwaycap.com](mailto:sjunoy@headwaycap.com).

## **ITEM 12 – BROKERAGE PRACTICES**

Headway focuses on securities transactions of secondary interests and the purchases and sales of such interests are conducted through privately negotiated transactions. To date, no public securities transactions have been conducted and none are anticipated in the foreseeable future. Prior to any public securities transactions, Headway will implement appropriate policies and procedures to address brokerage compliance concerns, including, among others, best execution, broker selection and trade aggregation.

Headway does not have any formal or informal soft-dollar arrangements and does not receive any soft dollar benefits from any broker, dealer or other counterparty.

Headway does not consider whether Headway or a related person receives Advisory Client referrals from a broker-dealer when selecting or recommending a broker-dealer.

Headway does not aggregate the purchase or sale of securities for various accounts through-broker dealers.

Headway does not permit Advisory Clients or investors to direct Headway to execute transactions through a specified broker-dealer.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The Funds investments are reviewed quarterly by the Headway's valuation committee and investment committee (together "Committees"). Such reviews include a review of existing investments, potential investments, investment policy, the suitability of the investments used to meet policy objectives, cash availability, and investment objectives. The Committees' members consider, among other things, investment performance, the portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

Fund investors are expected to receive the following: periodic investor letters; quarterly investors reports; annual audited financial statements within 120 days of the fiscal year end; Annual General Meeting updates; and tax reporting relevant to their jurisdiction where appropriate.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Headway does not receive economic benefits from non-clients for providing investment advice or other advisory services. Headway does not currently make cash or other payments directly in return for advisory client referrals.

## **ITEM 15 – CUSTODY**

As Headway acts as investment adviser to the Funds and has related persons that act as general partner to certain of the Funds, Headway is deemed to have custody of client assets under the provisions of SEC Rule 206(4)-2 (the “Custody Rule”).

Headway will be deemed to have custody of such Funds’ assets because affiliates of Headway serve as general partner (or in similar capacity) to such Funds. To ensure compliance with Rule 206(4)-2 under the Advisers Act, Headway will ensure that the Funds are subject to annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules. In addition, such Funds’ audited financial statements will be prepared in accordance with U.K. generally accepted accounting principles (“UK GAAP”) and will be distributed to all investors within 120 days of the end of each Fund’s fiscal year. Such Fund investors should carefully review such statements. The Funds would also be subject to audit upon liquidation and the audited financial statements will be distributed to all investors promptly after the completion of such audit.

Funds organized outside of the United States, or having a general partner or other manager with a principal place of business outside the United States, may have their financial statements prepared in accordance with accounting standards other than U.K. GAAP so long as they contain information substantially similar to statements prepared in accordance with U.K. GAAP. Any material differences with U.S. GAAP must be reconciled in the financial statements delivered to U.S. persons.

Pursuant to SEC interpretations, as set forth in the “SEC Staff Response to Questions about the Custody Rule,” Question VI.5 and SEC Staff Letter to the ABA, Subcommittee on Private Investment Entities, issued August 10, 2006, offshore advisers registered with the SEC are not subject to the Custody Rule with respect to offshore funds. Certain of the Funds that are domiciled outside of the United States and are not offered to U.S. investors may be able to rely on such exemptions.



## **ITEM 16 – INVESTMENT DISCRETION**

The General Partner has complete investment discretion over the portfolios of the Funds. There are no specific limitations placed on this authority, provided that the General Partner will exercise its discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable offering documents or other governing agreements of each Fund. Fund investors do not have the ability to impose limitations on the discretionary authority of the General Partner. Fund investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Headway's investment strategies focus on secondary investments, and accordingly it does not expect that it will have occasion to receive any proxy voting requests on behalf of its clients. Nonetheless, Headway may, from time to time, be requested to vote securities held in the portfolios of such funds. Any matter upon which such a vote is requested will be considered by the member of the Investment Committee with primary responsibility for the applicable investment, who will give each such vote due consideration, and will advise the General Partner in a manner that they determine to be in the best interests of the applicable Fund. In the event that such investment professional shall have any questions as to the proper vote in any particular matter will consult with the entire Investment Committee, who will advise such employee of the proper vote. In addition, notwithstanding the foregoing, any vote regarding, or which may result in, the disposition of any securities of an interest by a Fund will be submitted to the General Partner. Information about how the General Partner Headway voted any securities on behalf of a Fund will be available upon request by investors in the applicable Fund.

## **ITEM 18 – FINANCIAL INFORMATION**

Headway has never been the subject of a bankruptcy petition and is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.