

# **Merion Square Capital LLC**

## **Part 2A of Form ADV**

### **The Brochure**

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February 26, 2019

This brochure provides information about the qualifications and business practices of Merion Square Capital LLC (“MSC”). If you have any questions about the contents of this brochure, please contact us at 512-961-8265. 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.

The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

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

## Item 2. Material Changes

Stephen Kirkwood became Chief Compliance Officer of MSC on February 18, 2019. There have been no other material changes.

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## Item 4: Advisory Business

Founded in 2018, Merion Square Capital, LLC (“MSC” or the “Firm”) is a joint venture between Vida Capital, Inc. (“Vida”) and Rewire Holdings LLC (“Rewire”) to form an alternative investment manager focused on insurance-linked securities (“ILS”), with an emphasis on Property and Casualty (“P&C”) insurance. Insurance-linked securities represent a growing share of the global insurance and reinsurance risk transfer markets and provide investors with the opportunity to participate in returns that exhibit low correlation to equity and fixed-income markets.

“Insurance Securities” include but are not limited to:

- *Collateralized Reinsurance securities* – securities issued by a special purpose insurer or a fronting reinsurer to collateralize non-proportional or proportional reinsurance;
- *Side car transactions* – the collateralization of reinsurance participations in a share of a certain block of insurance business, e.g., the right to participate in a predetermined percentage of both premiums and losses subject to an aggregate limit;
- *Catastrophe Bonds and Other Insurance-Linked Securities* – insurance-linked securities structured as a private placement with a Rule 144A resale exemption;

- *Other insurance-related securitizations* – the funding of future insurance receivables in note format which may or may not include a Rule 144A resale exemption;
- *ILW/Derivatives* – notes or derivatives which utilize an index to determine any loss after a defined event; and
- *Preference Shares/Debt* – senior or subordinated debt/surplus notes issued by insurance companies.

MSC leverages the core competencies of both parties, combining Rewire’s experience in the origination, underwriting, pricing, structuring, and syndication of insurance risk with Vida’s track record and experience as a dedicated institutional asset manager.

MSC provides discretionary investment management services to privately offered investment vehicles (each a “Fund” or “Funds” and collectively, the “Clients”).

The principal investment objective of each Fund is specified in its offering materials, but as a general matter, each Fund intends to provide investors with access to an actively managed portfolio of insurance related risk via the purchase of Insurance Securities. Such risk shall include insurable losses relating to natural catastrophes, man-made catastrophes, weather, mortality, other first and third-party related property and casualty risk. The Funds also reserve the ability to gain exposure to certain risks relating to life and health insurance, including but not limited to annuity-based insurance products which may or may not be life-contingent.

MSC’s services to each Fund consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Fund; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Fund. MSC’s services to each Fund are subject to the specific investment objectives and restrictions applicable to such Fund, as set forth in such Fund’s limited partnership agreement and other governing documents (collectively, the “Governing Documents”).

Investors and prospective investors in each Fund should refer to the Governing Documents of that Fund for information on the investment objectives and investment restrictions with respect to that Fund. There can be no assurance that any of the Funds’ investment objectives will be achieved. As such, MSC’s services are generally not tailored to the individualized needs of any particular investor of the Fund. Since MSC does not provide individualized advice to investors (and an investment in the Fund does not, in and of itself, create an advisory relationship between the investor and MSC), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

As of the date of this filing, MSC does not have any discretionary or non-discretionary assets under management. However, MSC has registered with the SEC in reliance on Rule 203A-2(c) because the Advisor expects to be eligible for SEC registration within 120 days of the filing date due to its investment management services for the Funds.

## Item 5: Fees and Compensation

Compensation received by MSC is generally comprised of fees based on a percentage of assets under management (“Management Fee”) and performance allocations (“Performance Allocation”). Current and prospective clients should carefully review all fees charged by MSC.

The precise amount of, and the manner and calculation of, the Management Fee and Performance Allocation for each Partnership are established by MSC and are set forth in such Fund’s Governing Documents received by each investor prior to investment in such Fund. The Management Fees, Performance Allocation and other fees and distributions described herein are generally subject to modification, waiver or reduction by MSC in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letters and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

### Expenses

Each Fund will bear, or reimburse MSC for all payments of, all expenses incurred in connection with the organization of the Fund, including legal and accounting fees, government charges, “blue sky” and other filing fees and expenses and professional fees and expenses in connection with the preparation of the organizational documents of the Funds and their agreement with the Investment Manager (“Organizational Expenses”). Organizational Expenses in excess of certain prescribed amount will be a fee offset against the Management Fee.

Except as otherwise specified in the applicable Fund’s offering and organizational materials, each Fund will bear or reimburse MSC for all expenses of its operation, including, without limitation, costs and expenses relating to fees of any investment intermediary, custodian and escrow agent; valuation expenses; due diligence and other investment expenses, including related research expenses and related origination travel and lodging expenses, consultation and licensing fees specific to applications used in evaluating Insurance Securities investments, brokerage commissions, clearing and settlement charges, hedging expenses, interest expenses, and expenses relating to unconsummated investments; reinsurance and insurance brokerage fees; all premiums, insurance, indemnification of counterparties, sourcing/origination fees, escrow fees, servicing costs; collateral security structuring and ongoing servicing costs, such as trustee fees, letter of credit and facility fees, bank charges, the establishment of a Bermuda-based Special Purpose Insurer and the associated operating costs and other costs relating to the Fund providing collateral; claims and loss adjusting expenses incurred in connection with processing, reviewing or disputing any reinsurance or insurance losses and claims, including external legal fees and expenses, professional advisers and claims administration fees and expenses, claims audit and verification fees and expenses and other costs; ceding and trading commissions; premium taxes, fronting fees, other investment expenses, such as commissions, interest on margin accounts and other indebtedness and other expenses related to the purchase, sale or transmittal of the Fund’s assets and all other operating expenses and other expenses associated with the acquisition, holding, management, financing, servicing and disposition of its proposed or actual investments in Insurance Securities or other assets; legal fees and expenses; actuarial expenses; auditing and tax preparation expenses; printing and mailing reports and notices expenses; directors fees; costs associated with directors or

shareholders meetings; indemnification amounts and expenses relating to indemnification of directors and service providers and of the general partner of the Fund (the “General Partner”), MSC and other parties as set forth in the Fund’s Governing Documents; fees relating to financial services, governmental registration, license and membership fees (including those payable to regulatory as well as self-regulatory organizations); Management Fees; fees of the Administrator; corporate licensing fees; bank service fees; systems, research and other information used for portfolio management purposes (including costs of statistics and pricing services), service contracts for quotation equipment, hardware and software (including fees of third-party software developers), valuation, withholding and transfer taxes; entity-level taxes; consultant, professional adviser, legal or any other third-party service provider fees and expenses relating to: the preparation, review and filing of any matters required by the Fund or its investors by a taxing authority, regulator or any other governmental agency; regulatory and compliance expenses of the Fund, including reporting obligations of MSC with respect to the Fund; annual reviews or self-assessments required by the Fund to demonstrate compliance with tax or regulatory requirements; expenses incurred in connection with any claim or any threatened or anticipated claim or any examination or audit by any taxing authority, regulator or any other governmental agency, and other extraordinary expenses and other similar expenses related to the operation of the Fund. The Fund will also bear expenses relating to the offer and sale of the shares and the interests in the Fund, including the cost of producing and distributing offering memoranda and other marketing materials, the negotiation of Fund and side letter terms with investors, custody fees, bank charges, travel expenses, lodging, meals and entertainment and marketing expenses, of MSC and the General Partner in connection with the offering of the shares. Certain costs and expenses may be incurred by MSC or its affiliate for the benefit of the Fund and one or more other clients or affiliates. In such cases, the Fund may be allocated any such costs and expenses in a manner that MSC determines to be fair and reasonable and in accordance with MSC’s policies and procedures. Travel expenses include the expenses of chartering private aircraft (limited to the portion thereof not in excess of first-class commercial airfare).

The Fund does not have its own separate employees or office and it does not reimburse MSC and the General Partner for salaries of employees, supplies, office rent and other general overhead costs of MSC or the General Partner.

See Item 12. Brokerage Practices below for additional information regarding transaction costs.

The types of other fees and expenses incurred will vary with respect to each Fund. Please refer to the Governing Documents of each applicable Fund for more complete information.

## **Item 6: Performance Based Fees and Side-by-Side Management**

As discussed in Item 5. Fees and Compensation, affiliates of MSC are entitled to receive performance-based compensation from Clients. The fact that MSC, or one of its affiliates, is compensated based on such profits creates an incentive for MSC to make investments on behalf of the Funds which are riskier or more speculative than would be the case in the absence of such compensation.

## **Item 7: Types of Clients**

As discussed in *Item 4. Advisory Business* above, MSC provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of MSC, and not individually to the Funds' investors.

Details concerning applicable investor suitability criteria are set forth in each Fund's Governing Documents. Although MSC has the authority to accept subscriptions for lesser amounts, the minimum initial investment size is \$1,000,000.

Generally, each investor in a Fund is required to meet certain suitability qualifications, such as being (a) an "accredited investor" under Rule 501 of Regulation D of the Securities Act of 1933, as amended and (b) a "qualified purchaser" under the Investment Company Act of 1940, where appropriate. Certain separate account clients may be required to meet certain criteria as well, such as the "qualified client" standard, as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended.

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

Each Fund seeks to provide investors with attractive returns which are uncorrelated to broader fixed income and equity markets. The investment team's origination, structuring, and underwriting skills are expected to enable MSC to access global insurance-based product.

MSC believes its target risk and return profile can be achieved by focusing on transactions and exposures in areas where the highest margins are being paid to assume reinsurance risk (currently predominantly U.S. Wind risks and transactions combining a number of U.S. and global peak risks such as e.g. wind or earthquake in Europe, Japan, and Australia). As a result, the portfolio is expected to be somewhat concentrated in these areas. MSC believes that this approach is consistent with an investor base that views the allocation to the ILS space as diversifying in the context of their overall portfolio and looks to optimize the efficient frontier across the portfolio rather than within the allocation to the ILS asset class. Each Fund may also invest in non-catastrophe related insurance products, which may provide the Fund with sufficient return but also improve the overall risk profile of the Fund.

While the strategy will consist mainly of long core positions, hedges can be effectuated on a per-deal or portfolio/index basis in order to manage portfolio concentration and exposure or to further optimize the risk and return profile if attractively priced opportunistic hedges are available. The Fund may also enter into hedging transactions related to, for example, currency or interest rate risks where deemed in the interest of the Fund.

The Fund can enter into leverage financing arrangements such as, but not limited to, fronting arrangements or bond portfolio leverage facilities. These opportunities will be evaluated on a case-by-case basis with a view to enhance overall portfolio performance through enhancing returns or accessing different risk opportunities channels.

**ALL INVESTING INVOLVES A RISK OF LOSS. THE FOLLOWING RISK FACTORS REPRESENT SOME OF THE UNIQUE RISKS ASSOCIATED WITH INVESTING IN THE FUNDS MANAGED BY MSC. THE FOLLOWING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE LIST OR EXPLANATION OF THE RISKS INVOLVED. ADDITIONAL RISKS AND UNCERTAINTIES NOT CURRENTLY KNOWN TO MSC OR THAT MSC CURRENTLY BELIEVES TO BE IMMATERIAL MAY ALSO MATERIALLY AND ADVERSELY AFFECT MSC'S INVESTMENT STRATEGIES AND THE VALUE OF INVESTMENTS. INVESTORS AND CLIENTS SHOULD CONSIDER AN INVESTMENT IN A FUND BY MSC AS INVOLVING A HIGH DEGREE OF FINANCIAL RISK AND SHOULD THEREFORE CAREFULLY CONSIDER ALL RISK FACTORS SET FORTH IN THE RELEVANT OFFERING, OPERATIONAL, AND/OR GOVERNING DOCUMENTS OR RELEVANT INVESTMENT MANAGEMENT AGREEMENTS OF EACH FUND. EACH PROSPECTIVE INVESTOR SHOULD CAREFULLY REVIEW AGREEMENTS, OFFERING AND/OR OPERATIONAL DOCUMENTS, AS APPLICABLE, WHICH CONTAIN MORE DETAILED DESCRIPTIONS OF THE RISKS INVOLVED, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE FUNDS, OR ENGAGE MSC TO MANAGE A SEPARATE ACCOUNT.**

**Lack of Volume of Insurance Securities.** The market for Insurance Securities is developing and MSC will from time to time need to originate investment opportunities that currently do not exist. These opportunities may be sizeable and infrequent and may require lengthy due diligence and, from time to time, the volume (both in terms of number and dollar value) of deals involving Insurance Securities may not be sufficient for the Fund to invest the optimal amount of funds in such instruments. Consequently, if the Fund is not able to invest its funds in Insurance Securities, the potential investment return of the Fund will be impacted. Although MSC believes that it will be able to identify a steady, albeit relatively infrequent, stream of opportunities, there may be prolonged periods of time when MSC is unable to identify attractive opportunities. This may result in lower investment returns than MSC anticipates. To the extent that the Fund's capital is not used to purchase or establish insurance-based investment positions, such funds generally will be invested in short-term, highly liquid instruments, such as those issued by the United States of America and its agencies.

**Risk of Loss or Reduction of Principal and/or Share Due to Catastrophic or Other Events.** The Fund expects to invest in Insurance Securities, the investment returns of which are related to the occurrence of catastrophic or other events which traditionally are the subject of insurance. Such instruments, including Insurance Securities, may be subject to the risk of loss or reduction of principal and/or interest due to the occurrence of catastrophic or other events. Any climatic or other event which might result in an increase in the likelihood and/or severity of such events (for example, global warming leading to more frequent and violent hurricanes) could materially adversely affect the Fund. Accordingly, such instruments are speculative, and the Fund could lose all or part of the principal or interest, or an amount in excess of any premium collected, if any, with respect to such instruments upon the occurrence of a catastrophe or other event.

Credit risk is inherent in certain of the Insurance Securities that will be part of the Fund's portfolio (e.g., catastrophe bonds and other Insurance Securities offered by special purpose vehicles). When possible, decisions to invest in these securities will take into account any credit ratings issued by major rating agencies, such as Moody's, Standard & Poor's, etc. Because not all of the instruments

that will comprise the Fund's portfolio are expected to be rated, MSC will be guided by its judgment for the assessment of risk. Insurance Securities in which the Fund invests need not have any particular rating of creditworthiness.

**Unpredictability of Risk.** The type, frequency and severity of catastrophic events impacting Insurance Securities are difficult to predict. While the economics of such instruments may rely on the occurrence or non-occurrence of certain catastrophic or other events, such events are difficult to predict or model, and thus the expected return on an investment with respect to such instruments is difficult to calculate. While MSC will make assessments regarding the expected investment return to the Fund on such instruments, because of the unpredictability of the catastrophic or other events upon which investment return may be based, there can be no assurance that MSC's assessments will be accurate or that the investment return provided by such instruments will be adequate to compensate the Fund for the risk borne thereby.

**Modeling Risk.** Because no scientific consensus on models or risk parameters exists, there may be other credible, published models and/or risk parameters that are not relied on by the Fund that may exist that, if used, could produce materially different results than those models and/or risk parameters relied on by the Fund. The determinations that the Fund relies on are final, regardless of any actual, potential, or theoretical discrepancies between the methodology used by the Fund's modelers and any other possible methodology. No separate review or appraisal of the accuracy of the defined methodologies or the data used to parameterize the models will be performed. No model is, or could be, an exact representation of reality. The models relied on by the Fund use various methodologies and assumptions, some of which are subject to uncertainty, and which might not be used in the models of other funds, firms or competitors. Furthermore, there may be differences in the way in which these assumptions are considered by other funds, firms or competitors.

**Model Error.** Information technology systems and software are used by the Fund and MSC to evaluate reinsurance risks and investment opportunities. Third-party software may be affected by modeling or computational errors, and it would be difficult, if not impossible, for the Fund or MSC to determine the presence of such errors. The Fund also employs a variety of in-house, proprietary models and software, some of which are developed by affiliates, that might contain errors despite the best efforts of many individuals to ensure their accuracy. Often such errors do not come to light until the models or software is relied upon to make investment decisions, which, in the context of reinsurance investments, are usually irreversible.

**Reliance on Certain Information.** Much of the information that is entered into the risk modeling software is based on third-party data that neither MSC nor the Fund can independently verify. Consequently, the trigger events which affect investment returns of certain Insurance Securities may be based upon information provided by the issuer of such instruments or by another independent third-party source (such as an index). Where an Insurance Security is based on an index or information provided by the issuer of such security, the source providing such index or information may be under no obligation to correct or update the index or information in the event of errors or subsequently discovered information. In light of the foregoing, there can be no assurance that relevant information provided by outside sources will be accurate, and it may not be economically feasible or efficient for MSC to attempt to verify or challenge such information.

**Lack of Liquidity in Markets and Instruments.** The markets for many of the investments in Insurance Securities that will be undertaken by the Fund have limited liquidity and depth or, in the case of collateralized reinsurance, have no liquidity. This lack of liquidity and depth could



disadvantage the Fund, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

With respect to Insurance Securities, the transfer of many of such instruments may be limited by securities laws restrictions and other restrictions that may be set forth in the terms of the security. Many of such securities do not have an established market; therefore, resale of such securities may be difficult or impossible. The terms of certain Insurance Securities also prevent them from being traded without the consent of the issuer, which may not be granted. There is no assurance that a secondary market for such securities will develop or, if it were to develop, that it would provide efficient or even adequate pricing or liquidity. Furthermore, if a secondary market were to develop, the price and liquidity of such securities at any given time would likely be affected by a number of factors, including whether a catastrophe or other trigger event has occurred or whether catastrophe “seasons” (e.g., hurricane season) have passed.

Additionally, the Fund may invest in illiquid instruments, causing the Fund to be subject to many of the same risks that result from investing in instruments traded in illiquid markets.

**Seasonality of Investments.** While the Fund will seek to diversify its investments, there is a level of seasonality in relation to the risk profile and pricing of some insurance risks with significant fluctuations in operating results due to competition, catastrophic events, general economic and social conditions and other factors (e.g., a significant proportion of new issuance occurs around the key insurance renewal dates). It is difficult to predict the timing of such events with certainty or to estimate the amount of loss that any given event will generate. In addition, increases in the frequency and severity of loss suffered by reinsurers can significantly affect these cycles.

**Risks of Applicability of Insurance Laws to Holders of Insurance Securities.** Insurance regulatory authorities often have broad discretionary powers in administering insurance laws, including the authority to determine whether a party is conducting the business of insurance or reinsurance within their applicable jurisdictions. Because Insurance Securities have certain features and an investment return that may be based on the occurrence of events which traditionally are the subject of insurance, it is possible that insurance regulatory authorities or courts could determine that the purchase or holding of such securities or the writing of such derivatives constitutes the conduct of the business of insurance or reinsurance. In the event such a determination is made and a holder of such securities or a writer of such derivative instruments is not duly licensed to conduct such activities in the applicable jurisdiction, such holder or writer may be subject to regulatory and legal action. Typically, such regulatory and legal action may include orders to cease and desist from the offending activities (which may require a divestiture of the offending securities or an unwinding or termination of the offending derivative instruments), civil forfeitures or criminal fines. There can be no assurance that insurance regulatory authorities will not challenge the purchase or writing of one or more such securities or derivative instruments as constituting the business of insurance, and it is unclear how such a challenge would affect the Fund, as a holder or writer thereof.

**Claims and Coverage.** As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Fund’s investments in certain Insurance Securities and, in some instances, these changes may not become apparent until such instruments are affected by these changes. As a result, the full extent of liability as a result of these changes may not be known for many years following the Fund’s investment in such instruments.

**Correlation With Other Asset Classes.** MSC believes that historically the occurrences of insurance events have been largely uncorrelated to the global equity and bond markets. As a result, a portfolio dominated by insurance risks would be expected to experience low correlation to equity and bond investments, but there can be no assurance of low correlation or beneficial pricing. MSC believes it will take a considerable amount of time before any benefit of low correlation gets priced into the instruments in which the Fund invests, and there can be no assurance of low correlation or beneficial pricing. In addition, because catastrophic events are unpredictable, it is entirely possible that the Fund will incur major losses at or about the same time as other components of an investor's portfolio are also declining in value.

**Other Risks Associated with Insurance Securities.** Ownership of Insurance Securities involves a degree of risk because of a number of characteristics which may be common to such securities, such as the following:

- Limited Resources of Issuers. The issuers of such securities often are thinly capitalized, special-purpose entities that do not have ready access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.
- Investments of Issuers. The ability of issuers of Insurance Securities to provide the expected investment returns on their issued securities is based in part on such entities' investments, which may be subject to credit default risk, interest rate risk and other risks.
- Regulation. Entities that issue Insurance Securities may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Additionally, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing with respect to issuers and insurance companies which are subject to the laws, rules and regulations of the U.S. Similarly, because such entities often are subject only to the laws of non-U.S. jurisdictions, it may prove difficult for an investor in such an entity to make a claim or enforce a judgment against the entity or its directors or officers.
- Subordination. Insurance Securities are typically subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities.
- Lower or No Ratings. Insurance Securities may receive low ratings or be unrated by rating agencies. Consequently, such securities may be relatively illiquid and subject to adverse publicity and investor perceptions, any of which may depress prices.

**Cybersecurity Risk** Investment advisers, including MSC, must rely in part on digital and network technologies ("Cyber Networks") to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such Cyber Networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts

to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. MSC maintains policies and procedures on information technology security, and it has certain technical and physical safeguards intended to protect the confidentiality of its internal data and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about MSC or its Clients or their investors, and/or cause damage to client accounts or MSC's activities for clients or their investors. MSC will seek to notify affected clients and investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such Clients or investors to unintended parties.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to investor's evaluation of MSC or the integrity of MSC's management.

There are no legal or disciplinary events that are material to an evaluation of MSC's advisory services or the integrity of its management.

## **Item 10: Other Financial Industry Activities and Affiliations**

As described in *Item 4. Advisory Business*, MSC is a joint venture between Vida Capital, Inc. ("Vida") and Rewire Holdings LLC ("Rewire"). The President of MSC, Mr. Richard Pennay, and MSC's Chief Executive Officer, Mr. Stefano Sola, are also the President and Chief Executive Officer for Rewire Securities LLC, an affiliated broker-dealer firm that is wholly owned by Rewire. Concurrent with the establishment of MSC, Rewire Securities LLC has discontinued its focus on third party business and will concentrate exclusively on facilitating and underwriting transactions on behalf of MSC and its Clients.

Vida is the parent company of Vida Capital Management, LLC ("VCM"), an affiliated investment adviser registered with the U.S. Securities & Exchange Commission. Vida has specialized solely in insurance-linked strategies with a predominant focus on longevity-contingent risk. One or more investment funds managed by VCM will subscribe for \$150 million in the aggregate and will not bear any portion of the Management Fee or Performance Allocation during the lock-up period. In addition, certain of VCM's ultimate owners, and their affiliates ("Parent Entities") conduct other investment activities not related to the investment activities of MSC. The Parent Entities and affiliates conduct their investment activities within different asset classes to those of MSC and do not make any day-to-day investment decisions for MSC.

MSC leverages the core competencies of both Rewire and Vida, combining Rewire's experience in the origination, underwriting, pricing, structuring, and syndication of insurance risk with Vida's track record and experience as a dedicated institutional asset manager.

Certain employees of MSC are registered representatives of Rewire Securities LLC, a U.S. broker-dealer and member of the Financial Industry Regulatory Authority (“FINRA”). Established in 2014, Rewire Holdings LLC wholly owns Rewire Securities LLC, an independent U.S. broker-dealer & advisor in insurance-linked securities. Rewire was founded by Stefano Sola and Richard Pennay. Along with the founders, Markus Schmutz is also a registered representative of Rewire Securities LLC.

MSC expects that it will benefit from its relationship with Rewire Securities. While the Principals will solely focus on sourcing transactions for the benefit of MSC and the Funds, Rewire Securities will be maintained and exclusively used in two key capacities:

- i) Directly sourced insurance risk may be structured by Rewire Securities into a tradable format and retained by a Fund.
- ii) Principals will be dynamically evaluating hedging opportunities to manage the overall risk position of the Funds. Rewire Securities may at times act as the intermediary in such transactions and significantly reduce the frictional costs of hedging out exposures.

The Fund will not pay any transaction fees to Rewire Securities in performing the above duties.

Certain employees of VCM or its affiliates are registered representatives of LoHi Securities (“LoHi”), which is registered with the SEC as a broker-dealer and is a member of the FINRA.

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

To help avoid potential conflicts of interest and mitigate risks involving personal trades, MSC and its affiliates have adopted written personal trading policies and procedures for their employees that include a formal Code of Ethics (the “Code”) and insider trading policies and procedures. Procedures have been adopted to ensure compliance with the provisions of the Code, including pre-approval of certain personal securities transactions, annual affirmations of compliance, and regular reviews of holdings and transactions. MSC and/or the officers or employees of MSC and its affiliates are generally not permitted to trade in the same securities that have been purchased for the Funds or separate accounts except when participating directly through an investment in the Funds.

A copy of MSC’s Code of Ethics shall be provided to any investor or prospective investor upon request.

## **Item 12: Brokerage Practices**

MSC may utilize multiple prime brokers, executing brokers, dealers, futures commission merchants, introducing brokers, banks and other financial institutions, custodians and counterparties.

Each Fund’s securities and other financial instrument transactions can be expected to generate brokerage commissions and other costs, all of which the Fund, not MSC, will be obligated to pay.

MSC has discretion to select different brokers to be used for each Insurance Security and other financial instrument transaction for the Fund and to negotiate the rates and commissions the Fund will pay. In selecting brokers to execute transactions, MSC need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. As part of the overall brokerage services that they may offer to clients such as the Fund, certain brokers may refer potential investors to the Fund or other investment vehicles. Although the commission rates charged by such brokers are represented as not reflecting such additional service, the commission rates charged by such brokers may be higher or lower than the commission rates charged by other brokers, and a Fund may be deemed to be paying for other products and services, such as the introduction of potential investors, provided by the broker which are included in the commission rate. MSC does not select brokers solely on the basis of investor referral activity, but considers investor referral as one of several factors, including, but not limited to, quality of execution, reputation, reliability, financial strength and stability, access to Insurance Securities markets, overall cost of trade and size of the prospective trade. MSC does not establish specific targets for commissions or fees paid to these brokers that engage in referral activity on behalf of the Funds. MSC does not have any formal soft dollar arrangements and does not consider the receipt of research reports in selecting brokers for Client transactions.

The Fund and MSC may engage their respective affiliates, including, without limitation, Rewire, Vida and their respective affiliates, as brokers or as counterparties to over-the-counter transactions entered into by the Fund. In addition, MSC, its principals or its affiliates may effect “cross trades” (i.e., a transaction or proposed transaction between a Fund and any person or entity for which MSC, its principals or its affiliates, including VCM, acts as discretionary investment manager) or principal transactions (i.e., a transaction in which MSC, its principals or its affiliates causes the Fund to purchase an insurance security or other financial instrument from, or sell an insurance security or other financial instrument to, MSC, its principals or its affiliates). The use of affiliated brokers or counterparties or effecting of cross trades or principal transactions may impair the ability of a Fund to obtain best execution in all cases or to obtain the most favorable terms with respect to such services and transactions in all cases.

### **Item 13: Review of Accounts**

MSC focuses on Insurance Securities. A “buy-and-hold” approach is generally taken with respect to the investments purchased for the Funds and any separate accounts. MSC reviews and monitors Clients’ accounts on a monthly basis by MSC.

MSC provides all Fund investors with a quarterly report and account statements in writing. Additionally, on an annual basis, MSC provides audited financial statements for each Fund to such Fund’s investors and also a copy of the MSC Privacy Policy if any changes have occurred since the prior year.

### **Item 14: Client Referrals and Other Compensation**

MSC does not intend to pay third parties for client referrals, but it may periodically engage affiliated entities and third party placement agents (i.e., solicitors) to introduce prospective investors to the

Funds. Such placement agents may charge the investors who purchase interests through them additional upfront and/or ongoing placement fees. The amount of the additional upfront placement fee, if any, must be added to a prospective investor's subscription amount and will not be applied towards the interest issued to that investor. Certain placement agents may also receive a portion of the Management Fees and/or Performance Fees otherwise payable to MSC. As noted in Item 12 above, MSC faces a conflict of interest in selecting these placement agents or their affiliates to execute portfolio transactions on behalf of Clients. Please see Item 12 for additional information regarding MSC's broker-dealer selection process.

## **Item 15: Custody**

MSC and/or its affiliates are deemed to have custody of the Funds' cash and securities. MSC maintains custody of such assets in the name of one or more Funds with unaffiliated qualified custodians who generate account reports and statements for the Funds. These reports are monitored by MSC or its affiliates and, generally, by a third-party administrator to ensure accuracy and consistency with reports generated by MSC or its affiliates.

Custody decisions with respect to any investments MSC advises are made by the advisor or manager. Generally, MSC has access to Fund assets and since its affiliates serve as the general partners or managers of the Funds. Fund investors may not receive statements directly from the custodians, but generally will receive them from the respective fund administrators. The Funds are subject to an annual audit and the audited financial statements are distributed to each investor in accordance with certain custody requirements under the Advisers Act. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year ends.

## **Item 16: Investment Discretion**

As discussed previously, MSC generally has discretionary authority to determine, without obtaining specific consent from the Funds, their investors, or separate account clients, the amounts and types of assets, securities and other instruments to be bought or sold. Any limitations on authority are discussed in detail in the Funds' respective private placement memorandums, investment management agreements, or other offering and Governing Documents.

## **Item 17: Voting Client Securities**

Due to the nature of MSC's investment programs and the types of investments made on behalf of the Funds, MSC is rarely requested to vote the proxies of traditional operating companies. Given the fact that the Funds primarily invest in Insurance Securities, it is more common for MSC to receive requests related to amendments, consents, and/or resolutions relating to a particular security.

However, to the extent any Funds or separate accounts receive proxies, MSC will vote proxies in a manner that it believes maximizes the value of the Funds' and separate account clients' investments. In so doing, MSC may take into consideration recommendations made by third-parties, such as attorneys and independent actuaries.

MSC will not neglect its proxy voting responsibilities, but MSC may abstain from voting if it deems that abstinence is in the Funds' or separate account clients' best interests. The Chief Compliance Officer will ensure that documentation, such as meeting minutes or a separate memorandum, is maintained that describes the rationale for any instance in which MSC does not vote a Fund's or client's proxy.

If MSC determines that it is faced with a material conflict of interest in voting proxies, an Advisory Committee (the "Committee") will be convened and will determine the appropriate vote. Decisions of the Committee are nonbinding. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged, at MSC's expense, who will determine the vote that will maximize the applicable Fund's or separate account's value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for review by investors and prospective investors. In addition, MSC's complete proxy voting record is available to Fund investors and separate account clients, and only to Fund investors for the Funds in which they are invested and separate account clients for their accounts. Please contact MSC if you have any questions or if you would like to review either of these documents.

## **Item 18: Financial Information**

MSC is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients. MSC has never filed for bankruptcy, does not collect management fees six months or more in advance, and is not aware of any financial condition that is expected reasonably likely to impair its ability to manage client accounts or meet its contractual commitments to its clients.