



# Swiss Re

FORM ADV PART 2A  
THE SUPPLEMENT BROCHURE

## SWISS RE INSURANCE-LINKED INVESTMENT ADVISOR CORPORATION

### ITEM 1. COVER PAGE

## PART 2A OF FORM ADV THE BROCHURE

**March 29, 2024**

1301 Avenue of the Americas  
New York, NY 10019

This Brochure provides information about the qualifications and business practices of Swiss Re Insurance-Linked Investment Advisors Corporation ("SRILIAC "). If you have any questions about the contents of this Brochure, please contact us at 212-317-5205. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

SRILIAC is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Additional information about SRILIAC, including a copy of the Adviser's Form ADV Part 1A, is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ITEM 2. MATERIAL CHANGES

This Brochure dated March 29, 2024, serves as an annual update to the Brochure. In addition to certain routine updates made in connection with the annual update, we have made changes to the following sections since the last annual update dated March 17, 2023, and reflects changes since its last interim update to Form ADV Part 2A dated January 9, 2024:

**Item 4.** Advisory Business, securities lending.



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## ITEM 4. ADVISORY BUSINESS

SRILIAC specializes in investment management services relating to insurance-related risks where SRILIAC seeks to build and manage portfolios for clients investing in assets such as Insurance-Linked Securities ("ILS"), Industry Loss Warranties ("ILWs") and other financial instruments. SRILIAC provides investment management services on a discretionary basis and tailors its advisory services to the needs of its clients.

SRILIAC was founded in 2012 as Swiss Re Risk Solutions Corporation ("SRRSC"). In June 2022, SRRSC changed its name to SRILIAC and registered with the SEC as an investment adviser. SRILIAC is wholly owned by Swiss Re America Holding Corporation ("SRAH"), is an affiliate of Swiss Re Reinsurance Holding Company Ltd ("SRRHC") and Swiss Reinsurance Company Ltd ("Swiss Re"), and part of the group of companies owned by Swiss Re Ltd ("Swiss Re Group").

As of December 31, 2023, SRILIAC managed approximately \$1.6 billion regulatory assets under management on a discretionary basis.<sup>1</sup>

SRILIAC currently has one client that is a pooled investment vehicle. SRILIAC's client is 1997 Fund Ltd ("Fund Company"), and SRILIAC manages the assets of a segregated account of the Fund Company called the ILS Classic Fund ("Fund"). SRILIAC manages the Fund's assets in accordance with the terms of the governing documents applicable to the Fund, with the Fund's investment objective seeking to generate returns through selective investment in ILS, primarily in a global portfolio of catastrophe bonds ("Cat Bonds"). The Fund will also

<sup>1</sup> Discretionary assets under management include assets that are attributable to institutional investors that invest in a SRILIAC managed fund through a discretionary investment program.



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invest in ILWs and catastrophe derivatives. The Fund was initially capitalized by means of a cash subscription in the amount of \$1 billion by Swiss Reinsurance Company Ltd (the "Seeding Shareholder"), an affiliate of SRILAC which was used by the Fund to acquire a diversified portfolio of Cat Bonds sold by Swiss Re Americas Corporation and SRILAC (the "Initial Portfolio"). SRILAC manages the Fund and will invest and reinvest the proceeds thereof together with any additional capital raised by the Fund in accordance with the Fund's investment objective and strategy.

## SECURITIES LENDING

While SRILAC primarily offers investment management services, we generally do not enter into securities lending arrangements for our Clients.

## ITEM 5. FEES AND COMPENSATION

SRILAC provides the Fund's investors with the Fund's offering documents prior to any investment for the purposes of evaluating an investment in the Fund. The offering documents include the Fund Company's private placement memorandum ("Memorandum"), the Fund supplement ("Fund Supplement") and the Fund's AIFMD Supplement. The offering documents include the following terms:

### SHARE CAPITAL

The Fund Company, in respect of the Fund, is authorized to issue non-voting, redeemable preference shares ("Shares"), in various series (each, a "Series") and sub-series, to qualified investors (upon their admission as shareholders of the Fund, the "Shareholders"). As of the date of the Fund Supplement, the Fund Company, in respect of the Fund, has authorized the issuance of Series A Shares, Series A-D Shares, Series F Shares, Series F-D Shares, Series S Shares and Series E Shares. Series A Shares, Series A-D Shares, Series F Shares, and Series F-D Shares (each such Series being referred to as a "Regular Series" and the Shares of such Series, the "Regular Shares") are issued in respect of subscriptions to the Fund and are identical in all respects, except that (i) Series F Shares and Series F-D Shares ("Founder Shares") will be available to a limited number of founding investors, are subject to a reduced Management Fee and will not be subject to an early redemption fee, as further described herein, and (ii) Series A-D Shares and Series F-D Shares ("Distributing Shares") will receive quarterly distributions of the Fund's net operating income as further described below under "Distributions".

Series S Shares will be issued to holders of Regular Shares in connection with the designation of Segregated Investments as further described below under "Segregated Investments". Series E Shares will be issued to track the Expense Reserve (as defined below under "Segregated Investments") that may be established by the Fund in connection with any Series S Shares held by a Shareholder upon a complete redemption of its Regular Shares.

The Fund Company, in respect of the Fund, is authorized to issue additional Series or sub-series of Shares in respect of the Fund that may differ from the terms of the existing Regular Series or any sub-series thereof (i.e., with respect to the underlying investment portfolio and exposure to risks, denomination of currency, the fees charged, minimum subscription amounts, redemption rights, investor eligibility, and other terms).

### SUBSCRIPTIONS

The Fund is currently seeking subscriptions for the purchase of Regular Shares. New investors may subscribe for Founder Shares until aggregate subscriptions for Founder Shares equals or exceeds an amount to be determined by SRILAC. Thereafter, Series F Shares and Series F-D Shares will be closed to new investors; however, existing holders of Founder Shares will remain eligible to purchase additional Founder Shares with respect to any additional subscriptions that are accepted by the Fund. Series A Shares and Series A-D Shares of the Fund generally may be issued as of the first day of each month or at such other times as may be permitted by the Fund Company Board of Directors (each such date a "Subscription Date").



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Persons interested in subscribing for Shares as of a given Subscription Date will be furnished, and will be required to complete and return to the Administrator (as defined below), a subscription agreement (a "Subscription Agreement") and certain other documents, including, if applicable, additional subscription forms (collectively, the "Subscription Documents") by 3 p.m. on any Business Day that is at least five (5) Business Days prior to such Subscription Date or such lesser Business Days as may be permitted by the Administrator. "Business Day" means any day, other than Saturday or Sunday, on which the banks in Bermuda and New York City are open for business and such other days as the Fund Company Directors may determine from time to time.

Generally, in order to properly allocate the income, gains, losses, fees and expenses of the Fund among Shareholders, a separate sub-series of Series A Shares, Series A-D Shares, Series F Shares or Series F-D Shares, as applicable, will be issued to each Shareholder in respect of its subscriptions for such Series. Each sub-series of a given Regular Series of Shares will be issued at an initial offering price of US\$1,000 per Share. Thereafter, Shares of an undivided Series or sub-series in issue will be issued at the prevailing Net Asset Value per Share of such Series or sub-series on the date that immediately precedes the Subscription Date.

Subscription proceeds must be received by the Fund by wire transfer of immediately available funds to the account specified in the Subscription Agreement at least three (3) Business Days prior to any intended Subscription Date, or such later date as the Fund Company Board of Directors may permit. Any interest that may be earned by the Fund on subscription proceeds paid in advance of the Subscription Date shall be for the benefit of the Fund. Shares of the Fund will be issued in registered, book-entry form.

The minimum initial subscription amount for Shares of the Fund is US\$5,000,000. The Fund may accept a lesser initial subscription amount for Shares, as may be permitted by the Fund Company Board of Directors, subject to a minimum of US\$250,000 or such lesser amount as may be permitted by the Fund Company Board of Directors. Following its initial subscription to the Fund, a Shareholder may subscribe for additional Shares subject to a minimum amount of US\$250,000 or such lesser amount as may be permitted by the Fund Company Board of Directors.

The Fund Company Board of Directors, in consultation with SRILAC, may from time to time close the Fund (or the Series A Shares, Series A-D Shares, Series F Shares or Series F-D Shares) to new subscriptions, either for a specified period or until it otherwise determines, and either in respect of all investors or on such other terms as it determines, in each case in its sole discretion. In addition, the Fund Company Board of Directors, in consultation with SRILAC, may reject any subscription for Shares from any prospective investor or any existing Shareholder.

Additional details concerning applicable eligibility criteria for investors in the Fund are set forth in the Fund's respective offering documents.

## **VARIAION OF OFFERING TERMS/SIDE LETTERS**

The Fund Company, in respect of the Fund, and SRILAC may from time to time enter into agreements with certain investors that provide for terms of investment that are more favorable to such investors than the terms described in the Fund Supplement (collectively, "Side Letters") provided that such rights do not vary the share rights of other Shareholders. The granting of a Side Letter to one or more investors generally will not entitle other investors to the same terms. Except as may be required by law, regulation or the Fund Supplement, the Fund and/or SRILAC are not required to disclose the existence or specific terms of any Side Letters or the identity of any investors who have entered into Side Letters with SRILAC and/or the Fund. Notwithstanding the foregoing, no Side Letter may result in a variation of the share rights attaching to a given Series of Shares absent the approval of the holders of that Series in accordance with the Bye-laws.



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Where required by applicable law or regulation, a written summary of the terms of any such Side Letters, together with details of any economic or legal links which an investor may have with the Fund and/or SRILAC, is available from SRILAC upon written request.

## MANAGEMENT FEE

Pursuant to a Management Agreement (as may be amended from time to time, the "Management Agreement"), the Fund will pay to SRILAC a fixed management fee (the "Management Fee"), payable monthly in advance, with respect to each sub-series of a Regular Series of Shares (and any related Series S Shares). The monthly Management Fee payable with respect to Series A Shares and Series A-D Shares shall be equal to the sum of (as applicable): (a) 1/12th of 0.70% (0.70% per annum) of the Net Asset Value of such sub-series of Shares with respect to the first \$50 million, and (b) 1/12th of 0.50% (0.50% per annum) of the Net Asset Value of such sub-series of Shares that exceeds \$50 million. The monthly Management Fee payable with respect to Series F Shares and Series F-D Shares shall be equal to 1/12th of 0.50% (0.50% per annum) of the Net Asset Value of such sub-series of Shares. For purposes of the foregoing, Net Asset Value shall be computed as of the first day of the applicable month. For example, for a sub-series of Series A Shares (and all related Series S Shares) with an aggregate Net Asset Value of \$100 million as of the first day of a month, the Management Fee for such sub-series for such month will be the sum of 0.70% per annum on the first \$50 million and 0.50% per annum on the remaining \$50 million, resulting in a blended Management Fee rate for that month of 0.60% per annum.

The Management Fee for a given month shall be due and payable within 10 days from the date of the invoice. SRILAC may agree with a Shareholder to waive, reduce or calculate differently the Management Fee with respect to such Shareholder without the consent of any other Shareholder. This may be effected by the issuance of a new Series or sub-series of Shares, a rebate of the Management Fee or some other legally permissible means.

## EXPENSES

SRILAC bears its own organizational and operating expenses, including legal fees, salaries, rent, entertainment and other general and administrative expenses.

The Fund bears its own organization, offering and operating expenses. Fund expenses include, without limitation, investment-related expenses including legal fees and other costs incurred in connection with any transaction entered into by the Fund (including any reasonable investment-related travel, meal and lodging expenses), brokerage costs, custodial fees, fronting fees, and clearing and settlement charges; director fees and expenses for outside directors; fees of SRILAC, the Administrator, the Custodian and the Valuation Agent (each as defined herein or in the Memorandum); legal expenses; professional fees (including, without limitation, expenses of consultants and experts); fees and expenses relating to third-party modeling and forecasting tools, software and services; investment-related research and data; fees for trade management services, including trade affirmation, allocation and confirmation, reconciliation and reporting, coupon/cash flow monitoring and similar trade-related services, and related software and licensing fees; indemnification costs and premiums and fees for insurance to benefit, directly or indirectly, the Fund, indemnified persons and for directors' and officers' liability insurance or other similar insurance policies; audit and tax preparation expenses; accounting expenses; placement agent fees (subject to reimbursement by SRILAC as described herein); costs of printing and mailing reports and notices; organizational and offering expenses; legal fees and other costs incurred in connection with the preparation of the Operative Documents and any amendments or supplements thereto, or any Side Letters; legal fees and regulatory, reporting and compliance expenses incurred by the Fund, SRILAC or its affiliates in connection with the Fund's operations or the offering of Shares, including costs incurred in connection with compliance with U.S. state blue sky laws, AIFMD or similar regulations in other jurisdictions; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; entity-level taxes; other expenses related to the purchase, sale or transmittal of Fund assets; fees and expenses incurred in connection with any litigation, dispute, claim or action relating to or involving the Fund, including any settlement thereof; and extraordinary expenses and other similar expenses related to the Fund.



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Organizational and operating expenses of the Fund Company that do not relate to a particular “segregated account” (referred to generally as “SAC”) or that relate to multiple SACs are allocated among all or the relevant SACs, including the Fund, in such manner as the Fund Company Board of Directors, in consultation with SRILAC and the Administrator, determines is fair and equitable.

The organizational and initial offering expenses of the Fund Company and the Fund are being amortized, for accounting purposes, over a 60-month period that began on the date that the Fund commenced operations. Such amortization may require the issuance of a qualified opinion by the auditors if the amount is deemed material.

Generally, expenses of the Fund are allocated among each issued Series and sub-series of Shares proportionally; provided that expenses relating specifically to one or more but not all Series or sub-series of Shares are allocated among such sub-series or Series in such manner as SRILAC determines to be fair and reasonable; and further provided that Remaining Expenses (as defined below) pertaining to Series S Shares shall be allocated as described below under “*Segregated Investments*”.

## REDEMPTION OF SHARES

Subject to the Gate (as defined below) and to certain other restrictions as may be described herein and in the By-laws, Regular Shares generally may be redeemed upon 30 days’ prior written notice to the Administrator as of the first day of each month. Regular Shares may also be redeemed, subject to and in accordance with the general redemption procedures, at such other times and upon such shorter notice as may be permitted, in each case, by the Fund Company Board of Directors in its sole discretion. Each date upon which Regular Shares are permitted to be redeemed is herein referred to as a “Redemption Date”. Series A Shares and Series A-D Shares are subject to a one year “soft lock-up” whereby Series A Shares and Series A-D Shares redeemed within twelve months of issuance will be charged a redemption fee (a “Redemption Fee”) equal to 1.5% of the redemption proceeds, which Redemption Fee shall be retained for the benefit of the Fund. The Fund Company Board of Directors may waive the Redemption Fee in its sole and absolute discretion. Series F Shares and Series F-D Shares will not be charged a Redemption Fee upon a redemption of Shares of such Series.

Unless the Fund Company Board of Directors consents to the withdrawal of any redemption request, a redemption request will be irrevocable. The Fund Company Board of Directors reserves the right to reject any request for redemption if such redemption would result in a violation of law or if the redeeming investor fails to provide information necessary to verify the identity of the redeeming Shareholder.

Partial redemptions will be subject to a US\$250,000 minimum unless waived by the Fund Company Board of Directors in its sole discretion, or such Shareholder is redeeming all of its Shares. Partial redemptions are not permitted if the value of a Shareholder’s remaining Shares would be less than US\$5,000,000 (unless such requirement is waived by the Fund Company Board of Directors in its sole discretion, subject to a minimum of US\$250,000).

SRILAC reserves the right, in its sole discretion, to limit the aggregate redemptions of Series A Shares, Series A-D Shares, Series F Shares and Series F-D Shares as of a given Redemption Date to 8.5% of the combined Net Asset Value of the Series A Shares, Series A-D Shares, Series F Shares and Series F-D (not including any related Series S Shares) as of a given Redemption Date, or such greater percentage as SRILAC may permit as of a given Redemption Date (the “Gate”). If redemption requests in excess of this limit are received in respect of any Redemption Date, SRILAC shall reduce the amount of all redemption requests to the extent necessary to eliminate such excess (the amount that is permitted to be redeemed under the Gate as of a given Redemption Date being referred to herein as the “Permitted Redemption Amount”). Ordinarily, the Permitted Redemption Amount under the Gate will be apportioned among the redeeming Shareholders pro rata in accordance with their relative requested redemption amounts (the “Pro Rata Gate Percentages”). However, as an accommodation to third party investors, the Seeding Shareholder has agreed that for so long as the Seeding Shareholder owns 50% or more of the Net Asset Value of



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the Fund, other redeeming investors collectively will be given priority over the Seeding Shareholder with respect to the first 50% of the Permitted Redemption Amount under the Gate (the "Priority Gate Allowance") such that redeeming third party investors will be permitted to redeem their pro rata share (based on their relative redemption requests) of the greater of their collective Pro Rata Gate Percentages and 50% of the Permitted Redemption Amount, not to exceed the amount of their respective redemption requests. By way of example, if the Permitted Redemption Amount under the Gate as of a given Redemption Date is \$100 and the Seeding Shareholder has requested to redeem \$900 as of such Redemption Date and third party investors have collectively requested to redeem \$100 as of such date, the third party investors will be permitted to redeem \$50 (50% of the Permitted Redemption Amount, which is greater than such investors' aggregate Pro Rata Gate Percentage of 10%, or \$10). As a second example, if the Permitted Redemption Amount under the Gate as of a given Redemption Date is \$100 and the Seeding Shareholder has requested to redeem \$100 as of such Redemption Date and third party investors have collectively requested to redeem \$900 as of such date, the third party investors collectively will be permitted to redeem \$90 (90% of the Permitted Redemption Amount, representing the sum of their Pro Rata Gate Percentages). As a final example, if the Permitted Redemption Amount under the Gate as of a given Redemption Date is \$500 and the Seeding Investor has requested to redeem \$900 as of such Redemption Date and third party investors have collectively requested to redeem \$100 as of such date, the third party investors will be permitted to redeem the full amount of their requested redemption amounts, or \$100, with the Seeding Investor being permitted to redeem the remaining \$400 of Permitted Redemption Amount. The Priority Gate Allowance will cease to apply if at any point in time the Seeding Shareholder ceases to own at least 50% of the Net Asset Value of the Fund, and will not be reinstated unless the Seeding Shareholder makes an additional capital contribution to the Fund that causes the Seeding Shareholder to own 50% or more of the Net Asset Value of the Fund as of the date of such capital contribution before giving effect to any redemptions as of such date by other Shareholders. For the avoidance of doubt, if so reinstated, the Priority Gate Allowance will once again cease to apply (and will be subject to further reinstatement) in the circumstances described in the previous sentence.

The amount of any unsatisfied redemption requests as a result of the implementation of the Gate on a given Redemption Date will be deferred and deemed requested for the next or subsequent Redemption Dates (subject always to SRILAC's ability, in its sole discretion, to permit redemptions on other dates), subject to the Gate and such other limitations as may be in effect for such Series at such time.

The right to redeem Shares may be suspended in certain circumstances as described under "*Suspension of Redemptions*".

Shares will be redeemed at their Net Asset Value as of the applicable Redemption Date. Redemption proceeds will be paid to the redeeming Shareholder within 30 days following such Redemption Date, or as soon thereafter as is reasonably practicable, subject to a holdback (the "Hold-Back"), whereby up to 10% of such proceeds, in the discretion of the Fund Company Board of Directors in consultation with SRILAC, may be withheld by the Fund until the completion of the audit for the fiscal year in which the redemption occurs. The Hold-Back otherwise payable upon the completion of the audit may be adjusted to take account of any adjustments to the Net Asset Value of the Shares redeemed. No interest will be paid by the Fund on any Hold-Back amounts.

Redemption proceeds typically will be paid in cash by wire transfer of immediately available funds. In extraordinary circumstances, redemption proceeds may be paid in kind in the discretion of the Fund Company Board of Directors, including, without limitation, by means of a distribution of an interest in a liquidating trust, special purpose entity, segregated account or other vehicle in order to facilitate the liquidation and distribution of the Fund's assets, including in connection with the termination of the Fund.

Series S Shares and Series E Shares are not redeemable at the option of the holder.

## SUSPENSION OF REDEMPTIONS





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The Fund Company Board of Directors may (a) suspend the calculation of the Net Asset Value, (b) suspend the right of Shareholders to have their Shares of a given Series or sub-series redeemed and/or (c) postpone the date of payment of redemption proceeds with respect to a Series or sub-series of Shares under limited circumstances as follows: (a) under circumstances where, in the opinion of the Fund Company Board of Directors in consultation with SRILAC, the disposal of part or all of the Fund's assets, or the determination of Net Asset Value would not be practicable or would be seriously prejudicial to such Fund or its Shareholders (or any of them); (b) during any time where any stock exchange, commodities exchange, futures exchange or market on which any significant portion of the investments of the Fund are listed, quoted, traded or dealt in is closed (other than customary weekend and holiday closing) or trading on any such exchange or market is restricted; (c) when a breakdown occurs in any of the means normally employed in ascertaining the value of the Fund's investments or the Net Asset Value of the Fund or the Net Asset Value per Share of any class, series or sub-series or when for any other reason the value of any of the investments or other assets of the Fund or the Net Asset Value of the Fund or the Net Asset Value per Share of any class, series or sub-series cannot in the opinion of the Fund Company Board of Directors reasonably or fairly be ascertained; (d) during which the Fund is unable to repatriate, receive or transfer funds required for the purpose of making payments due on the redemption or purchase of Shares of the relevant Series or during which any transfer of funds involved in the realization or acquisition of investments or payments due on the redemption or purchase of Shares of the relevant Series cannot in the opinion of the Fund Company Board of Directors be effected at normal rates of exchange; (e) when the business operations of a service provider (or their authorized agents) in relation to the operations of the Fund or SRILAC are substantially interrupted or closed as a result of or arising from any act or provision of any present or future law or regulation or governmental authority, any act of God or war or terrorism, pestilence, pandemic, insurrection, revolution, civil unrest, riots, strikes, accidents, labor disputes, loss or malfunction of utilities or computer software or hardware or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility or otherwise; (f) when, as a result of exchange restrictions or other restrictions affecting the repatriation or transfer of funds, transactions on behalf of the Fund are rendered impracticable, or where purchases, sales, deposits or withdrawals of any asset of the Fund cannot be effected at the normal rates of exchange, as determined by the Fund Company Board of Directors; (g) when the Fund Company or the Fund has resolved to wind up; (h) when the Fund Company Board of Directors deems it necessary to do so to comply with anti-money laundering or anti-terrorist financing laws and regulations or any other law or regulations applicable to the Fund or any service provider, directly or indirectly, in any jurisdiction; or (i) when it is not reasonably practicable to accurately ascertain the value of a material portion of the Fund's assets due to factors such as the closure of or suspension of trading on any underlying funds or individual investment accounts and segregated accounts.

## COMPULSORY REDEMPTIONS

The Fund Company Board of Directors, may compel redemption of all or any portion of a Shareholder's Shares (including for these purposes any Series S Shares and Series E Shares) (i) upon 10 days' prior written notice to a Shareholder, at any time for any or no reason, and (ii) at any time without prior notice to the Shareholder as necessary to avoid any pecuniary, financial, tax, regulatory, legal or material administrative disadvantage to the Fund, the Fund Company, the Shareholders or SRILAC.

## SEGREGATED INVESTMENTS

The Fund Company Board of Directors, in consultation with SRILAC, may from time-to-time designate certain investments as investments in which only Shareholders at the time of such designation will participate ("Segregated Investments"). For example, such a designation may be made if the Fund Company Board of Directors, in consultation with SRILAC, determines that an investment is or becomes illiquid or its value is not readily or reliably ascertainable. This may occur following a catastrophic or other "trigger" event with respect to one or more investments in the Fund's portfolio that are impacted by such events. The Fund is not required to designate any particular investment as a Segregated Investment, even if such investment is impaired or has been the subject of a trigger event. Without limiting the generality of the foregoing, the Fund may purchase and hold in





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its general account the same class of bonds or other investments that are also held by the Fund as Segregated Investments.

The Fund will issue a separate sub-series of Series S Shares in respect of one or more Segregated Investments that are designated as of a given date and any hedging instruments related thereto, and a corresponding portion of each participating Shareholder's issued sub-series of its Regular Series of Shares will be converted, by way of redemption and subscription, into the number of such sub-series of Series S Shares corresponding to the proportional investment of such Shareholder in such Segregated Investment(s). Only those Shareholders holding Regular Shares at the time a Segregated Investment is designated will participate in gains and losses of that Segregated Investment through their corresponding sub-series of Series S Shares. For the avoidance of doubt, multiple Segregated Investments and related hedging instruments may be designated and tracked in a single sub-series of Series S Shares. For the further avoidance of doubt, Series S Shares will not make cash distributions to its Shareholders.

A Segregated Investment may be sold or otherwise disposed of by SRILIAC in its sole discretion at any time. At such time as a Segregated Investment underlying a particular sub-series of Series S Shares is realized or the Fund Company Board of Directors determines, in consultation with SRILIAC, that the circumstances resulting in the designation of such Segregated Investment no longer apply (e.g., the valuation uncertainty with respect to such investment is resolved) (a "Realization Event"), all or a portion (if only a portion of the Segregated Investment(s) held in the applicable sub-series of Series S Shares is realized or deemed realized) of the applicable sub-series of Series S Shares will be converted, by way of redemption and subscription, back into the same sub-series of the Regular Series of Shares, in respect of which the Series S Shares were initially issued at the prevailing Net Asset Value per Share of such sub-series at the time of conversion. If a Shareholder has fully redeemed all of its Regular Shares at the time of a Realization Event with respect to a sub-series of Series S Shares held by the Shareholder, the Series S Shares will be redeemed, less all applicable fees and expenses, as of the last day of a calendar month in which the Realization Event occurred. The net proceeds from such a redemption will be paid within 30 days following such month-end or as soon thereafter as is reasonably practicable.

The issuance of Series S Shares in respect of Segregated Investments will permit the Fund to continue to offer Regular Shares despite the material uncertainty concerning the valuation or liquidity of the investments classified as Segregated Investments. Because Segregated Investments will be accounted for separately from the Fund's general portfolio and will not be included for purposes of subscriptions to and redemptions from the Fund's general portfolio, the uncertainty surrounding the valuation of these investments should not materially affect investing or redeeming Shareholders.

An investor will remain responsible for the future payment of fees, operating expenses and any corresponding hedging costs ("Remaining Expenses") in respect of any Series S Shares owned by such investor. If a Shareholder ceases to hold any Regular Shares, the Fund Company Board of Directors, in consultation with SRILIAC, may withhold a portion of such investor's redemption proceeds in respect of its Regular Shares, as applicable, in an amount reasonably determined by SRILIAC, but not to exceed 10%, as a reserve (the "Expenses Reserve") for the future payment of Remaining Expenses. The redeeming investor will be issued a separate sub-series of Series E Shares to track this reserve for Remaining Expenses. No Management Fee (defined below) will be charged on Series E Shares. Series E Shares will be redeemed for cash upon the redemption of all of the investor's remaining Series S Shares.

Remaining Expenses attributable to the Series S Shares shall be allocated: (i) firstly to the sub-series of the Regular Series of Shares in respect of which the Series S Shares were issued; or (ii) if the holder of the Series S Shares no longer holds any Shares of the Regular Series in respect of which the Series S Shares were issued, to the Series E Shares held by the holder of the Series S Shares. To the extent the Expenses Reserve does not cover the Remaining Expenses that would otherwise be payable over the duration of the Segregated Investment, the Fund



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Company Board of Directors of the Fund, in consultation with SRILIAC, may in its sole discretion satisfy such fees and expenses from the proceeds otherwise payable to the holder of the Series S Shares.

## DISTRIBUTIONS

At the time of their subscription to the Fund, investors may elect in their Subscription Agreement to receive quarterly cash distributions of their pro rata share of the Fund's net operating income (net of any Fund expenses and any taxes paid or withheld from the Fund in connection with the payment of interest or other income from the Fund's investments). Shareholders that elect to receive quarterly distributions will be issued Distributing Shares of the relevant Series (i.e., A-D Shares or Series F-D, as applicable). Such distributions are subject to reasonable reserves for the payment of the Fund's expenses and other obligations attributable to the Distributing Shares, and subject to allocating any required tax withholdings. Such distributions will generally be made within 30 days of each quarter end, or as soon thereafter as is reasonably practicable. The Fund Company Board of Directors may suspend the payment of distributions to the holders of Distributing Shares under the same circumstances that redemptions may be suspended, and generally expects to do so during the period of the winding up of the Fund.

A Shareholder may change its election with respect to the receipt of quarterly distributions as of the first day of each calendar year upon not less than 60 days' prior written notice to the Administrator. Upon the effectiveness of any such election, the electing Shareholder's Series A Shares will be re-designated as Series A-D Shares, or vice versa, or the electing Shareholder's Series F Shares will be re-designated as Series F-D Shares, or vice versa, as applicable. In the discretion of the Fund Company Board of Directors, the Fund may, but generally is not expected to, make other distributions in respect of any Series of Shares from time to time.

Neither SRILIAC nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

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

SRILIAC has not entered into performance fee arrangements with "qualified clients," as defined under the Investment Advisers Act of 1940, as amended ("Advisers Act").

## ITEM 7. TYPES OF CLIENTS

SRILIAC provides investment advisory services to pooled investment vehicles and currently has one client which is the Fund. Details regarding subscriptions and redemptions in the Fund are discussed above in the Fees and Compensation section of this Brochure.

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

### INVESTMENT STRATEGY AND OBJECTIVE

SRILIAC's core investment strategy utilizes both a quantitative and experiential process designed to evaluate the investment opportunities and construct a portfolio of ILS and other investments (e.g., ILWs and catastrophe derivatives) that aims at optimizing risk-adjusted returns. SRILIAC's investment objective is to generate returns for clients through selective investment in ILS, primarily in a global portfolio of Cat Bonds, and will also invest in ILWs and catastrophe derivatives. *There are no assurances that SRILIAC will attain its investment objective. Investing in securities involves risk of loss that clients should be prepared to bear.*

"ILSs" are financial instruments that transfer the risks of insured events and/or insured losses from insurance, reinsurance companies, corporations, and government entities to investors in the capital markets.



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"Cat Bonds" are debt securities that transfer the risk of catastrophic and extreme events from insurance companies, reinsurance companies, corporations, governments, etc. to the capital markets.

"ILWs" are reinsurance contracts whose payouts are linked to a predetermined trigger of estimated industry losses and the protection buyer's insured actual losses.

"Catastrophe derivatives" are over-the-counter derivative contracts whose payouts are linked to a predetermined trigger of an index related to catastrophe events (e.g., physical parameters or estimated industry losses).

Further to SRILIAC's investment strategy and objective, the Fund's investment objective is to generate returns for clients through selective investment in ILS, primarily in a global portfolio of Cat Bonds, and may also invest in ILWs and Catastrophe Derivatives. The Fund will gain exposure to certain ILWs and catastrophe derivatives through ownership of preference shares or other ILS issued by transformer vehicles or fronting carriers, which are third-party operated insurance companies that provide risk-transfer services to investors such as the Fund.

The Fund aims to maintain a risk profile broadly in line with the weighted average risk profile of the Cat Bond market. SRILIAC will attempt to deliver returns through active participation in the ILS markets, and a portfolio construction approach rooted on a disciplined risk selection process and relative value analysis, while maintaining a diversified risk exposure through investing in a broad range of Cat Bond offerings and selective other ILS instruments.

The Fund will maintain cash reserves as SRILIAC deems appropriate and may execute foreign exchange hedging transactions aimed at minimizing any non-USD exposure

## METHODS OF ANALYSIS

### INSURANCE LINKED SECURITIES

SRILIAC evaluates the underlying investment and structural risk of an ILS primarily on the basis of probability of loss, peril class, geographic area, liquidity, pricing considerations and other factors.

A three-stage process augments traditional industry techniques for the assessment of ILS, and then targets specific allocations of assets to certain investments to achieve an optimized risk/reward:

1. Investment Structure Evaluation: All aspects (special purpose vehicle structure, loss triggers, extension event mechanics, collateral vehicles, etc.) of the investment structure of each individual ILS are scrutinized to identify possible risk factors.
2. Event Risk Assessment and Adjustment: The expected loss (EL), probability of attachment, and exhaustion probabilities of ILS deals are typically calculated using internal proprietary models in conjunction with appropriate third-party models. SRILIAC evaluates the models and data used to make any necessary adjustments in the stated risks for model biases, seasonality and time dependent affects.
3. Securities Pricing Analysis: ILS investments are analyzed using proprietary models for a risk and relative value analysis.

SRILIAC will overlay market judgment on all the preceding stages of evaluation. Factors such as, but not limited to, liquidity, expected future issuances, market psychology, and seasonality of market behavior will all be taken into account when evaluating the attractiveness of an investment as well as its target weighting in a client's portfolio.

### INDUSTRY LOSS WARRANTIES

SRILIAC evaluates the underlying investment of an ILW primarily on the basis of probability of loss, peril class, geographic area, and pricing considerations.



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A two-stage process augments traditional industry techniques for the assessment of ILW, and then targets specific allocations of assets to certain investments to achieve an optimized risk/reward:

1. Event Risk Assessment and Adjustment: The expected loss (EL), probability of attachment, and exhaustion probabilities of ILW transactions are typically calculated using internal proprietary models in conjunction with appropriate third-party models. SRILIAC evaluates the models and data used to make any necessary adjustments in the stated risks for model biases, seasonality and time dependent affects.
2. Pricing Analysis: ILW transactions are analyzed using proprietary models for risk analysis and relative value analysis in the context of the broader ILW and ILS pricing and trends.

SRILIAC will overlay market judgment on all the preceding stages of evaluation. Factors such as, but not limited to, expected future demand, market psychology, and seasonality of market behavior will all be taken into account when evaluating the attractiveness of an investment as well as its target weighting in a client's portfolio.

### CATASTROPHE DERIVATIVES

SRILIAC evaluates catastrophe derivatives with the same approach as ILW.

### SUSTAINABILITY CONSIDERATIONS

SRILIAC is part of the group of companies owned by Swiss Re Group which has a long-standing commitment to being a responsible company. Since the UN Sustainable Development Goals ("SDGs") were launched in 2015, Swiss Re Group has continuously refined its approach to using the SDGs framework and defining how its business contributes to achieving the goals, exploring how to use its group sustainability strategy to further align its activities with the SDGs, and understand related strengths, opportunities and risks.

Information relevant to SRILIAC's sustainability strategy and investment process relevant to the Fund are set out below.

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") and especially pursuant to its article 6, SRILIAC is required to disclose the manner in which sustainability risks (as defined below) are integrated into the investment decisions of the Fund and the results of the assessment of the likely impacts of sustainability risks on the returns of the Fund. "Sustainability risks" means, environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

For the purposes of SFDR, the Fund does not seek to qualify as a financial product that promotes environmental or social characteristics or one that has sustainable investment (as defined in the SFDR) as its investment objective. Notwithstanding the above, the investments of the Fund do not take into account the EU criteria for environmentally sustainable economic activities which are determined by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, as amended from time to time.

Consideration of sustainability risks to the Fund are integrated into the investment decision making and risk monitoring functions of SRILIAC to the extent that they represent potential or actual material risks to the risk-adjusted returns of the Fund.

The Fund is exposed to a range of sustainability risks. Among others, these risks include:

- **ENVIRONMENTAL RISKS:** These risks can stem from increased frequency and severity of insured claim events, particularly acute physical risks related to weather-related perils and natural catastrophes. Beyond these acute physical risks, the Fund is also exposed to chronic physical risks arising from long-term changes in the climate, such as temperature changes, rising sea levels, biodiversity loss or reduced resources availability. These risks can also be related to, and impacted by, the transition to a lower-carbon



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economy, changes in legislation and regulation related to environmental, social and governance (“ESG”) matters, and legal, technology and reputational risks.

- **SOCIAL RISKS:** These risks can materialize in cases of exposures to events or instances related to violations of human rights, social and employee matters, or health and safety conditions.
- **GOVERNANCE RISKS:** These risks can arise due to poor anti-corruption and anti-bribery matters, as well as inadequate governance around business conduct.

The impacts following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk category and region covered by the Fund’s investments. In general, where a sustainability risk materializes in respect of an exposure, there will be a negative impact on, or entire loss of, the value of the Fund. As the Fund predominantly invests in ILS that transfer natural catastrophe risk, climate-related risks are intrinsic to the product and could potentially have a negative impact on the return of the Fund.

SRILIAC will consider sustainability risks, alongside other factors, in the overall investment decisions and in the risk, monitoring functions to the extent that they represent potential or actual material risks to long-term risk-adjusted returns of the Fund.

SRILIAC will take steps to consider and mitigate the impact of relevant sustainability risks on the Fund. These actions include, but are not limited to:

- i) quantifying the portfolio’s material risks through the modelling of the probabilistic distribution of losses;
- ii) diversifying the portfolio across geography, peril, instrument trigger, and other relevant risk characteristics; and
- iii) ensuring that the pricing of the Fund’s investments sufficiently compensates the exposure to material risks in expected return.

SRILIAC conducts the assessment of the sustainability aspects through a proprietary framework, which can leverage external data and tools. This framework may consider sustainability aspects of an investment through certain elements, including but not limited to: (i) the sponsor-entity’s ESG characteristics, (ii) the underlying subject business or transferred risk of the instrument, and (iii) the instrument’s collateral. In addition, article 7 of the SFDR requires transparency at the financial product level regarding the consideration of adverse sustainability impacts on sustainability factors defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. With respect to article 7 of the SFDR, SRILIAC does not currently consider the adverse impacts of investment decisions on sustainability factors as it is monitoring the development of industry and market practices. SRILIAC will review this position on an ongoing basis, and will update investors in the Fund accordingly in the event this position changes.

The assessment of these sustainability aspects can result in reducing the allocation of a certain investment, as well as complete exclusion in cases where the exposure to sustainability risks is deemed high or where minimum ESG safeguards, as determined by SRILIAC, are not met. SRILIAC also plans to conduct diligence and assessment of sustainability aspects to the Fund’s investments on a periodic basis.

Consideration of sustainability risks of the Fund’s investments may be limited by the availability and reliability of information, especially for social or governance events. SRILIAC may not consider such limitations to be inconsistent with achieving the investment objective of the Fund. SRILIAC also expects that, as the Fund continues to develop its sustainability framework, the availability of reliable sustainability data will increase.



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## RISK OF LOSS

Clients following SRILIAC's ILS investment strategy will experience a number of risks. An investment with SRILIAC may be deemed a speculative investment and is not intended as a complete investment program. Such investment program is designed for sophisticated investors who fully understand and are capable of bearing the risk of loss.

An investment in the Fund involves a high degree of risk, including the risk of loss of the entire amount invested.

The Fund has significant exposure to Cat Bonds and other insurance-linked investments, and employs strategies and investment techniques in its investment program with significant risk characteristics, including the potential illiquidity of securities and derivative instruments and risk of loss from counterparty defaults. There is no assurance that the Fund's investment objective will be achieved, and results may vary substantially over time. Performance could be hurt by a number of different risks including but not limited to:

## GENERAL INVESTMENT RISK

### SHAREHOLDERS MAY LOSE SOME OR ALL OF THEIR INVESTMENT IN THE SHARES

An investment in the Shares is highly speculative. There can be no assurance that a Fund will be successful in addressing potential risks, and failure to do so could have a material and adverse effect on the Fund's financial condition and the Fund's realized return. As a result, Shareholders may lose some or all of their investment.

## EXPOSURE TO CATASTROPHES

Unless otherwise provided in a Fund Supplement for a given Fund, the Funds will have substantial exposure to losses resulting from natural and man-made disasters and other catastrophic events. Catastrophes can be caused by various events, including hurricanes, earthquakes, hailstorms, explosions, severe winter weather, terrorism and fires. A Fund may also have exposure to non-natural or man-made catastrophes, including without limitation, accidents, fires, explosions, terrorism, cyber events and changes in tort awards. The occurrence and severity of catastrophic losses are inherently unpredictable and may vary from year to year. Catastrophic events may trigger coverage for multiple policyholders, resulting in multiple claims and therefore greater exposure to the Fund. Consequently, the occurrence of losses from catastrophic events is likely to cause a material adverse effect on a Fund's performance.

Increases in the values and geographic concentrations of insured property and the effects of inflation have historically resulted in increased severity of industry losses, and SRILIAC expects that those factors will continue to increase the severity of catastrophe losses in the future. Moreover, natural climate cycles, or climatic change, or both, as well as geological change may increase the severity or frequency of catastrophic losses in the future.

The incidence and severity of catastrophes are inherently unpredictable. There is some scientific consensus that in recent years, changing climate conditions have added to the uncertainty around the frequency and severity of natural disasters (including hurricanes, tornadoes, hail, other storms and wildfires) in certain parts of the world. It is possible that the frequency and severity of natural and man-made catastrophic events and the Fund's exposure to these events could increase in the future. The catastrophe modeling tools used to help manage catastrophe exposures are based on assumptions, judgments and data entry that are subject to error and may produce estimates that are materially different from actual results. Changing climate conditions could cause catastrophe models to be less predictive, thus limiting SRILIAC's ability to effectively manage those exposures.

## CORRELATION WITH OTHER ASSET CLASSES

The occurrences of catastrophic events are largely uncorrelated to the factors which influence the global equity and bond markets; however, it is possible that a large catastrophe or other covered event could adversely impact regional or even global markets. In addition, because catastrophic events are unpredictable, it is entirely possible



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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.

### **SYSTEMIC RISK**

The financial markets generally are characterized by extensive interconnections among financial institutions. These interconnections may present significant risks to a Fund as the failure or perceived weakness of any counterparties has the potential to expose the Fund to risk of loss. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a sub-series of defaults by the other institutions. This "systemic risk" may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which a Fund may interact on a daily basis.

### **VOLATILITY**

The Fund may invest surplus cash in highly rated money market funds. The prices of these securities and other financial instruments in which the Funds may invest can be highly volatile in times of systematic stress. Credit and valuation problems in the banking and financial services industries may generate extreme volatility and illiquidity in global financial markets.

### **RISKS RELATED TO THE STRUCTURE, OPERATION AND MANAGEMENT OF THE FUND COMPANY AND THE FUNDS**

#### **LIMITED OPERATING HISTORY**

The Fund Company has limited operating history and SRILIAC has limited prior experience operating or managing a private investment fund platform such as the Fund Company. The past performance of proprietary portfolios owned by SRILIAC, or its affiliates are not indicative of the future performance of SRILIAC or any Fund. There can be no assurance that any Fund will achieve its investment objective.

#### **RELIANCE ON SRILIAC AND ITS KEY PERSONNEL**

The success of a given Fund depends upon the ability of SRILIAC to develop and implement investment strategies that achieve the investment objectives of that Fund. No assurance can be given that SRILIAC will be able to do so. Investors will have no right or power to participate in the day-to-day management or control of a Fund and will not have an opportunity to evaluate the specific investments made by a Fund.

The ability of SRILIAC to develop and implement investment strategies that achieve a Fund's investment objective depends in substantial part upon the skill and experience of the key personnel of SRILIAC. If key personnel were unable to participate in the management of SRILIAC, a Fund's business and profitability could suffer. If SRILIAC were to lose the services of its key personnel, the financial condition and operations of a Fund could be materially and adversely affected, which could lead to premature termination of the Fund.

#### **PROFESSIONAL LIABILITY RISK**

SRILIAC is not required by law to cover potential professional liability risks resulting from its management of the Funds by addition of its own funds or maintenance of appropriate professional liability insurance.

#### **OPERATIONAL RISK**

The Fund depends on SRILIAC to develop and implement appropriate systems and procedures to control operational risk. Operational risk arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Fund's operations may cause the Fund to suffer financial losses, the disruption of business, liability to clients or third





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parties, regulatory intervention or reputational damage. The Fund relies heavily on actuarial, accounting and other data processing systems of third parties.

If the Fund engages in trading activity, the Fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including without limitation system failures or human error attributable to the Fund, its brokers, the Administrator, agents or other service providers, including SRILAC. In such event, the Fund might only be able to acquire, or dispose of, some, but not all, of the components of such position, or if the overall positions were to need adjustment, the Fund might not be able to make such adjustment. As a result, the Fund would not be able to achieve the market positions selected by SRILAC and might incur a loss in liquidating its position.

### **CYBER-SECURITY RISK**

Like other business enterprises, the use of the Internet and other electronic media and technology exposes SRILAC, the Fund and their service providers, and their respective operations, to potential risks from cyber-security attacks or incidents (collectively, "cyber-events"). Cyber-events may include, for example, unauthorized access to systems, networks or devices (such as, for example, through "hacking" activity), infection from computer viruses or other malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as, for example, the inadvertent release of confidential information. Any cyber-event could adversely impact the Fund Company, the Funds, or SRILAC and cause each to incur financial loss and expense, as well as face exposure to regulatory penalties, reputational damage, and additional costs associated with corrective measures. A cyber-security breach could also result in the loss or theft of investor data. A cyber-event may cause the Fund Company, the Funds, SRILAC or their service providers to lose proprietary information, suffer data corruption, lose operational capacity, and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorized monitoring and failures in the physical infrastructure or operating systems that support the Fund. While SRILAC has taken steps to prevent and mitigate the impact of cyber-events, the nature of malicious cyber-attacks is becoming increasingly sophisticated and neither the Fund nor SRILAC can control the cyber systems and cyber-security systems of third-party service providers.

### **LIMITED RESOURCES**

None of the Shareholders, members, officers, directors, managers or incorporators of the Fund Company, SRILAC, any of their respective affiliates or any other person or entity will be obligated to make any payments on behalf of a Fund other than any investment made through the subscription for the Shares issued in respect of that Fund. The amount of funds available to a Fund to pay certain fees and expenses may be limited. In the event that such funds are not sufficient to pay the expenses incurred by the Fund, the ability of the Fund to operate effectively may be impaired, and it may not be able to satisfy its financial obligations in a timely manner or defend or prosecute legal proceedings brought against it or that it might otherwise bring to protect the interests of the Fund.

### **RISK OF THIRD-PARTY LITIGATION**

The Fund's investment activities subject it to the normal risks of becoming involved in litigation by third parties. The expense of defending against claims by third parties and paying any amount pursuant to settlement or judgments would, except in certain circumstances, be borne by the Fund and would reduce net assets. SRILAC and other Indemnified Parties are indemnified in connection with such litigation, subject to certain conditions.

### **POSSIBILITY OF FRAUD OR OTHER MISCONDUCT OF EMPLOYEES AND SERVICE PROVIDERS**

Misconduct by employees of SRILAC, service providers to the Fund Company or Fund and/or their respective affiliates could result in significant losses. Such misconduct may include binding the Fund to transactions that exceed authorized limits or present unacceptable risks, unauthorized trading activities, concealing unsuccessful investment activities (which, in either case, may result in unknown and unmanaged risks or losses), embezzlement



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and fraud. Losses could also result from actions by service providers, including, without limitation, failing to recognize trades and misappropriating assets. SRILAC has policies and procedures in place designed to mitigate the risk of exposure to misconduct, but no assurances can be given that SRILAC will be able to identify or prevent misconduct by bad actors, whose misconduct could cause significant losses to the Fund.

## **FIDUCIARY DUTY TO THE FUND**

As a general matter, the Fund Company Directors owe certain fiduciary duties to the Fund Company, which require them to, among other things, act honestly and in good faith with a view to the best interests of the Fund Company as a whole and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In exercising their discretion (including in determining to cause the Fund Company, with respect to a Fund, to enter into any Side Letters), the Fund Company Directors will act in accordance with such fiduciary duties. Similarly, SRILAC does not owe fiduciary duties to the individual Shareholders but rather to the Fund Company taken as a whole.

## **SIDE LETTERS, ASYMMETRICAL INFORMATION AND FAIR TREATMENT OF INVESTORS**

The Fund Company and SRILAC may from time to time enter into Side Letters with certain investors that provide for terms of investment in a Fund that are different and more favorable to such investors than the terms described in the Memorandum and the relevant Fund Supplement. Such terms may include, without limitation, (i) the waiver, reduction, different calculation or rebate of the fees described in a Fund Supplement, (ii) preferential transfer or liquidity rights, including additional redemption dates and waived or different redemption notice or lock-up periods, (iii) capacity rights and (iv) undertakings designed to protect an investor from violating any applicable statute or regulation. Side Letters may also be entered into with certain investors to provide them with supplemental information and reports that could affect their decisions to request redemptions of their Shares. The granting of a Side Letter to one or more investors in a Fund generally will not entitle other investors in that Fund or any other Fund to the same terms. Except as may be required by law and as described in the paragraph below, the Fund Company and SRILAC are not required to disclose the existence or specific terms of any Side Letters or the identity of any investors who have entered into Side Letters with respect to any Fund. Notwithstanding the foregoing, and to ensure fair treatment of all investors in a Fund, no Side Letter may result in a variation of the share rights attaching to any class, series or sub-series of Shares of a Fund absent the approval of the holders of that class, series or sub-series in accordance with the Bye-laws.

When either the Fund Company or SRILAC enters into a Side Letter with an investor in a given Fund, it will make available such information with respect to such Side Letter to each other investor in such Fund as is required by applicable law or regulation. A written summary of the terms of any such Side Letters, together with details of any economic or legal links which an investor may have with a given Fund and/or SRILAC, is available from SRILAC upon written request.

## **BROKER OR DEALER INSOLVENCY**

If the Fund invests in traded securities held by brokers, such securities will generally not be held in the Fund's name and, as such, a failure of any such party is likely to have a greater adverse impact on the Fund than if such securities were registered in the Fund's name. In the case of a bankruptcy of any such parties, the Fund may rank as an unsecured creditor in respect of sums due to it on the margin accounts or otherwise. As a result, the Fund might not be able to recover any of its assets held, or amounts owed, by such party, even property specifically traceable to the Fund, and, to the extent such assets or amounts are recoverable, the Fund might only be able to recover a portion of such amounts, which recovery could take a significant period of time. Any losses related to the failure to recover, or delay in recovery of, such assets or amounts will be borne by the Fund. Prior to receiving the recoverable amount of the Fund's property, the Fund may be unable to trade any positions held by such party, or to transfer any positions and cash held by such party on behalf of the Fund. The risks described above may be exacerbated to the extent the Fund holds a large portion of its securities, or posts a large amount of collateral, to a single broker.



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## **CUSTODY RISK**

The Fund will maintain custody of its assets with custodians that may not separately segregate such customer assets. Although the Fund will attempt to limit custodial arrangements to custodians that SRILAC believes are well-established financial institutions and brokerage firms in an effort to mitigate custody risks, no assurance can be made that such efforts will be successful. Moreover, a custodian may appoint sub-custodians to hold the assets of the Fund. The custodian may not be responsible for cash or assets which are held by sub-custodians, nor for any losses suffered by the Fund as a result of the bankruptcy or insolvency of any such sub-custodians. The Fund may, therefore, have a potential exposure on the default of any sub-custodian and, as a result, many of the protections which would normally be provided to a fund by a custodian will not be available to the Fund.

## **VALUATION RISK**

The lack of an actively-traded market in certain of the Fund's investments may create valuation uncertainty. The market value of insurance-linked instruments may be expected to exhibit substantial volatility before or after the occurrence of a catastrophic or other triggering event on the instrument. The market price may also be affected if rated instruments are downgraded by a rating agency, or if the market experiences limited liquidity at any time. As insurance-linked instruments are particularly susceptible to sudden substantial or total loss due to, among other things, natural, man-made or other catastrophes, Shareholders may subscribe for as well as redeem Shares on the basis of a Net Asset Value that is subsequently materially changed as a result of the occurrence of a catastrophe or other covered event. This may result from time to time in certain Shareholders, for example, redeeming at a Net Asset Value which falls dramatically soon after the redemption due to the occurrence of such event, as well as investors investing at a Net Asset Value which, in fact, is understated and gives them a disproportionately larger ownership interest in the Fund.

Investors should recognize that it may be difficult to calculate the fair value of a Fund's positions and new investors could be affected by these estimates. Furthermore, even if fair values are correctly calculated, these values may be materially higher or lower than the insurance-linked instruments' realizable value.

While the Administrator, in conjunction with SRILAC, will calculate Net Asset Value using the procedures set forth under "*Summary of Terms – Determination of Net Asset Value*" in the Fund Supplement, this requires that a number of subjective decisions, estimates of loss and assumptions be made by SRILAC regarding various inputs into the models such as the impact of actual or anticipated claims and events on the underlying exposures. While SRILAC believes that the decisions and assumptions which are made in the process of determining Net Asset Value will be reasonable, other industry participants could reasonably make materially different decisions and assumptions regarding the same factors, resulting in materially different net asset values. There can be no assurance that the value determined will be realizable upon disposition of the asset. Further, the miscalculation of the Fund's Net Asset Value could affect the Net Asset Value of an investor-fund that invests in the Fund.

## **COUNTERPARTY RISK; COUNTERPARTY CREDIT RISK**

A Fund may have exposure to counterparty risk which is the risk that a counterparty will not settle a transaction in accordance with its terms. Except as provided in a Fund Supplement, SRILAC is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

## **LIMITED RECOURSE TO COUNTERPARTIES**

The counterparties to many insurance-linked instruments often are thinly capitalized, special purpose entities that do not have 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 pay amounts due under the instruments. Any such nonperformance by a counterparty could result in losses for the Fund.

## **LEGAL ISSUES RELATED TO THE FUND COMPANY'S REGISTRATION AS A SEGREGATED ACCOUNTS COMPANY**



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The Fund Company is registered as a segregated accounts company pursuant to the Segregated Accounts Companies Act 2000, as amended ("SAC Act"). The SAC Act permits a company registered thereunder to operate segregated accounts enjoying statutory divisions between accounts. The effect of such statutory division is to protect the assets of one account from the liabilities of other segregated accounts and the general account of the segregated accounts company. The SAC Act sets out rules governing the operation of segregated accounts by such registered companies. The most significant aspect of a segregated accounts company is that such a company is able to contract with a creditor or a shareholder so that the assets transferred by that person are held by the company in a segregated account solely in respect of the liabilities of that account and thus are insulated from any claims of the general creditors or the creditors of other segregated accounts. Though separate from all other segregated accounts and other activities of the company, the establishment of a segregated account does not create a legal person distinct from the segregated accounts company under Bermuda law.

The SAC Act enables a segregated accounts company to issue any type of securities which track the performance of a particular account, and to pay a dividend or distribution in respect of the securities linked to a segregated account and establishes solvency and liquidation requirements that must be met before any dividend or distribution is effected. In addition, the SAC Act contains provisions governing record keeping, the manner in which shares are issued and dividends distributed, accounting standards, the appointment of a receiver and winding-up of the company. As to the winding-up of a segregated accounts company, the SAC Act specifically directs the liquidator to observe the legal segregation of accounts and apply the assets as intended by the parties. The SAC Act has been considered by the Bermuda courts and the principal statutory provisions thereof have been confirmed. However, it is possible that the SAC Act will not be recognized in some jurisdictions or will be construed in a manner which is contrary to the intent of the legislation. If any segregated account assets of a segregated accounts company are located in a jurisdiction other than Bermuda and proceedings are brought in respect of them in that jurisdiction, it is not known how the courts of that jurisdiction would deal with the structure contemplated by the SAC Act, which may be unfamiliar to, and not contemplated by applicable corporate, tax, or other law in, such jurisdiction. More specifically, courts in jurisdictions other than Bermuda may not be prepared to accept that creditors in respect of a particular segregated account are prevented from gaining recourse to the assets of other segregated accounts, or that respective general creditors of a segregated accounts company as a whole do not have recourse to those assets specifically designated as segregated account assets. Similarly, if a liability (*e.g.*, fine or tax) is imposed by a Bermuda or other authority on a segregated accounts company, it is unknown how the courts of Bermuda or other jurisdictions would impose or distribute that liability as among the respective general account and the various segregated accounts.

If the Bermuda Registrar of Companies removes a segregated accounts company from the register of segregated accounts companies due to a material breach of provisions of the SAC Act, the applicable segregated accounts company would no longer be able to offer the existing structure (either directly or indirectly) to the Funds in the manner contemplated by the Memorandum. However, the SAC Act provides that the rights and obligations of a segregated accounts company with respect to its segregated accounts and of any creditor shall be unaffected by the removal, and the powers of such entity with respect to its segregated accounts shall continue in respect of such accrued rights and obligations but solely for the discharge thereof.

### **LACK OF LEGAL SEPARATENESS OF CLASSES, SERIES OR SUB-SERIES OF SHARES OF A GIVEN FUND**

The Fund Company may issue various classes, series and/or sub-series of Shares in respect of each Fund. These classes, series and sub-series of Shares may have different rights and privileges and may track different portfolios of investments as set forth in the Memorandum or any Fund Supplement thereto. However, all of the assets of a Fund are available to meet all of the liabilities of every class, series or sub-series of Shares of that Fund, regardless of the separate class, series or sub-series to which such assets or liabilities are attributable.

## **REGULATORY RISKS**

### **GOVERNMENT REGULATION AND CHANGES IN LAW**



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Following the severe global market volatility and dislocations, financial institution failures and defaults, and large financial frauds that occurred during and after the financial crisis of 2008 to 2009, US and non-US governmental authorities, agencies and representatives have called for financial system and participant regulatory reform, including additional regulation of investment funds (such as the Fund) and their managers and their activities, and registration requirements, compliance, risk management, and anti-money laundering procedures, restrictions on certain types of trading (such as equity short sales), restrictions on the provision and use of leverage, and the implementation of capital, books and records, reporting, and disclosure requirements (including in respect of leverage ratios, risk indicators and short sales).

Greater regulatory scrutiny may increase the Fund's and SRILIAC's exposure to potential liabilities. Increased regulatory oversight can also impose administrative burdens on SRILIAC, including, without limitation, responding to investigations and implementing new policies and procedures. As a result, SRILIAC's time, attention and resources may be diverted from the management of the Fund.

The Fund must comply with various legal requirements, including those imposed by the securities laws, tax laws and pension laws in various jurisdictions. If any of those laws change during the issue of the Shares, the legal requirements to which the Fund and its Shareholders may be subject could differ materially from current requirements. It is impossible to predict what, if any, changes in the regulations applicable to the Fund, SRILIAC, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Fund, as well as require increased transparency as to the identity of the Shareholders.

### **POLITICAL, UNITED KINGDOM AND EUROPEAN MARKET RELATED RISKS**

The United Kingdom ("UK") left the European Union ("EU") (a decision popularly known as "Brexit") on January 31, 2020 subject to a transitional period that ended on December 31, 2020. The UK and the EU have agreed the terms of their future trading relationship that took effect from January 1, 2021.

It is difficult to predict the precise impact of Brexit on the Fund and its investments. Brexit could also lead to legal uncertainty and politically divergent national laws and regulations as a new relationship between the UK and EU is developed and the UK determines which EU laws to replace or replicate in the future. Accordingly, despite the terms of a trade agreement having been reached, the implementation of such trade agreement and its enforcement may give rise to significant uncertainties and instability in the financial markets and will impact the ability, in particular for UK firms, to provide financial services within and to persons in Europe.

The Fund may invest in the UK and in the EU. In light of the aforementioned risks, the volatility and uncertainty caused by the political ramifications of Brexit may adversely affect the value of the Fund's investments.

### **EVENTS MAY RESULT IN ADVERSE POLITICAL, REGULATORY AND INDUSTRY INITIATIVES**

Unexpected events such as natural disasters, political upheaval, epidemics and pandemics or terrorist attacks could lead to government intervention which could affect the insurance and reinsurance markets. Government regulators are generally concerned with the protection of policyholders to the exclusion of other constituencies, including other creditors of insurers and reinsurers. In addition, over the past several years and, in particular since the latter half of 2004, there have been numerous inquiries into insurance industry practices by the SEC and U.S. state attorney generals. While the exact nature, timing or scope of possible governmental initiatives cannot be predicted, such proposals could have a material adverse effect on the Fund's business, including by: (i) expanding the scope of coverage under existing policies, (ii) regulating the terms of insurance and reinsurance policies, and (iii) disproportionately benefiting the companies of one country over those of another. The insurance industry is also affected by political, judicial and legal developments that may create new and expanded theories of liability. Such changes could have a material adverse effect on the Fund's business.

**AIFMD**



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One or more of the Funds may be marketed in member states in the European Economic Area ("EEA") and the UK. Under the EU Directive on Alternative Investment Fund Managers (Directive 2011/61/EU) ("AIFMD"), each Fund marketed in the EEA will be an alternative investment fund ("AIF"). For Funds marketed in the EEA, compliance with the reporting, filing and other AIFMD requirements including the appointment of a depositary, where required, may result in significant additional costs and may reduce returns to investors. The requirements of AIFMD may change over time and could become more stringent. AIFMD could also expose SRILAC and/or the Funds to disparate or conflicting regulatory requirements under the laws of other jurisdictions.

### **LACK OF REGULATORY OVERSIGHT**

Neither the Fund Company nor the Fund will be registered as an investment company under the Investment Company Act. Therefore, Shareholders do not have the benefit of protections afforded by the Investment Company Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company). SRILAC is registered as an investment adviser under the Advisers Act however such registration does not imply any particular level of competence or expertise on the part of SRILAC, or that the SEC has evaluated or passed upon the merits of investing in any Fund.

### **ADDITIONAL US REGULATORY CONSIDERATIONS**

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the Fund or their engaging directly or indirectly, through an investment in the Fund, in investment strategies of the types which the Fund may utilize from time to time. Each type of such investor may be subject to different laws, rules and regulations and should consult with their own advisors as to the advisability and tax consequences of an investment in the Fund. Investment in the Fund by entities subject to ERISA (as defined below) and the Code requires special consideration. Trustees or administrators of such investors are urged carefully to review the matters discussed in the Memorandum.

### **GOVERNMENT SPONSORED REINSURANCE**

The US federal or state government may intervene in insurance markets through the creation of government-sponsored reinsurance catastrophe funds, government-sponsored insurers or guarantees for catastrophe risk. Such intervention, or the establishment of government-supported programs offering below-market priced insurance, could adversely affect the Fund's business and financial results.

### **RISKS RELATED TO THE FUND'S INVESTMENT OBJECTIVE AND STRATEGY**

#### **THE FUND HAS SIGNIFICANT EXPOSURE TO NATURAL CATASTROPHIC EVENTS AND MAY ALSO HAVE EXPOSURE TO MAN-MADE CATASTROPHES.**

The Fund has significant exposure to natural and man-made catastrophic events, including, without limitation, hurricanes, earthquakes, windstorms, wildfires, severe thunderstorms, winter storms, terrorism, conflagration and, in certain cases, cyber. The frequency and severity of catastrophe losses are inherently unpredictable and may vary from year to year. The occurrence of losses from catastrophic events is likely to cause a material adverse effect on the Fund's performance.

Increases in the values and geographic concentrations of insured property and the effects of inflation have historically resulted in increased severity of industry losses in recent years, and the Fund expects that those factors will increase the severity of catastrophe losses in the future. Moreover, climate cycles, or climatic change, or both, as well as geological change may increase the severity or frequency of catastrophic losses in the future.





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The incidence and severity of catastrophes are inherently unpredictable and may vary from year to year. Some scientists believe that in recent years, changing climate conditions have added to the unpredictability and frequency of natural disasters (including hurricanes, tornadoes, hail, other storms and fires) in certain parts of the world and created additional uncertainty as to future trends and exposures. It is possible that the frequency and severity of natural and man-made catastrophic events could increase.

Although SRILIAC will attempt to manage the Fund's exposure to such events, a single catastrophic event could affect multiple geographic zones and lines of business or the frequency or severity of catastrophic events could exceed SRILIAC's estimates, either of which could have a material adverse effect on the Fund's investments.

### **LIFE AND HEALTH RELATED INSURANCE RISKS**

The Fund may invest in Cat Bonds and other ILS with exposure to life insurance policies or other life- and health-related risks. The risks associated with such instruments include, but are not limited to (i) mortality risk, which is the risk that the level of death claims may differ from that which was assumed in the pricing of reinsurance contracts; (ii) morbidity risk, which is the risk that an insured person will become critically ill or disabled; (iii) lapse risk, which is the risk of a fluctuation in the rate that policies are terminated prior to their maturity date; (iv) revision risk, which is the risk of adverse variation of an annuity's amount due to revisions of the claims process; and (v) life catastrophe risk, which includes the risk of catastrophic events resulting in widespread loss of life, including natural catastrophes such as earthquakes, hurricanes, floods, tsunamis and volcanic eruptions, epidemics and pandemics, and acts of war, terrorism or other man-made events. SRILIAC will endeavour to ascertain the quality of the business and appropriate pricing for the risks the Fund is exposed to. Among other things, these processes rely heavily on underwriting, analysis of mortality and morbidity trends, lapse rates, expenses and an understanding of medical impairments and their effect on mortality or morbidity.

Mortality, morbidity and lapse experience is expected to fluctuate somewhat from period to period but should remain reasonably predictable over a period of many years. Mortality, morbidity or lapse experience that is less favourable than the mortality, morbidity or lapse rates that were used in pricing an ILS will negatively affect performance because the premiums received for the risks assumed may not be sufficient to cover the claims and profit margin. Furthermore, even if the total benefits paid over the life of the contract or instrument do not exceed the expected amount, unexpected increases in the incidence of death or illness can cause the relevant (re)insurer to pay more benefits in a given reporting period than expected.

### **LIMITED AVAILABILITY AND REINVESTMENT RISK**

Investments in ILS may be limited, which may limit the amount of assets the Fund may be able to invest in ILS. The limited availability of ILS may be due to a number of factors, including seasonal concentration of issuances, limited selection that meets the Fund's investment objective and lack of availability of ILS in the secondary market.

### **MORAL HAZARD RISK**

ILS are generally subject to one or more types of triggers, including so-called "indemnity-triggers." An indemnity trigger is a trigger based on the actual losses of the ceding sponsor (i.e., the party seeking insurance). ILS subject to indemnity triggers are often regarded as being subject to potential moral hazard, since such ILS are triggered by actual losses of the ceding sponsor and the ceding sponsor may have an incentive to take actions and/or risks that would have an adverse effect on the Fund.

### **RISKS ASSOCIATED WITH CAT BONDS**

The Fund will primarily invest in a global portfolio of Cat Bonds. Cat Bonds are a way for insurers, reinsurers, corporations and government entities that have risks associated with catastrophe events and disasters as well as other insurance risks to transfer those risks to the capital market in securities format. A typical Cat Bond transaction involves the creation of a special purpose vehicle that provides protection to a ceding company or counterparty against the risk of specified natural or non-natural catastrophes or events and issues floating rate notes, the





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proceeds of which serve as collateral to secure the special purpose vehicle's obligations. More specifically, the obligation of the special purpose vehicle to repay principal is contingent on the occurrence or non-occurrence of whatever catastrophic or other events are specified by the offering. Cat Bonds can provide coverage for a broad array of perils utilizing an indemnity, index, modeled loss or parametric trigger. An investment in Cat Bonds is subject to special risks, including the following:

- **LIMITED RESOURCES OF ISSUERS AND COUNTERPARTIES.** The issuers of Cat Bonds and counterparties 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. Any such non-performance could result in losses for the Fund.
- **INVESTMENTS OF ISSUERS.** The ability of issuers of Cat Bonds 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 Cat Bonds may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Conversely, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing issuers and insurance companies subject in the U.S. Similarly, because such entities often are subject only to the laws of non-U.S. jurisdictions, it could be 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; NO RECOURSE.** Cat Bonds often are subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities. In particular, Cat Bonds are issued without recourse. As a result, if an issuer of a Cat Bond defaulted on its obligations under the Cat Bond, an investor would have no recourse to recover any amount of the principal invested to purchase the Cat Bond.
- **LOWER OR NO RATINGS.** Cat Bonds 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 act to depress prices.

### RISKS ASSOCIATED WITH ILWs

The Fund will invest in ILWs, which, by their nature, are exposed to catastrophic risks that can lead to binary performance of individual transactions. Events that trigger most payouts with respect to ILW securities are rare and as such the probability of their occurrence over a short time period may be difficult to predict. In particular, the performance of ILWs depends on determination of industry losses by a recognized third-party assessor. This dependency may cause substantial delays in either releasing the ILW collateral and premium funds to the Fund or paying it to the reinsured party, as the third-party assessor may require time to issue its findings of industry losses. Contracts for ILWs typically contain clauses that allow collateral release upon review of certain loss thresholds relative to certain time intervals—the "loss development period."

In the discretion of SRILAC, the Fund may also purchase ILW's to hedge against certain insurance risks in its portfolio. As a buyer of protection under an ILW, the Fund will incur the cost of such protection which could be significant. While the Fund may enter into these hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions.



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Such hedging transactions may not work as intended to mitigate risks, and therefore losses may occur notwithstanding that such transactions have been undertaken. For additional risk considerations regarding hedging, see “*Hedging*” below.

## ILLIQUIDITY OF INVESTMENTS

Cat Bonds and other ILS in which the Fund may invest may have market quotes, but the trading volume may be low and pricing correspondingly ineffective. While these ILS generally can be sold at a price, they are largely buy-and-hold instruments, and the Fund may require substantial time to enter into or exit a position and the amount that could be recognized upon a liquidation may be materially less than its theoretical fair value. If one or more trigger events occur, then, due to the illiquidity of ILS, the Fund’s ILS portfolio is more likely to be misvalued. Liquidity may also be affected by a number of other factors, such as whether a covered event has occurred or whether a catastrophe season has passed. Investors in ILS must be prepared to hold these instruments for a lengthy period of time.

## THINLY-TRADED SECURITIES

The Fund’s portfolio is expected to include substantial positions (in terms of number of issues and percentage of the Fund’s Net Asset Value) where there is only a single broker-dealer, if any, quoting prices, which may be preliminary or “soft,” and where any such broker-dealer is affiliated with the issuer of such security or with SRILAC. It is not unusual for broker-dealers affiliated with an issuer of a security to provide “bid” and “ask” quotations for such security on a preliminary or “soft” basis. Such preliminary quotations may or may not reflect the “bid” or “ask” prices at which such broker-dealer would be willing to effect actual transactions. Broker-dealers unaffiliated with the issuer of such security, if providing quotes, may be even less likely to execute transactions (particularly sales transactions by the Fund) at or near preliminary quotes.

In the absence of actual sale transactions, the reliability of preliminary quotes even when multiple broker-dealers are providing “bid” and “ask” prices may not accurately reflect the price at which the relevant securities may be sold. Additionally, any instruments for which market quotations are not readily available may be valued at fair value in accordance with the Fund’s valuation policies. Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio securities could dramatically affect the Fund’s Net Asset Value, particularly where the Fund seeks to sell positions, if the Fund’s or its designee’s judgments regarding appropriate valuations should prove incorrect.

## 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 ILS and in some instances, these changes may not become apparent until such instruments are affected by these changes.

## RELiance ON CERTAIN LOSS-RELATED INFORMATION

The determination of losses under many if not all of the insurance-linked instruments in which the Fund will invest are based on reports and may be based upon information provided by the issuer of such instruments or by an independent source (such as an index). Where an ILS is based on an index, the source providing such index may be under no obligation to correct or update the index 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 SRILAC to attempt to verify or challenge such information.

## COUNTERPARTY RISK; COUNTERPARTY CREDIT RISK

Many of the Fund’s investments, and a number of markets in which the Fund invests, will expose it to counterparty risk, which is the risk that a counterparty will not settle a transaction in accordance with its terms. Counterparties



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may be unrated and thinly capitalized. In many cases, transactions with counterparties will not take place in regulated exchanges or be cleared by a central clearinghouse. Although SRILIAC will implement risk management policies designed to mitigate counterparty credit risk, a default by one or more counterparties could nonetheless occur and could have a materially adverse effect on the Fund's performance.

## **CORRELATION WITH OTHER ASSET CLASSES**

The occurrences of catastrophic events, including, without limitation, hurricanes, earthquakes, windstorms, wildfires, severe thunderstorms, winter storms, terrorism, conflagration and, in certain cases, cyber, are largely uncorrelated to the factors which influence the global equity and bond markets. However, 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. It is also possible that a major catastrophic event or series of events, such as a terrorist attack, a pandemic or a natural disaster impacting a major financial center, could adversely impact global financial markets.

## **VOLATILITY**

The prices of securities and other financial instruments connected to insurance markets can be highly volatile. The Fund invests in these markets on a purely speculative basis. No assurance can be given that SRILIAC's speculative investing will result in profitable investments for the Fund or that the Fund will not incur substantial losses.

## **HEDGING**

SRILIAC is expected to cause the Fund from time to time to engage in spot and forward foreign exchange contracts, derivatives, ILWs, options and swaps and other hedging techniques or investments designed to hedge against fluctuations in currency exchange rates, interest rates and other risks associated with the Fund's portfolio where such hedging is deemed appropriate by SRILIAC and available on suitable terms. However, SRILIAC is not obligated to seek to hedge against actual or perceived risks and, where a hedging technique is employed, there can be no guarantee of its success. Under normal market conditions, SRILIAC does not expect the notional amount of hedges using parametric or industry loss indices to exceed 5% of the Fund's Net Asset Value, measured at the time of investment in any such hedging transaction.

The success of the Fund's hedging strategy will depend, in part, upon SRILIAC's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategy will also be subject to SRILIAC's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions. For a variety of reasons, SRILIAC may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. SRILIAC may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, because it does not foresee the occurrence of the risk, or because it does not have sufficient liquid assets available.

## **DIVERSIFICATION AND CONCENTRATION RISKS**

The Fund's actual portfolio investments may differ from its expected portfolio investments. The Fund may not be able or required to diversify its investments, either initially or in the future, and may have a high concentration in certain positions. Accordingly, the Fund's assets may be subject to greater risk of loss than if they were more widely diversified, since the failure of one or a limited number of investments could have a material adverse effect on the Fund. In addition, except as expressly provided herein, there is no restriction requiring diversification by industry, country or security type.



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## POTENTIAL LOSS OF INVESTMENT

Expected losses may not equal actual losses. Shareholders may lose all or substantially all of their investment in the Fund. The Fund's investments, including its investments in seemingly low risk investments, could decrease as well as increase in value.

## AVAILABILITY OF SUITABLE INVESTMENT OPPORTUNITIES

The activity of identifying, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. The Fund will compete for the acquisition of investments with many other investors, some of which may have greater resources than the Fund. Such competitors may include other private investment funds, as well as individuals, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. In addition, the availability of investment opportunities generally will be subject to market conditions, as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities (and in particular, given the Fund's intention to invest primarily in a predefined universe) is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.

## THE FUND MAY BE ADVERSELY IMPACTED BY INFLATION

The Fund's investments in Cat Bonds and other ILS may be susceptible to the effects of inflation. The steps taken by governments in responding to the COVID-19 pandemic, and the costs of such actions, have contributed to inflation, including increases in labor and supply costs. The rate of inflation may also be impacted by geopolitical events, including the war in Ukraine and related sanctions policies, causing the price of oil, gas and other commodities to increase, which could further increase supply and labor costs. Inflation may also result in the increase of claims and losses following covered events, and greater valuation uncertainty with respect to the Fund's investments.

## INTEREST RATE RISK

The returns associated with the floating-rate securities in which the Fund will invest will be affected by changes in interest rates. In the event the Fund invests in fixed rate securities, changes in interest rates could cause the value of such securities to decline. SRILIAC may hedge against such fluctuations in value but is not obligated to do so. In the event that SRILIAC does hedge against such fluctuation, there is no guarantee that the hedge will be successful.

## CURRENCY RISK WITH RESPECT TO INVESTMENTS IN NON-U.S. ISSUERS AND INSTRUMENTS

The Fund may invest in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with references to currencies other than the U.S. dollar. The Fund, however, values its securities and other assets in U.S. dollars. Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that could affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. The Fund may seek to hedge its non-U.S. currency exposure by, among other things, investing in currencies or forward currency exchange contracts, but there is no assurance that such strategies will be implemented, and if implemented, will be effective. The Fund may also enter into unhedged transactions as part of the investment program of the Fund. Consequently, such investments may increase the risk to investors of losing all or a substantial portion of their investment.

## DERIVATIVE INSTRUMENTS GENERALLY

The Fund may use various derivative instruments, including options, futures, forward contracts, swaps and other derivatives, which may be volatile and speculative. Depending upon the characteristics of the particular derivative and the portfolio as a whole, the use of derivatives may involve risks different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments. Certain derivative positions



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may be subject to wide and sudden fluctuations in market value. Derivatives, especially over-the-counter derivatives engaged as a privately negotiated contract against a principal counterparty, may be subject to adverse valuations reflecting the counterparty's marks (or valuations), which might not correspond to the valuations of other market or exchange-traded instruments. Derivatives used for hedging purposes may not correlate perfectly with the underlying investment sought to be hedged. Derivative instruments may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss. Trading in derivative instruments can result in large amounts of leverage, which may magnify the gains and losses experienced by the Fund and could cause the Fund's net asset value to be subject to wider fluctuations than would otherwise be the case. While derivatives used for hedging purposes can reduce or eliminate losses, such use can also reduce or eliminate gains. When the Fund uses derivatives as an investment vehicle to gain market exposure, rather than for hedging purposes, any loss on the derivative investment will not be offset by gains on another hedged investment. Derivatives may also entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Fund's performance. The Fund is therefore directly exposed to the risks of the derivatives in which it invests. Derivatives may not be available to the Fund upon acceptable terms. As a result, the Fund may be unable to use derivatives for hedging or other purposes. Also, the market for many derivatives is, or suddenly can become, illiquid, which may result in significant, rapid, and unpredictable changes in the prices for derivatives.

## SWAP AGREEMENTS

The Fund may enter into swap agreements. Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, instruments or market factors. The Fund may invest in catastrophe swaps, in particular. Catastrophe swaps provide protection to a counterparty against the occurrence of relatively unlikely to occur events through a series of fixed, predefined payments which are exchanged for a series of floating payments whose values depend on the occurrence of a triggering event.

Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the factor or factors that determine the amounts of payments due to and from the Fund, such as the occurrence of a triggering event (in the case of catastrophe swaps), or a change in interest rates, currency values or equity values. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund.

## FORWARD TRADING

The Fund may engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Fund due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which SRILAC would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund.

## EXPOSURE TO TERRORISM AND POLITICAL UPHEAVAL

There is a risk of terrorist attacks throughout the world, potentially causing significant loss of life and property damage and disruptions in global markets. Events such as acts of terrorism, acts of war, nuclear accidents and other incidents related to political instability and social upheaval are often unforeseen. These incidents are



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inherently unpredictable, both in relation to frequency and to severity of losses. It is difficult to predict the timing of such events with statistical certainty. Economic and diplomatic sanctions may be in place or imposed on certain states, and military action may be commenced. The impact of such events is unclear but could have material adverse effects on general economic conditions and market liquidity.

## **THE FUND COULD BE ADVERSELY AFFECTED BY UNANTICIPATED INCREASES IN THE SEVERITY OR FREQUENCY OF CLAIMS**

The Fund may be exposed to changes in the severity or frequency of insurance claims following a catastrophe or other loss event. Changes in homeowners claim severity can be driven by inflation in the construction industry, in building materials and in home furnishings and by other economic, legal and environmental factors, including increased demand for services and supplies in areas affected by catastrophes, market conditions and prevailing attitudes toward insurers and the claims process. For example, there are often temporary increases in the cost of building supplies and construction labor after a significant catastrophe event (for example, so called “demand surge” that causes the cost of labor, construction materials and other items to increase in a geographic area affected by a catastrophe). Although third-party catastrophe models typically include a function that seeks to account for the effects of demand surge, such function can be unreliable since it is highly subjective and based on very few historical data points.

In addition, changes in litigation trends in catastrophe exposed states or regions could also impact the frequency and severity of insurance claims. For example, in recent years, the Florida property and casualty insurance market has been subject to increased claims related to assignment of benefits and other increased litigation trends. An assignment of benefits is a legal tool that allows a third party to be paid for services performed for an insured homeowner who would normally be reimbursed by the insurance company directly after making a claim. Many assignment of benefit agreements allow the contractor to stand in the shoes of the homeowner for insurance collection purposes. Some argue that this kind of legal arrangement allows unscrupulous contractors to overinflate or submit improper claims, causing legal battles between the contractor and the insurance company, with the homeowner left largely out of the picture. These and other factors, which are inherently difficult to predict, may result in increased insurance claims following a catastrophe or other loss event, which could have a material and adverse effect on the performance of the Fund’s investments.

The Fund’s results depend in large measure upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting the prices for its products and in establishing its loss reserves, and it faces risks that its loss reserves may prove to be inadequate to cover its actual loss experience. To the extent loss reserves may be insufficient to cover actual losses, the Fund may experience a reduction in its profitability, including operating losses and reduction of capital.

## **EVENTS MAY RESULT IN POLITICAL, REGULATORY AND INDUSTRY INITIATIVES, WHICH COULD ADVERSELY AFFECT THE FUND’S BUSINESS**

Unexpected events such as natural disasters or terrorist attacks could lead to government intervention which could affect the insurance and reinsurance markets. Government regulators are generally concerned with the protection of policyholders to the exclusion of other constituencies, including other creditors of insurers and reinsurers. In addition, over the past several years and, in particular since the latter half of 2004, there have been numerous inquiries into insurance industry practices by the U.S. Securities and Exchange Commission and state attorney generals. While the exact nature, timing or scope of possible governmental initiatives cannot be predicted, such proposals could have a material adverse effect on the Fund’s performance, including by:

- providing insurance capacity in markets and to consumers that the Fund targets;
- requiring the Fund’s participation in industry pools and guaranty associations;
- expanding the scope of coverage under existing policies;
- regulating the terms of insurance and reinsurance policies; or
- disproportionately benefiting the companies of one country over those of another.





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The insurance industry is also affected by political, judicial and legal developments that may create new and expanded theories of liability. Such changes could have a material adverse effect on the Fund's performance.

## **GLOBAL CLIMATE CHANGE COULD ADVERSELY AFFECT THE FUND'S PERFORMANCE**

Climate change, solar flares, eruption of volcanoes, natural climate variability (such as El Niño / La Niña patterns) and other events to the extent any one of these produces changes in weather patterns may increase the frequency and severity of weather-related natural catastrophes. For example, due to changing climate conditions, there may be an increase in the frequency and intensity of wildfires and flooding and other weather-related perils in various geographic areas. Due to significant uncertainty associated with future changing climate conditions SRILIAC is unable to predict the impact climate change will have on the Fund's performance.

## **MODELING AND LOSS ESTIMATES ARE INHERENTLY SUBJECTIVE AND IMPRECISE, AND MODELING DATA MAY BE INACCURATE OR INCOMPLETE**

Projections utilized in constructing and evaluating the Fund's portfolio of risks are based in part on information taken from third parties and from financial, actuarial and stochastic models, and on certain significant assumptions. Many of the assumptions, inputs or data used in these models may be based on estimates that have not been verified or audited and which may be unreliable. Many insurance or reinsurance risks are inherently unpredictable, and the output of the models is dependent upon the quality and accuracy of the data and assumptions used. Both the underlying factors driving risks and the theory to account for risks change over time, and models must be expected to change as well. There is a risk that such factors change and that a model does not. In addition, the underlying contracts may be exposed to risks that are not captured or are not captured effectively by the models. Failures or inadequacies in modeling could lead to results differing materially from the projections.

Projections are subject to considerable uncertainty, particularly during periods of softening pricing and expanding coverage terms. There is often a divergence of views among market participants concerning the outlook for markets within the insurance and reinsurance industry, and the assumptions in the financial and stochastic models may differ in material respects from those of other industry participants or commentators.

Estimates of future losses incurred in relation to insurance contracts are based on reviews of historical data, experience and judgment. These estimates are based on long-term trends of insurance losses and, in some cases, estimates of appropriate prudence margins. These estimates may fail to take account of short- or long-term cyclical or other trends, or of potential correlations between loss events affecting different lines of business. Due to, among other things, a lack of information and uncertainty or error in extrapolating from reported information, models and estimates of losses from catastrophes or other insured events may be materially different from actual losses. In the event that future losses occur that are not in line with estimates, this could result in results differing materially from the projections.

No representation or warranty regarding the accuracy or completeness of any information received from third parties and used in loss modeling can be made. The results of such modeling and estimates are not to be viewed as facts or forecasts of future occurrences of catastrophes or other insured events, and should not be relied upon as a representation of the future value of an investment in the Fund.

## **PANDEMICS AND OTHER DISEASE RISK**

### **COVID-19 AND THE VOLATILITY IN THE GLOBAL FINANCIAL MARKETS COULD ADVERSELY AFFECT THE FUND**

In early 2020, an outbreak of a novel coronavirus disease (COVID-19) began to spread widely and aggressively throughout the world including in Asia, Europe and the United States. This outbreak is unprecedented in modern history and has disrupted, at times, the global economy and financial markets, including the insurance and





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reinsurance markets. On March 11, 2020, the World Health Organization declared the outbreak to be a pandemic, and on March 13, 2020, the President of the United States declared the outbreak to be a national emergency.

The COVID-19 pandemic has had a major impact on the global economy and financial markets, and has resulted, at times, in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, social distancing, shelter in place or total lock-down orders and business limitations and shutdowns. Though some government authorities have relaxed these travel and in-person restrictions, it is not possible to estimate the severity of the virus or the length and impact of government mitigation actions in response thereto, including as a result of the availability of vaccines, but the pandemic has significantly increased economic uncertainty, both globally and in the markets in which the Fund participates, and future epidemics and pandemics or new variants of the virus may impact current market conditions.

In addition, COVID-19, including potential emerging claim and coverage issues with respect to business interruption and other losses, may have an unforeseen impact on the insurance and reinsurance markets, and in particular on the rate of premiums and losses suffered by the industry. For example, the COVID-19 crisis prompted regulatory actions, including regulatory guidance in a number of US states in respect of temporary policyholder leniency, and legislative proposals in respect of policy exclusions and retroactive business interruption coverage.

There are currently ongoing unresolved litigation and regulatory discussions challenging whether issuers (and, by consequence, reinsurers) should be responsible for business interruption losses from insured's policies caused by COVID-19, notwithstanding their requirement of "physical damage" and other policy limitations. The Fund may invest in Cat Bonds and other ILS with exposure to life and health related insurance risks, the performance of which could be adversely affected by the current and future epidemics and pandemics. Significant losses on these positions may result due to an increase in mortality over an annual period associated with a rapidly spreading virus (either within a highly populated geographic area or on a global basis) with a high mortality rate. Mortality risk from epidemics and pandemics can accumulate across cedants and geographies and may be difficult to mitigate through diversification within the risk class.

Additionally, future epidemics and pandemics, such as COVID-19, are unpredictable and could negatively affect the Fund by exacerbating covered losses from other perils or increasing the risk of "trapped collateral" under collateralized contracts. For example, epidemics and pandemics could result in increased losses as loss adjusters may be prevented from accessing premises due to social distancing measures, leading to elevated uncertainty and delays in the assessment of claims and determining case reserves. Moreover, if loss adjusters cannot access damaged buildings, insurers may be forced to use alternative tools, which may make accurate damage assessment more difficult. Loss adjusters and repair workers might be in short supply if some are unwilling or unable to access premises, which could lead to higher costs of workers and delays, which in turn could possibly cause more damage (like increased mold damage if not attended to quickly).

The COVID-19 crisis continues, at times, and the ultimate toll of the pandemic in terms of lives lost, societal dislocations, business activity, economic growth, broader costs to society and industry losses remains highly uncertain. Many pandemic-related developments interact with long-term trends and outlooks, including the impact of persistent low yields on the insurance industry. It also remains to be seen how public-private partnership initiatives may evolve to address future epidemics and pandemics.

Given the unprecedented scale and unique coverage and claim issues of the COVID-19 pandemic (or other future epidemics and pandemics), the Fund cannot predict such matters or their effect on the insurance or reinsurance markets generally or a portfolio's performance and SRILAC's management of a client's account.

## **RISKS RELATED TO THE TERMS OF THE FUND**



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## LIMITED OPERATING HISTORY

The Fund Company, the Fund, and SRILIAC are recently organized entities and therefore have a limited operating history upon which to evaluate their management teams, past results and potential performance. The past performance of other investment vehicles with exposure to risks similar to those comprising the Fund's investments is not necessarily indicative of the future performance of the Fund. There can be no assurance that the Fund will achieve its investment objective.

## LIMITED LIQUIDITY; NO MARKET FOR SHARES

An investment in the Fund is a relatively illiquid investment because Shares are not generally transferable, and the redemption rights of Shareholders are restricted and may be suspended in certain circumstances for an indefinite period. In addition, the distribution of redemption proceeds may be delayed in certain circumstances and transfers of Shares may be affected by restrictions on resales imposed by federal and state securities laws. The Shares will not be registered under the Securities Act or any state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such laws is available. The Fund Company has no plans, and is under no obligation, to register the Shares under the Securities Act or any state securities laws. No market exists for the Shares, and none is expected to develop. Therefore, the Fund is not intended as a complete investment program and is designed only for persons who are able to bear economic risk of investment and are sophisticated persons in connection with financial and business matters who do not need liquidity with respect to their investments.

## POSSIBLE EFFECT OF SUBSTANTIAL REDEMPTIONS

Substantial redemptions may result in significantly reduced Fund assets. A reduction of assets may cause the Fund's expense ratios to increase, and may result in a decision to prematurely liquidate the Fund. Significant redemption requests for a given Redemption Date may also trigger the Gate, whereupon redemption requests in excess of the Gate will not be permitted and will be deferred to one or more future Redemption Dates. A redeeming investor may therefore be forced to remain invested in the Fund for an indefinite period of time. During this time, the investor will continue to have exposure to the Fund's investment program and related risks.

## COMPULSORY REDEMPTIONS

The Fund Company Board of Directors may compel redemption of all or any portion of a Shareholder's Shares (i) upon 10 days' prior written notice to a Shareholder, at any time for any or no reason, and (ii) at any time without prior notice to the Shareholder as necessary to avoid any pecuniary, financial, tax, regulatory, legal or material administrative disadvantage to the Fund, the Fund Company, the Shareholders or SRILIAC. An investor may therefore have a less than optimal exposure to insurance-linked risks following a compulsory redemption and may have an unexpected and undesirable level of exposure to cash which may be difficult or costly to redeploy into favorable investment opportunities.

## DISTRIBUTIONS IN KIND

Although distributions in kind are not expected in the ordinary course, if distributions are made of assets held by the Fund in lieu of cash, the amount of any such distribution will be accounted for at the fair market value of such assets as determined in accordance with procedures set forth herein and in the Memorandum. An independent appraisal generally will not be required and is not expected to be obtained. Assets distributed in kind may not be readily marketable or disposable, and Shareholders therefore must be prepared to bear the risks of owning such assets for an indefinite period of time (and to incur costs and expenses in connection with any disposition thereof). In addition, there can be no assurance that the value of such assets as determined in accordance with procedures set forth herein and in the Memorandum will ultimately be realized.

## SEGREGATED INVESTMENTS



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The Fund Company Board of Directors, in consultation with SRILAC, may from time to time designate certain investments as Segregated Investments. For example, such a designation may be made if the Fund Company Board of Directors, in consultation with SRILAC, determines that an investment is or becomes illiquid or its value is not readily or reliably ascertainable. This may occur following a catastrophic or other "trigger" event with respect to one or more investments in the Fund's portfolio that are impacted by such events. For the avoidance of doubt, the Fund Company Board of Directors may designate certain investments as Segregated Investments without notice or consent of any of the Shareholders.

## **SUBSTANTIAL FEES AND EXPENSES**

The Fund will be subject to substantial fees and expenses. These expenses will be incurred regardless of whether the Fund is profitable.

## **NON-VOTING SHARES**

The Shares that are issued to Shareholders, including Series S Shares, do not carry the right to vote. Consequently, Shareholders will not have any control over the management of the Fund or the appointment and removal of the Fund Company Directors and service providers. As described in the Memorandum and the Bye-laws, the holder of the Management Share or the holder of the Ordinary Share, as applicable, will have the authority to appoint and remove the Fund Company Directors and only the Fund Company Board of Directors may terminate the services of the Administrator, SRILAC, the Custodian and other agents of the Fund. In addition, SRILAC has a contractual right under the Investment Management Agreement to appoint a Fund Company Director and this has been reflected in the Bye-laws. The Shareholders themselves will not have any rights under any of the investments, including the ILS in which the Fund participates. An investment in the Fund should be regarded as a passive investment.

## **CONTINUOUS OFFERING OF SHARES**

Additional subscriptions to a given Series of Shares will dilute the indirect interests of existing investors in the Fund's portfolio related to such Series prior to such subscriptions, which could have an adverse impact on such interests if future investments under-perform the prior investments.

## **ITEM 9. DISCIPLINARY INFORMATION**

SRILAC and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

SRILAC's business activities involve investment management services to pooled investment vehicles. SRILAC is not registered nor does it intend to register, in each case, as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading adviser.

The majority of SRILAC's management persons are not registered or intending to register as a registered representative or associated person of the aforementioned entities. Two members of SRILAC Board of Directors are associated persons of an affiliated broker-dealer, Swiss Re Capital Markets Corporation (SRCMC), with one individual serving as the SRCMC Financial and Operations Principal and the other individual serving as a member of the SRCMC Board of Directors.

SRCMC, Swiss Re Capital Markets Limited, Swiss Re Insurance-Linked Investment Management Ltd and Swiss Re Capital Markets Europe S.A. (the "Placement Agents") are affiliates of SRILAC and have been engaged by the Fund Company to act as placement agents or sub-placement agents for the Fund and will oversee and facilitate



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the marketing of the Fund in permitted jurisdictions. Any compensation paid to Placement Agents with respect to the placement of Shares will be paid by SRILIAC, or alternatively will be paid by the Fund and offset against current and future Management Fees payable to SRILIAC. If the Fund terminates before such fees and expenses are fully recovered by the Fund, then SRILIAC shall reimburse the Fund for such unrecovered fees and expenses.

SRCMC also engages in Cat Bonds brokerage for clients and investors, and SRILIAC expects to transact on behalf of the Fund with SRCMC for the purchase and sale of Cat Bonds in the primary and secondary markets. SRILIM also engages in investment advisory activities, is based in Switzerland and is registered with the SEC as an exempt reporting adviser.

Swiss Re is a reinsurance company based in Switzerland and an affiliate of SRILIAC. Swiss Re is a sponsor of ILS and that issues Cat Bonds through a special purpose vehicle. SRILIAC will invest on behalf of the Fund in Cat Bonds sponsored by Swiss Re where such investment is deemed appropriate based on SRILIAC's evaluation of the investment and in accordance with the investment guidelines provided for in the investment management agreement.

Swiss Re Ltd ("SRL") is a holder of the Management Share in the Fund Company and has 100% voting rights for so long as (i) there are no Participating Shares in issue or (ii) the holder of the Management Share, together with its Affiliates, owns Participating Shares representing 50% or more of the Net Asset Value of the Fund. If the holder of the Management Share, together with its Affiliates, owns Participating Shares representing less than 50% of the Net Asset Value of the Fund Company then the voting rights attached to the Management Share will automatically be suspended. If subsequently the holder of the Management Share, together with its Affiliates, acquires Participating Shares representing 50% or more of the Net Asset Value of the Fund Company, then voting rights will automatically be reinstated.

For so long as SRILIAC and its affiliates collectively own 50% or more of the Net Asset Value of the Fund's Shares, then, upon the termination of the Investment Management Agreement, SRL, as the management shareholder shall have the right to approve any succeeding manager to the Fund. Absent the approval by the management shareholder of a succeeding manager to the Fund within thirty (30) days following the termination of this Agreement, the Fund shall be wound up and liquidated as soon as reasonably practicable thereafter. Pending such approval, SRILIAC shall, unless otherwise prohibited by law, continue to manage the assets of the Fund and shall assist with the orderly liquidation and winding up of the Fund.

At any general meeting, SRL, as the holder of the Management Share (so long as it owns 50% or more of the New Asset Value of the Fund), may authorise the Fund Company Board of Directors to fill any vacancy in their number left unfilled at a general meeting, provided that the Board composition includes a representative of SRILIAC. The Investment Manager shall be entitled to propose nominees for election as a director of the Fund Company to fill any vacancy in their number. SRILIAC has the right to appoint one Director to the Fund Company Board of Directors and SRL, as the holder of the Management Share (so long as it owns 50% or more of the New Asset Value of the Fund), when electing the Fund Company Board of Directors, is able to vote its Management Share so as to elect such person to the Fund Company Board of Directors as is proposed by SRILIAC.

SRILIAC shares office space and other resources with other companies in the Swiss Re Group. SRILIAC's parent company, Swiss Re Ltd, is a publicly traded corporation based in Zurich, Switzerland. Swiss Re Ltd is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, and outsourcing services. These services are provided through direct and indirect subsidiaries with some services which are offered through various Swiss Re Ltd affiliated companies.

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



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SRILIAC has adopted a Code of Ethics and Personal Securities Transaction Policy pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that is predicated on the principle that SRILIAC owes a fiduciary duty and responsibilities to its clients, and sets forth our procedures related to personal securities transactions of our supervised persons with access to client information (the "Code"). We require all employees to adhere to the highest standards with respect to any potential conflicts of interest with Clients and to notify the Chief Compliance Officer, or designee, promptly about any practice that creates, or gives the appearance of, a material conflict of interest. Therefore, SRILIAC endeavors to maintain current and accurate records of all personal securities accounts and transactions of its employees in an effort to monitor all such activity.

All employees are required to act in accordance with all applicable federal and state regulations governing registered investment advisory practices. SRILIAC's Code further includes the firm's policy prohibiting the misuse of material non-public information. Any individual not in observance of the above may be subject to discipline. Violations of the Code are subject to sanction, including reprimand, restricting trading privileges, reducing employees' discretionary bonus, if any, potential reversal of a trade made in violation of the Code or other applicable policies, suspension, or termination of employment.

SRILIAC's Personal Securities Transactions policies and procedures are reasonably designed to mitigate any potential material conflicts of interest associated with employees' personal trading activities that may run contrary (or appear to run contrary) to the best interest of clients. Generally, employees may not purchase or sell ILS instruments of any kind and must seek pre-approval from the Chief Compliance Officer, or designee, for certain other transactions.

We require that all Access Persons, as that term is defined in SRILIAC's Code, provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. All Access Persons must acknowledge the Code terms at least annually. We require these Access Persons also to obtain approval from the Chief Compliance Office prior to investing in any IPOs. Investments in private placements or an employee's participation in an outside business activity must be pre-approved by Compliance. Certain of our employees who, in connection with job functions, make or participate in making recommendations regarding the purchase or sale of securities or who have real-time knowledge of such recommendations, are held to more stringent standards when placing trades in personal accounts.

Additionally, SRILIAC employees are subject to firm-wide policies and procedures found in the Swiss Re Group's Code of Conduct that sets forth, among other things, restrictions regarding confidential and proprietary information, information barriers, information security, privacy and data protection, private investments, outside business interests and personal trading, gifts and entertainment. All Swiss Re Group employees, including SRILIAC employees, are required to acknowledge that they have read, understand, are in compliance with and agree to abide by the Code of Conduct's terms as a condition of continued employment.

SRILIAC's Code of Ethics and Swiss Re Group's Code of Conduct are available for review and will be provided to any client or prospective client upon request via the contact information noted on the front of this brochure.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

### **INVESTMENTS IN CAT BONDS ISSUED BY SWISS RE OR AN SR AFFILIATE**

The Fund aims to maintain a risk profile broadly in line with the weighted average risk profile of the Cat Bond market. In furtherance of this objective, the Fund will invest in Cat Bonds sponsored by various insurance and reinsurance companies, including Cat Bonds sponsored by Swiss Reinsurance Company Ltd. or its direct and indirect wholly owned subsidiaries and branches ("SR Affiliates"). SRILIAC will have a conflict of interest when determining whether to invest in the primary offering of a Cat Bond sponsored by a SR Affiliate ("SR Cat Bond"). In particular, the Fund and other purchasers of the SR Cat Bond will assume a risk of loss on their principal and interest if a loss payment is triggered under the bond structure for the benefit of the applicable SR Affiliate. SR Cat



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Bonds can be structured using a variety of triggers, including indemnity triggers (which are based on the actual losses of an SR Affiliate), index triggers (such as based on industry losses reported by a third-party index) or other forms of loss triggers. In addition, the participation of the Fund in the primary offering of an SR Cat Bond could provide increased market support and impact the pricing of the coupon of the bond and, therefore, lower the reinsurance premium that the applicable SR Affiliate is required to pay to the market.

SRILAC deems any investment by the Fund in SR Cat Bonds a principal transaction as defined by the Advisers Act. SRILAC adopts procedures for principal transactions consistent with Section 206(3) and Rule 206(3)-2 of the Advisers Act, including but not limited to written disclosure sent to the Fund for consent of each principal transaction prior to settlement date.

In addition, to mitigate the conflicts of interest associated with the Fund investing in SR Cat Bonds, the Fund has implemented certain investment restrictions related to its investment in SR Cat Bonds as described below:

- Not more than 10% of each individual class of Cat Bonds sponsored by a SR Affiliate will be purchased by the Fund in a primary offering.
- Under normal market conditions, no more than 10% of the Net Asset Value of the Fund can, in aggregate, be invested in Cat Bonds sponsored by a SR Affiliate, measured at the time of each respective investment in such Cat Bond.

In addition, the Fund also has the following investment restrictions:

- Not more than 10% of each individual class of Cat Bonds sponsored or transformed by an SR Affiliate will be purchased in total by the Fund in primary or secondary offerings.
- Not more than 40% of each individual class of Cat Bonds structured or placed by an SR Affiliate will be purchased in total by the Fund in primary or secondary offerings.

The 10% and 40% limits expressed in the two preceding bullets shall be subject to increase in the event that the Seeding Shareholder's shareholding of the Fund's Shares decreases. The increase in the percentages in the restrictions shall be calculated by dividing the 10% or 40% limit, as applicable, by the percentage of the Fund's Shares owned by the Seeding Shareholder.

For the purpose of the foregoing investment restrictions, a Cat Bond is deemed to be (i) "sponsored" by an SR Affiliate where an SR Affiliate has ceded its own insurance risk to the Cat Bond issuer, (ii) "transformed" by an SR Affiliate where an SR Affiliate acts as a transformer with respect to the Cat Bond issuance in that it assumes insurance risk from a third party insurer and then transfers that risk to the Cat Bond issuer, (iii) "structured" by an SR Affiliate where an SR Affiliate, acting in its capacity as a broker, is the arranger and initial purchaser with respect to the Cat Bond offering and (iv) "placed" by an SR Affiliate where an SR Affiliate, acting in its capacity as a broker, is not the arranger or initial purchaser with respect to the Cat Bond issuance but acts as a placement agent.

The reference to "normal market conditions" herein includes but is not limited to market conditions that are unaffected by shocks, including major catastrophic events or a series of lesser events, that have a material impact on the value or liquidity of assets in the market, and/or by significantly heightened market volatility due to unusual financial market distress.

## **INVESTMENTS IN CAT BONDS FOR WHICH AN SR AFFILIATE ACTS AS UNDERWRITER OR PLACEMENT AGENT**

SRILAC will have a conflict of interest when investing on behalf of the Fund in Cat Bonds for which an SR Affiliate acts as an underwriter or placement agent and receives fees in connection with such services. The amount of such fees will typically be as determined between the SR Affiliate and the Cat Bond issuer, which may be an SR Affiliate, negotiated at arms-length, and will often be based on a percentage of the total principal amount of bonds placed into the market, including bonds purchased by the Fund. The Fund will participate in transactions brokered by an affiliated broker where SRILAC determines that such transaction is in the best interests of the Fund in light of its investment objective.





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SRILIAC deems any investment by the Fund in Cat Bonds for which an SR Affiliate acts as an underwriter, bookrunner or placement agent and receives fees in connection with such services a principal transaction as defined by the Advisers Act. SRILIAC adopts procedures for principal transactions consistent with Section 206(3) and Rule 206(3)-2 of the Advisers Act, including but not limited to written disclosure sent to the Fund for consent of each principal transaction prior to settlement date.

## **PLACEMENT AGENTS FOR THE FUND WILL ACT AS UNDERWRITER, BOOKRUNNER OR PLACEMENT AGENT FOR CERTAIN CAT BONDS IN WHICH THE FUND INVESTS**

The Placement Agents for the Fund will have a conflict of interest when recommending the Fund to investors given that the Placement Agents, or other SR Affiliates, will act as underwriters, bookrunner or placements agent for certain Cat Bonds in which the Fund invests. By raising capital for the Fund, the Placement Agents will be indirectly supporting their own or their affiliates' underwriting activities for these Cat Bond issuers. The Placement Agents also have a conflict of interest when recommending the Fund to investors due to the Placement Agents' affiliation with SRILIAC, which receives compensation based on the Net Asset Value of the Fund.

## **INVESTMENTS IN CAT BONDS FOR WHICH AN SR AFFILIATE ACTS AS ILS BROKER**

SRILIAC will have a conflict of interest when investing on behalf of the Fund in Cat Bonds for which an SR Affiliate acts as ILS broker in a secondary market transaction. ILS brokers typically receive a fee or commission for executing a secondary market Cat Bond transaction, and where SRILIAC purchases or sells the Cat Bond through an SR Affiliate the Fund may be charged a fee or commission associated with the transaction. SRILIAC's investment process and brokerage practices dictate the ILS broker selected for Fund transactions in the secondary ILS market consistent with acting in the best interests of the Fund.

SRILIAC deems any investments in Cat Bonds for which an SR Affiliate acts as ILS broker in a secondary market transaction a principal transaction as defined by the Advisers Act. SRILIAC adopts procedures for principal transactions consistent with Section 206(3) and Rule 206(3)-2 of the Advisers Act, including but not limited to written disclosure sent to the Fund for consent of each principal transaction prior to settlement date.

## **MANAGER USE OF SWISS RE PROPRIETARY MODELS AND UNDERWRITING TOOLS**

SRILIAC utilizes risk models and other underwriting tools provided by Swiss Re within its investment process and for the purpose of conducting portfolio management activities. SRILIAC's use of any such model or tool aids in SRILIAC's independent evaluation of the portfolio and each investment in the Fund. SRILIAC pays Swiss Re for the use of risk models and investment tools and such fees are not charged as an expense of the Fund.

## **MANAGER AND FUND USE OF ILS INDICATIVE PRICING INFORMATION CREATED BY AN SR AFFILIATE**

A common practice of ILS brokers is to create and distribute to clients indicative pricing information on ILS trading in the secondary market. SRILIAC and the Fund regularly receive this information from ILS brokers, including an SR Affiliate, and such data contributes to portfolio management activities and to the Fund valuation methodology.

SRILIAC and the Fund are not charged for receiving this information from any ILS broker, including the SR Affiliate. Specific to the indicative pricing created and distributed by the SR Affiliate, SRILIAC has no involvement in or influence over the pricing process. The Fund uses the indicative pricing information from both the SR Affiliate and from non-affiliated ILS brokers consistent with the Fund Company valuation policy.

## **ITEM 12. BROKERAGE PRACTICES**

### **ILS TRADE EVALUATION**





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SRILAC's trading process incorporates steps that seek to achieve the best possible trading result for Clients, including the Fund.

Trade evaluation is aided by pricing sheets sent to investors by ILS brokers, including SRILAC's affiliated broker dealer, which provide indicative prices of ILS in the secondary market. Pricing sheets support SRILAC's assessment of the existing trading market for ILS, although such prices are "indicative" and not firm prices where ILS can be purchased or sold and the actual price paid or received for a specific ILS may deviate materially from the available indicative prices. SRILAC uses pricing sheets from recognized ILS broker dealers.

It must also be noted that the market for ILS is relatively small and relatively illiquid, and as a result ILS brokers tend to approach the same market participants for trading purposes. This means that SRILAC typically does not systematically ask three different ILS brokers for quotes for each trade but rather prefer the selection of the most suitable ILS broker, respectively the one from SRILAC's approved ILS brokers list who can achieve the best possible result for the desired transaction taking into account factors such as the best indicative price on the pricing sheet, costs, size, speed, likelihood of execution and settlement and nature of the ILS. Systematically approaching multiple ILS brokers may lead to worse prices as the limited market reacts on the offers/bids.

## ILW TRADE EVALUATION

ILWs are not tradable instruments and there is little transparency available about market pricing. SRILAC's portfolio managers routinely compile an "ILW pricing grid" that includes standard ILW structures and respective prices that SRILAC indicatively considers fitting a client portfolio at a given time. SRILAC portfolio managers periodically send such ILW pricing grids to a broad group of ILW brokers to ascertain the market available to trade in ILWs. Such approach supports brokers so they can react more quickly when SRILAC has actual ILW trade interests, given SRILAC interests may be the same, similar or reflect combined structures/prices as listed in the ILW pricing grid.

The above approach also helps SRILAC assess the best prices if more than one opportunity arises, although in ILW transactions note that it is most common that only one ILW broker is engaged with a given capacity provider for a specific opportunity. The Portfolio Management team retains records relating to ILW trade evaluation.

Once SRILAC decides to gain ILW exposure this occurs through an equity preferred transaction. SRILAC recommends the transaction to a selected Fronting Provider that will be a licensed Bermuda separate account reinsurer that facilitates capital market participation in reinsurance transactions by market counterparties ("Fronting Provider"). The Fronting Provider executes the ILW directly with a counterparty that is brokered by the ILW broker. The Fronting Provider then issues equity preferred shares to SRILAC's client (e.g., a private fund) upon receipt of collateral in a trust account that is set up for the transaction.

SRILAC's client pays a pre-agreed transformer fee to the Fronting Provider for each ILW/equity preferred transaction. ILW brokers are compensated with a brokerage fee that is typically a percentage of gross premium. The brokerage fee is netted out of the gross premium paid by the purchaser and only the net premium is paid to the Fronting Provider.

## "SOFT DOLLARS" PRACTICES

SRILAC does not presently use client brokerage commissions to generate credits to purchase brokerage or research services. Certain broker-dealers with whom SRILAC executes trades in pursuit of best execution may share unsolicited proprietary research (research created or developed by the broker-dealer), but SRILAC does not take such research into account when selecting broker-dealers to execute transactions.

## TRADE ERRORS



# Swiss Re

FORM ADV PART 2A

THE SUPPLEMENT BROCHURE

Trade errors ("Trade Errors") occur from time to time in connection with SRILIAC's management of client accounts. SRILIAC has policies and procedures that address identification and handling of Trade Errors, consistent with applicable standards of care and any relevant offering documents or client agreements. SRILIAC generally makes its determinations regarding Trade Errors pursuant to its policies and procedures.

If SRILIAC makes an error while placing a trade for a client, SRILIAC will seek to correct the error promptly in a way that mitigates any losses. SRILIAC will bear any costs associated with correcting any error. If SRILIAC makes a trade error resulting from an employee's gross negligence, willful misconduct, or fraud, SRILIAC will ensure that the trade error is corrected as soon as practicable in a manner designed to minimize any losses. Other trade errors will generally be borne by the respective clients, unless otherwise agreed to in the investment advisory agreement. Gains associated with any trade error shall be retained by the affected Client(s). The Company will generally not net gains and losses associated with multiple errors related to separate investment decisions, but gains and losses stemming from an interrelated set of errors may generally be netted.

### ITEM 13. REVIEW OF ACCOUNTS

SRILIAC strives to ensure compliance with a Client's investment guidelines consistent with its fiduciary responsibility to manage the Client's portfolio in the best interest of the Client. Accordingly, all client accounts are reviewed on a periodic basis. Reviewers include members of the portfolio management team, authorized persons, the Investment Committee, and/or the compliance department. In addition, accounts may be reviewed periodically due to, among other things, availability of investment opportunities (both primary and secondary), changes to or modification of portfolio risk profiles, or changes to available client capital.

The Fund will distribute to its Shareholders monthly account statements. The Fund will also provide estimates of potential realized losses in the Fund following certain catastrophic events. Such estimates may remain highly uncertain for a period of time until loss reports for the affected underlying securities are finalized. The Fund may also distribute periodic newsletters and other reports regarding the Fund's investments. Within 120 days after its fiscal year end, or as soon thereafter as is reasonably practicable, the Fund will also distribute an annual financial report of the Fund audited by the Fund's independent auditors. Performance information and other reports may be disseminated via electronic mail or through the use of a secure website.

Subject to the Fund Company Director's and SRILIAC's fiduciary duties to the Fund, the Fund Company Directors and/or SRILIAC may, in their sole discretion, agree to provide certain Shareholders with additional or different information than that provided to the Shareholders generally, including as necessary to comply with a Shareholder's due diligence inquiries or special reporting requirements. Further to the foregoing, in order to facilitate compliance with Swiss Re's financial reporting and similar obligations, the Fund will provide Swiss Re with position level detail, including position level performance information, on the Fund's portfolio.

### ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

SRILIAC does not compensate any person for client referrals. All of its income is derived from investment advisory services, specifically the Management Fees.

#### Referral and Other Compensation Arrangements

As noted above, Placement Agents who are affiliated with SRILIAC have been engaged by the Fund Company to act as placement agents for the Fund and will oversee and facilitate the marketing of the Fund in permitted jurisdictions. Any compensation paid to Placement Agents with respect to the placement of Shares will be offset against current and future Management Fees payable to SRILIAC.



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## CONFLICTS OF INTEREST

SRILIAC does not participate in revenue sharing arrangements.

## ITEM 15. CUSTODY

With respect to the Fund, SRILIAC will comply with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) by requiring that (i) the Fund be subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board and (ii) the Fund distribute its audited financial statements to the Shareholders of the Fund within 120 days of the end of the Fund’s fiscal year end.

## ITEM 16. INVESTMENT DISCRETION

SRILIAC manages client portfolios on a discretionary basis, subject to the investment guidelines or restrictions that are specified in the investment management agreement with the Fund. SRILIAC has the authority to determine the investments to be bought and sold and the amount and price of the investments to be bought or sold without obtaining client consent to specific transactions.

SRILIAC manages the Fund on a discretionary basis.

## ITEM 17. VOTING CLIENT SECURITIES

SRILIAC has adopted a written proxy voting policy (the “Proxy Policy”) as required under the Advisers Act. As a general matter, SRILIAC will vote proxies in the best interests of its clients and make that determination on a case-by-case basis. A record of all proxy votes will be maintained and made available to clients upon request by contacting the Chief Compliance Officer.

In the event that we would vote proxies on behalf of the Fund, we may retain a third-party service provider to manage the proxy process, to provide proxy recommendations or guidelines, to cast votes, to respond to client requests for the policy or voting information, and/or to keep and maintain records required under the policy. Sub-advisers will be added or removed from the third-party service as applicable.

Except as required by law, SRILIAC will not disclose to third parties how it voted on behalf of a Client. However, upon request from an appropriately authorized individual, SRILIAC will disclose to its Clients how SRILIAC voted such Client’s proxy. In addition, SRILIAC will make available a copy of its Proxy Voting policies and procedures upon request.

## ITEM 18. FINANCIAL INFORMATION

A registered investment adviser is required to provide certain financial information or disclosures about the adviser’s financial condition. SRILIAC believes that it has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

## ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable.