

**Item 1. Cover Page**

**DENHAM CAPITAL MANAGEMENT LP**

**BROCHURE**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Denham Capital Management LP. If you have any questions about the contents of this Brochure, please contact us at [legalnotices@denhamcapital.com](mailto:legalnotices@denhamcapital.com). 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.

Additional information about Denham Capital Management LP is also available on the SEC’s website at <https://adviserinfo.sec.gov>.

Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

## **Item 2. Material Changes**

Denham Capital Management LP (“DCM”) routinely makes changes throughout its Brochure in an effort to improve and clarify the descriptions of its and its affiliates’ business practices and compliance policies and procedures or in response to evolving firm practices.

DCM’s last annual update to its Brochure was filed on March 31, 2023. This Brochure provides routine annual updates, certain enhanced disclosures, and updates to DCM’s regulatory assets under management.

Except as otherwise specified, all information set forth or referenced in this Brochure is as of the date hereof. Subject to the requirements of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and other applicable laws, DCM is under no obligation to update any such information.

In addition to reviewing the changes, we recommend clients review the entire Brochure carefully.

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## **Item 4. Advisory Business**

### *Description of Advisory Business*

Founded in 2007, Denham Capital Management LP (“DCM”) is an investment advisory firm which specializes in investment management for private equity funds. In 2021, Denham Sustainable Infra Management LP (“DSIM” and together with DCM, “Denham”) was formed and is registered as an investment adviser in reliance on DCM’s investment adviser registration under the Advisers Act in accordance with applicable SEC guidance. This Brochure also describes the business practices of DSIM which operates as a single advisory business together with DCM. The principal owner of Denham is Stuart Porter.

Denham offers investment advisory services to affiliated private equity funds and certain separately managed accounts (“SMAs”) making equity and/or debt investments in industries, companies and assets involving energy and commodities, in particular, mining, power, renewables and sustainable infrastructure (the “Energy Sector”). We advise our accounts in making investments globally across all industries relating to the Energy Sector, all stages of the corporate and asset lifecycle and all segments of the capital structure.

Denham has transitioned away from its multi-sector legacy funds to dedicated teams managing separate funds in each of Denham’s three primary Energy Sectors: Mining, Energy Resources (formerly Oil & Gas) and Sustainable Infrastructure (formerly International Power). Each team is made up of sector specialists with deep expertise in their specific areas and is led by an investment committee. Each team focuses on driving value creation within its Energy Sector. Denham believes this singular focus creates alignment of our deal teams with our investors. Denham advises private funds and SMAs and could in the future advise other single investor vehicles. In addition, Aflac GI Holdings LLC (“Aflac”), an investor in certain Denham clients, holds a direct passive minority interest in DSIM and its affiliates (“Denham Business”) entitling Aflac to a share of the revenue generated by the Denham Business. Aflac has no authority over the day-to-day operations or investment decisions of Denham or the funds, although it does have certain customary minority protection consent rights. Aflac’s ownership stake in DSIM could create conflicts, including by giving DSIM an incentive to provide more favorable terms to investors affiliated with Aflac than to other investors.

Denham’s clients also include certain co-investment vehicles that invest alongside the main private equity funds. Such co-investment vehicles might invest in a single investment or in all investments made in a particular Energy Sector or by a particular fund.

As used in this Brochure, (i) “we,” “us” and “our” refer to Denham and its investment advisory business; (ii) the “Denham funds” refers to the Denham private equity funds we advise, including any co-investment vehicles we advise, except where noted; and (iii) the “accounts” or “clients” refers to the Denham funds and the SMAs.

### *Types of Advisory Services Offered*

Denham’s advisory services include commercial structuring and negotiation, independent risk management, portfolio company services, legal and investor relations. We maintain discretionary investment authority over our clients, and all investment decisions on behalf of our clients are made by our investment committees, which typically comprise our senior professionals. Actions of our investment

committees require the consensus of their voting members, and no individual investment committee member can take unilateral action on behalf of our clients. Denham generally focuses on a theme-driven investment approach, utilizing its knowledge of and experience in, and global relationships within, the Energy Sector to make investments. Denham also seeks to leverage the experience of its deal teams to drive operational improvements at portfolio companies.

The relationship between Denham and each Denham account is governed by the Advisers Act, as well as the governing documents of each Denham fund, the terms of investment advisory agreements between each Denham fund and us and the investment management agreements with respect to our SMAs. Investments in the Denham funds are privately offered to only qualified investors, which are typically institutional investors (for example, public and private pension funds) and eligible high-net-worth individuals.

The investment advice Denham provides to its clients includes the private equity investment program conducted by the Denham funds in the Energy Sector and the debt investment program conducted by the SMAs.

#### *Tailoring of Advisory Services*

Denham tailors its advisory services to the mandate and descriptions included, as applicable, in the private placement memoranda, partnership agreements, investment management agreement, and other governing agreements of each of its clients. These documents include restrictions on investing in certain securities or types of assets, including as specifically negotiated with investors in the Denham funds. Denham provides advice to its private funds clients, not the investors in those funds, and investors are expected to participate in the applicable Denham fund's overall investment program, but could be excused from a particular investment due to legal, regulatory or other applicable constraints at the discretion of Denham.

Denham and its affiliates have entered (and expect in the future to enter) into agreements, or "side letters," with investors whereby such investors are subject to terms and conditions that vary from those applicable to other investors in the Denham funds. Any such terms and conditions, including with respect to (i) opting out of particular investments, (ii) reporting obligations, (iii) transfers to affiliates, (iv) co-investment opportunities (including the provision of priority allocation rights), (v) withdrawal rights, (vi) consent rights to certain governing document amendments, (vii) payment of management fees, carried interest and/or incentive allocation or (viii) any other matters, could be more favorable than those offered to other investors. As a result of such rights, certain investors in the same fund could experience different returns or have access to information to which other investors do not have access. An investor's co-investment rights under a side letter could result in fewer co-investment opportunities or limited allocations provided to other investors. Generally, any rights established, or any terms altered or supplemented, will govern only that investor and not a fund as a whole. Further, certain of these terms and conditions have the effect of increasing the expenses borne by the fund and/or the investors not party to the particular side letter, including for example with respect to costs incurred in providing an investor additional information or reporting.

#### *Client Assets*

As of December 31, 2023, the amount of client assets that Denham manages on a discretionary basis is \$6,125,493,267 . As of December 31, 2023, Denham did not manage any client assets on a non-discretionary basis.

The information provided above about the investment advisory services provided by Denham is qualified in its entirety by reference to the accounts' offering and governing documents and investment management agreements.

## **Item 5. Fees and Compensation**

### *Fees*

Below is a general summary of how Denham is compensated by its clients. Existing and prospective investors should refer to a fund's offering documents, investment management agreements or other governing agreements for specific information related to that fund. Denham does not receive a management fee or carried interest from certain co-investment vehicles.

Denham is compensated for its private funds' advisory services through a quarterly fee based on a percentage of assets under management of each of its fund clients, generally payable in advance. This management fee generally ranges from 1% to 2% per annum of capital commitments and generally is reduced upon the end of a fund's commitment period. Following expiration of the commitment period, the management fee is generally paid only on remaining invested capital, excluding investments that have been written off. Investors who participated in a fund after the initial closing of the fund are still responsible for payment of the management fee from the initial closing date of the fund. Investors of the Denham funds pay management fees via capital contributions called by Denham (or Denham deducts the applicable amount from distributions), based on their aggregate capital commitment to such Denham fund.

Denham is also compensated for its advisory services to SMAs through an annual management fee and, under certain circumstances, a structuring fee, both of which are separately negotiated pursuant to each SMA's investment management agreement.

As explained in more detail in the offering documents of each client, the general partner typically receives 20% of distributions from investments ("carried interest") generally after 100% of capital contributions for investments and fund expenses are returned to investors of a client and investors receive a preferred return (typically, an 8% preferred return). In accordance with the funds' offering documents or other governing agreements, carried interest allocations are generally subject to general partner catch-ups, certain tax-related distributions, and a "clawback" obligation requiring Denham to return excess distributions to investors in the event that Denham receives more than its carried interest percentage of profits on an aggregate basis over the life of a fund. In the event that tax distributions exceed the actual amount of carried interest to which we are entitled, we are not obligated to return any such excess distributions. The method of calculating the carried interest poses conflicts of interest between the applicable general partner and a Denham fund with respect to the management and disposition of investments, as well as the determination of the timing, method, and amount of distributions by a Denham fund, and the use of fund-level credit facilities. Conflicts are addressed in the manner described in Item 11.

Employees of Denham who are investors of our clients do not pay management fees or carried interest, and investors in certain of our co-investment vehicles also do not pay a management fee or carried interest. In certain instances, Aflac will pay a management fee that is negotiated at a different rate than paid by other investors in the same private fund. Aflac does not pay carried interest. After payment of all overhead and expenses, Denham principals and persons will receive residual portions of the management fee, carried interest or other compensation received by Denham and its affiliates. Denham is also permitted to reduce management fees and/or carried interest through side letter arrangements in certain instances, for example where certain investors have made an early commitment, a large commitment, multiple commitments or any other material concession to one or more of the funds.

Denham, its affiliates or their employees or partners could in the future transfer their interests in a Denham fund to third parties. Following any such transfer, Denham is entitled to receive carried interest and a management fee on such interest, subject to applicable law and the terms of the applicable fund's organizational and/or offering documents.

Denham charges the management fee described above on a quarterly basis. The performance-based fee, or carried interest, is distributed to Denham in accordance with the terms of the applicable partnership agreement of a Denham fund.

#### *Other Fees and Expenses*

Certain other fees are paid to Denham or to a Denham fund's general partner, managing member, or affiliates. In particular, we and our affiliates receive certain fees from portfolio companies in which the Denham funds invest such as break-up, monitoring, directors', organizational, setup, advisory, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions, including warrants, options, derivatives and other rights in respect of securities owned by the Denham funds. Investors will receive the benefit from certain such fees only as set forth in a client's offering and governing documents. All or a portion of the fund's *pro rata* share of these other fees could in certain circumstances offset the management fees otherwise payable by investors in such Denham fund. In certain but not all circumstances, co-investment vehicles pay management fees. For the avoidance of doubt, any management fees paid by a co-investment vehicle do not offset management fees paid by the Denham funds. Neither the Denham funds nor any of their limited partners will have any claim, through fee offsets or otherwise, to any amount of other fees received by Denham or its personnel that are allocable to the co-investment vehicle's *pro rata* share of such fees. Historically Denham has not taken such other fees, but reserves the right to do so.

The funds are permitted to fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities prior to calling capital commitments. The interest expense and other costs of any such borrowings will be borne by the relevant fund and, accordingly, generally decrease net returns of such fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant fund. Therefore, fees and expenses associated with such revolving credit facilities can accelerate the date upon which a Denham fund's preferred return will be achieved for purposes of determining when its general partner is entitled to begin receiving carried interest payments on distributions from a Denham fund. Denham intends to refer to such internal rate of returns or other investment outcomes in its offering materials when communicating with investors. In light of the foregoing, Denham has an incentive to cause such

vehicle to borrow in this manner in lieu of drawing down capital commitments, subject to the offering and operating documents of each fund.

From time to time, the funds lend to portfolio companies or provide project financing on a short-term, secured or unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing. Such bridge loans would typically be convertible into a more permanent, long-term security. However, for reasons not always in the funds' control, it is possible such issuance of long-term securities or other refinancing does not occur, and consequently such bridge loans remain outstanding. In such event, it is possible that the interest rate on such loans does not adequately reflect the risk associated with the unsecured position taken by the funds.

On occasion, Denham personnel or consultants retained by Denham provide certain management services to (or with respect to) a portfolio company. In certain cases, such persons are employed or retained directly by the portfolio company. In other instances, Denham initially pays these costs and subsequently is reimbursed by the applicable fund or portfolio company for compensation paid and other fees and expenses incurred by Denham with respect to such persons. In certain but not all cases, such compensation or other fees and expenses offset management fees depending upon the client's offering and governing documents.

Denham has a conflict of interest to the extent, for example, it is incentivized to make an investment to earn a transaction fee or provide a service to a particular portfolio company to earn a director or monitoring fee. However, Denham believes that this conflict of interest is mitigated by the management fee offset mechanic described above and the substantial equity commitment made by Denham and its principals in each of the main Denham funds.

A client will generally pay all expenses arising in connection with the organization or operations of the client whether arising prior to or following the initial closing date (collectively "Fund Expenses") including, without limitation, fees, costs and expenses related to the sourcing, investigation, identification, analysis, pursuit, negotiation, purchase, holding and sale of any actual or potential investments (whether or not such investments are subsequently consummated), fees, costs and expenses of complying with applicable law, rules and regulations (including, but not limited to, the regulatory expenses of a Denham fund's general partner and Denham related to the preparation and filing of Form PF and other regulatory filings), fees, costs and expenses of any administrators, custodians, consultants, advisors, counsel and accountants (including the audit and certification fees and the costs of printing and distributing reports to investors), certain fees and expenses attributable to legal, compliance, accounting, reporting, tax and information technology services used in connection with the client and its activities, whether performed by personnel of Denham or by third parties, any insurance, indemnity or litigation expense, broken deal expenses, the out-of-pocket and legal and other advisory expenses of the advisory committee, certain taxes and any fees or other governmental charges levied against the client. Fund Expenses generally include amounts paid to independent contractors (including, without limitation, operating partners, advisors and consultants of Denham) for consulting or advisory services rendered in respect of portfolio companies. Additionally, Fund Expenses could include (i) costs incurred in connection with establishing, implementing, monitoring or measuring the impact of ESG (as defined below), policies and programs with respect to Denham funds or their investments or prospective investments, including, without limitation, all fees, costs, and expenses incurred in connection with ESG tracking tools and any other assessments, measurements, advice or reports conducted as part of implementing, monitoring and maintaining the responsible investing strategy of Denham and its ESG policies and procedures with respect to its funds or their investments or prospective investments or otherwise designed to promote or evaluate a fund's or



its investments' or prospective investments' achievement of ESG objectives; (ii) certain of the compensation and related costs and expenses of internal personnel, including without limitation, investment personnel and other personnel providing support services, that are devoting time to a Denham fund (including overhead such as rent, technology, insurance, property taxes, and utilities allocable to the workspaces), to the extent allocable to the Denham fund in good faith by its general partner; and (iii) fees, costs and expenses incurred in connection with cybersecurity (including, but not limited to, expenses relating to insurance, monitoring and/or breaches. Out-of-pocket expenses associated with completed transactions are generally expected to be reimbursed by counterparties or capitalized as part of the acquisition price of the transaction. Fund Expenses are paid via capital contribution by an investor of a client or netted from otherwise distributable proceeds. The general partner of a client reserves the right to allocate Fund Expenses among the various related vehicles (including any alternative investment vehicles) in an equitable manner as determined in good faith by the general partner. Notwithstanding the foregoing, co-investment vehicles are generally not expected to pay broken deal expenses in which case the client (main fund) would bear such expenses.

Each investor in a client will generally pay its *pro rata* share (based on its capital commitments) of all legal, accounting, filing and other organizational expenses (the "Organizational Expenses") incurred in organizing and raising capital for a client and any related vehicles up to a maximum specified in the offering and governing documents of each client. To the extent Organizational Expenses exceed such maximum (such excess amount referred to as "Excess Organizational Expenses"), the general partner of a client will cause the investors (other than any investors included within the Denham commitment) to bear such excess, and such investors will receive a credit therefor (by way of a reduction) against the next management fee otherwise payable. In addition, fees and costs in respect of any placement agents or finders will be paid by a client and constitute Excess Organizational Expenses. Incremental additional legal, accounting, filing and other organizational expenses incurred in organizing certain related vehicles have been and could in the future be allocated to such relative vehicle with respect to which such amounts are incurred.

From time to time, Denham also makes personnel available and provides operations-related or other consulting services to certain other Denham entities, and from time to time an employee of Denham could depart to join a portfolio company or another Denham entity as an employee or vice versa. To the extent such employees do not serve as full-time investment professionals, and continue to provide operating partner services, their compensation and related costs and expenses (including internally allocated overhead such as rent, office renovation costs, furnishings, technology, insurance, property taxes, and utilities allocable to the workspaces), will be allocated between the two roles and accounted for accordingly. Finally, from time to time former employees of Denham have or could become third-party consultants providing services to a Denham fund or one or more portfolio companies. For the avoidance of doubt, any of these activities will provide some form of ancillary benefit to Denham – whether intended to or not.

Denham from time to time enters into arrangements with service providers that provide for fee discounts for services rendered to Denham and the accounts or portfolio companies of the funds. For example, a law firm could discount its legal fees for certain advice provided to Denham. To the extent such law firms provide services to the funds, the funds also enjoy the benefit of fee discount arrangements. In some cases, discounts could be based on volume and certain funds or portfolio companies could receive a greater discount than others depending on the timing of their transactions or other factors.

From time to time, Denham could recruit a management team to pursue a new “platform” opportunity to lead to the formation of a future portfolio company. In other cases, a fund could form a new portfolio company and recruit a management team to build the portfolio company through acquisitions and organic growth. In both cases such fund will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, diligence expenses or other related expenses in connection with backing the management team or building out of the platform company. Such expenses could be borne directly by the applicable fund as a Fund Expense or indirectly as such fund bears the start-up and ongoing expenses of the newly formed platform portfolio company. None of these expenses will offset any management fee paid to Denham by the fund.

Denham and its personnel have received, and could in the future receive, certain intangible and/or other benefits arising or resulting from their activities on behalf of the accounts, which will not be subject to management fee offsets or otherwise shared with the accounts, fund investors and/or fund portfolio companies. For example, airline travel or hotel stays incurred as fund expenses could result in “miles” or “points” or credit in loyalty or status programs, and such benefits will accrue exclusively to Denham and its personnel (and not to the funds, their investors and/or portfolio companies) even though the cost of the underlying service is borne directly by the funds or their portfolio companies and indirectly by the investors.

To the extent permitted under the respective partnership agreement, Denham has the authority to elect to forego a portion of the management fee in favor of a right (a) to receive a priority interest in future distributions of fund profits equal to the waived amounts or (b) to cause the investors to contribute such waived amounts to the fund on Denham’s behalf, which reduces the amount of capital Denham would otherwise be required to contribute to the respective fund. As a result, the exercise of such waiver has the potential to result in an acceleration of investor capital contributions and will affect the management fee offset calculations.

#### *Refunds*

Investments in a fund are illiquid and investors of the Denham funds generally cannot redeem their interests. Upon termination of the investment advisory agreement with a Denham account, however, we will return to such Denham fund any paid but unearned portion of the management fee. In general, such fees are pro-rated from the date of termination to the end of the period to which the advance fee applied.

#### *Compensation for Sale of Securities*

Neither Denham nor its supervised persons accept compensation for the sale of securities or other investment products. However, as noted above, we and our affiliates receive certain fees from portfolio companies in which the Denham funds invest. All or a portion of the fund’s *pro rata* share of these fees could offset the management fees otherwise payable by investors in the Denham funds.

### **Item 6. Performance Based Fees and Side by Side Management**

As outlined in Item 5, Denham typically receives performance based fees, described as carried interest, although, as noted above, certain co-investment vehicles do not pay carried interest and Denham has the authority to waive or reduce carried interest with respect to certain investors. Carried interest is

negotiated separately for each Denham fund and set forth in each Denham fund's respective partnership agreement and offering documents.

Performance fee arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have designed and implemented procedures designed to ensure that all clients are treated fairly in the allocation of investment opportunities and to prevent this conflict of interest from influencing the allocation of investment opportunities among or between our clients.

Our investment allocations are documented as part of our regular investment processes, taking into account the size of the investment opportunity, the capital available for investment by each client, the potential need for follow on investments or reserves, the sharing rules set forth in the applicable governing agreements, the terms of the governing documents of the applicable Denham accounts and any other factors Denham considers relevant.

Generally, Denham is allocating investment opportunities to clients based on their specific sub-Energy Sector focus. Within Sustainable Infrastructure, DSIM will allocate debt investments to its SMAs and will allocate equity investments to its funds. Thus, among the single-sector focused Denham funds, Denham does not foresee an overlap in investment strategies that would give rise to allocation considerations (with the exception of co-investment vehicles, which will be made in accordance with the respective partnership agreements, and with the exception of Sustainable Infrastructure debt investments, which will be allocated to SMAs). Due to fundraising and timing issues, Denham is permitted to, for a limited period of time, allocate opportunities to multiple clients. In those instances, Denham abides by all applicable provisions in the partnership agreement of each client and seeks consent of the limited partners or advisory committee, as necessary.

## **Item 7. Types of Clients**

All of Denham's clients are private equity funds sponsored by Denham or SMAs. We offer interests in the Denham funds only to "qualified purchasers" and "knowledgeable employees" (each as defined under the Investment Company Act of 1940, as amended). Investment advice is provided directly to the funds and not individually to the investors of the funds. Investors participating in the Denham funds include high net-worth individuals, banks or thrift institutions, sovereign wealth funds, pension and profit-sharing plans, trusts, estates, charitable organizations or other corporations or business entities and also could include, directly or indirectly, past or current service providers, members of the management of a fund's portfolio company and principals or other employees of Denham.

Typically, the funds require minimum investment amounts ranging from \$1MM to \$5MM, but such amounts have been and in the future will be reduced with the prior agreement of Denham, subject to applicable legal requirements. Minimum investment requirements in the SMAs are dictated by the separately negotiated investment management agreement.

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

### *Methods of Analysis and Investment Strategies*

In managing our clients, Denham employs methods of analysis and investment strategies suitable for each Denham client's investment objective and in accordance with the offering documents and other governing agreements of the applicable client. Denham uses its Energy Sector knowledge and experience to conduct a comprehensive analysis of each candidate investment. Investment analysis includes, without limitation, evaluation of:

- industry/sector dynamics and outlook;
- management team experience and background;
- geopolitical, legal and environmental risks;
- quality of assets, equipment and/or services;
- competitive landscape;
- commodity and currency exposure; and
- potential technological developments.

The summary above should not be interpreted to limit in any way Denham's investment activities. Potential investors of our clients should be aware that an investment in one of our clients involves a high degree of risk and a loss of investment is possible. Our clients are suitable only for those investors that have the financial sophistication and expertise to evaluate the merits and risks of an investment in such client and can bear a risk of loss of their investment and for which such fund does not represent a complete investment program. There can be no assurance that our clients' investment objectives will be achieved, that any client will otherwise be able to successfully carry out its investment program or that an investor of a client will receive a return of its capital. In addition, there will be occasions when the general partner and its affiliates encounter conflicts of interest in connection with the client.

#### *Risk Factors*

Investing involves the risk of loss that an investor in a Denham account should be prepared to bear. While we believe that our investment processes, strategy and research techniques mitigate the investment risk through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve a Denham account's investment objectives or that we will succeed. The discussion below enumerates certain, but not all, risk factors that apply generally to an investment in a Denham account. In addition, while the descriptions of a fund's investment strategies and methods of analysis are generally applicable to the co-invest vehicles, generally each co-investment vehicle participates in only one investment so certain risk factors will not apply and such vehicles might have other risks not described herein, such as a lack of diversification. Prior to making any investment in a Denham account, investors should carefully review the applicable offering documents for a more complete description of the risk factors and conflicts of interest relating to such account.

#### SECTOR RISK FACTORS

**Mining.** The business of exploration for metals, minerals and other commodities involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation characteristics, fires, explosions, rock bursts, power outages, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labor are all risks which could occur during exploration for and development of mineral deposits. Substantial expenditures are required in order to establish reserves through drilling, to extract metal from ore, and to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to

justify commercial operations. In addition, the economics of developing properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in the prices which can be obtained on the metal markets, and such other factors as land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. Further, the development, operation and maintenance of mining sector (“Mining”) projects involves various operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside the control of a company, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for commodities and the like, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring Mining businesses. In turn, such developments could impair a company’s ability to repay its debt, conduct its operations or make distributions. In addition, events outside the control of a company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring Mining facilities. Mining operations are subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect Mining businesses. Mining assets could be taxed or need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability. Mining companies generally involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in unabsorbed costs could significantly impair the financial viability of a Mining investment project.

***Sustainable Infrastructure.*** The development, construction, operation and maintenance of sustainable infrastructure sector (“Sustainable Infrastructure”) projects involves various risks. Development of Sustainable Infrastructure projects generally require significant time and expense dealing with numerous private and public counterparties to acquire property and other required rights of ownership, access and otherwise. In addition, numerous national, state, and local permits are likely required, including environmental studies and permits. Sustainable Infrastructure projects and operations are subject to comprehensive national, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect Sustainable Infrastructure businesses. Sustainable Infrastructure assets could be taxed or need to purchase offsets under existing and proposed environmental legislation in relevant jurisdictions, which could affect economic viability. Sustainable Infrastructure projects generally involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in costs could significantly impair the financial viability of a Sustainable Infrastructure investment project. Sustainable Infrastructure projects often depend on the availability of debt financing and other capital, and there is no assurance that such financing or capital will be available on favorable terms when needed. Sustainable Infrastructure projects face operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside the control of a company, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for energy and the like, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring Sustainable Infrastructure businesses. In turn, such

developments could impair a company's ability to repay its debt, conduct its operations or make distributions. In addition, events outside the control of a company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring Sustainable Infrastructure facilities. The market for sustainable infrastructure and renewable energy is emerging and rapidly evolving, and government policies, including subsidies on which projects depend, are reviewed and change frequently. If sustainable infrastructure and renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for such sustainable infrastructure products fails to develop sufficiently, sustainable infrastructure investments would be adversely affected. While sustainable infrastructure projects currently enjoy support from governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support would likely have an adverse effect on the development and construction of such projects.

***Exploration, Development and Exploitation.*** Some of our clients will invest in businesses that engage in resource exploration, development and exploitation. Resource exploration, development and exploitation involve a high degree of risk, which cannot be fully mitigated, even with a combination of experience, knowledge and careful evaluation. While the discovery of natural resource could result in substantial rewards, few properties that are explored are ultimately developed into production facilities. Substantial expenditures are generally required to locate and establish natural resources and to construct processing facilities and infrastructure at a particular site. It is impossible to ensure that the exploration programs in progress or planned by a portfolio company will result in profitable operations. Even where natural resources are discovered, there can be no assurance that a property will be brought into production. Whether a resource will be viable depends on a number of factors, some of which are: (i) the particular attributes of the resource; (ii) proximity to infrastructure; (iii) commodity prices, which can fluctuate widely; (iv) currency fluctuations; (v) financing costs; (vi) production costs; and (vii) government regulations and any further changes thereto, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of resources and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors could make a portfolio company uneconomic and/or result in a fund not receiving an adequate return on invested capital in a portfolio company, if any.

Sector businesses by their nature are subject to many operational risks, many of are outside of the control of a client or its portfolio companies, and many of which are not covered fully, or in some cases even partially, by insurance. These operational risks, which could adversely affect a portfolio company's business, operating results and cash flow, include the following: (i) earthquakes, floods and other natural disasters or pandemics; (ii) the occurrence of unexpected weather or operating conditions and other force majeure events; (iii) the failure of equipment or processes to operate in accordance with specifications, design or expectations; (iv) accidents; (v) structural collapses; (vi) interruption of energy supply; (vii) lower than expected findings; (viii) processing problems; (ix) unanticipated ground and water conditions; (x) adverse claims to water rights, adverse outcomes of pending water adjudications and physical shortages of water; (xi) adjacent land ownership or usage that results in constraints on current or future operations; (xii) delays in the receipt of or failure to receive necessary government authorizations, approvals or permits; (xiii) delays in transportation and disruptions of supply routes; and (xiv) inability to obtain satisfactory insurance coverage.

All of the foregoing factors are beyond the control of a client and its portfolio companies. There can be no assurance that a portfolio company's resource exploration and future development activities will be successful and the occurrence of any of the foregoing factors could have a material adverse effect on a

portfolio company's business, prospects, financial condition and operating results. In the event that commercial viability is never attained, a portfolio company could seek to transfer its property interests or otherwise realize value or could even be required to abandon its business and fail as a going concern.

**Construction.** Our clients' investments frequently involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in unabsorbed costs would likely significantly impair the financial availability of an investment project and result in a material adverse effect on our client's investment.

**Depletion.** The financial performance of energy companies in which some of our clients intend to invest will likely be adversely affected if they, or the companies who provide them service, are unable to cost-effectively acquire additional reserves sufficient to replace the depleted reserves. If an energy company fails to add reserves by acquiring or developing them or to sustain the life of its reserves through new methods its reserves and production will decline over time as the reserves are produced. If an energy company is not able to raise capital on favorable terms, it will likely not be able to add, maintain or further exploit its reserves.

**Key Inputs.** The operations of the businesses in which some of our clients invest frequently rely on access to certain key inputs such as strategic consumables, raw materials and drilling and processing equipment. The inability to obtain such key inputs in a timely manner could delay or reduce a portfolio company's production, which would, in most cases, have an adverse impact on its results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and cash flows of a Denham account's investments and therefore of the account.

**Feasibility Studies.** Our clients' investment in a portfolio company are often based on a feasibility study related to one or more properties. Feasibility study activities involve estimates of capital expenditures, future production, revenues, operating costs and taxes. Failure to meet these estimates could have a material or other adverse effect on a portfolio company's profitability, cash flows and financial position. There can be no assurance that such estimates will be fully achievable. Variances between actual and estimates occur for a variety of reasons, (i) including changes in capital costs due to market conditions or essential alterations in scope encountered during advanced engineering design work; (ii) actual recoverable resources; (iii) short-term operating factors; (iv) structural or equipment failures; (v) industrial accidents; (vi) natural phenomena such as inclement weather conditions, floods, droughts, rockslides and earthquakes; (vii) unusual or unexpected geological conditions; (viii) changes in power costs and potential power shortages; (ix) shortages of principal supplies needed for operation; (x) labor shortages or strikes; (xi) civil disobedience and protests; and (xii) restrictions or regulations imposed by governmental or regulatory authorities or other changes in the regulatory environments. Occurrences such as those above could result in damage to a portfolio company's properties, interruptions in construction or production, injury or death to persons, damage to property, monetary losses and legal liabilities. These factors could cause a portfolio company to cease construction or operating activities.

**Reliance on Estimates.** Denham accounts frequently rely on estimates of reserves in connection with an investment in a portfolio company. There is a degree of uncertainty to the estimation of reserves and

resources. This process is necessarily subjective and the accuracy of estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting engineering and geological information. There is significant uncertainty in any such estimate, and the actual deposits encountered and the economic viability of harnessing a resource could differ significantly from any estimate. In addition, the quantity of reserves and resources vary depending on, among other things, prevailing prices. Any material change in quantity of reserves or resources will affect the economic viability of a portfolio company's properties. In addition, there can be no assurance that recoveries in small scale tests will be duplicated in larger scale tests under on-site conditions or during production. Estimates will frequently have to be recalculated based on changes in commodity prices or further exploration or development activity. This could materially and adversely affect estimates of the volume, estimated recovery rates or other important factors that influence estimates. Any material reductions in estimates of reserves and resources, or of a portfolio company's ability to extract these reserves, could have a material adverse effect on a portfolio company's financial condition, results of operations and future cash flows.

An investment by an account in a portfolio company could be based on categories of inferred, indicated and measured resources, which are recognized in order of increasing geological confidence. However, resources are not equivalent to reserves and do not have demonstrated economic viability. There can be no assurance that a portfolio company's resources in a lower category will be converted to a higher category or that resources can be converted to reserves. Inferred resources cannot be converted into reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which could attach to inferred resources, there is no assurance that a portfolio company's inferred resources will be upgraded to indicated or measured resources with sufficient geological continuity to constitute proven and probable reserves as a result of continued exploration.

***Portfolio Company Development, Construction and Operational Risks.*** In connection with any new development project, expansion of a site or acquisition of a site in late-stage development, a portfolio company will likely also face development and construction risks including, but not limited to: (i) labor disputes, shortages of material and skilled labor or work stoppages; (ii) shortages of fuels or materials; (iii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iv) delays caused by or in obtaining the necessary regulatory approvals or permits; (v) less than optimal coordination with public utilities in the relocation of their facilities; (vi) adverse weather conditions and unexpected construction conditions; (vii) accidents, breakdowns or failures of equipment or processes; (viii) difficulties in obtaining suitable or sufficient financing; and (ix) catastrophic events such as flooding, explosions, fires and terrorist activities and other similar events beyond a client's control, such as any event of force majeure. Events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, construction or operation of portfolio company assets or businesses. Such delays or disruptions in the completion of any project will likely result in lost opportunities, lost revenues or increased expenses, including higher operation, maintenance and restoration costs related to a portfolio company. Portfolio investments under development or portfolio investments acquired to be developed could receive little or no cash flow from the date of acquisition through the date of completion of development and could experience operating deficits after the date of completion. In addition, market conditions could change during the course of development that make such development less attractive than at the time it was commenced.

***Portfolio Company Insurance.*** While certain Denham fund portfolio companies maintain insurance to help protect against certain operational risks, such as business interruption insurance that is intended to offset loss of revenues during an operational interruption, such insurance is subject to customary deductibles



and coverage limits and there is no assurance that such coverage will be sufficient to recoup all of a portfolio company's losses. In many cases, portfolio companies choose not to insure against a particular risk. In addition, events outside the control of the portfolio company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring facilities. Such operational interruptions or the occurrence of such force majeure events could adversely affect the amount of revenues from operations, which in turn could impair a portfolio company's ability to repay its debt or make distributions to the Denham funds.

***New or Emerging Geographies.*** Our clients' portfolio companies hold, and will in the future seek to hold, undeveloped properties and/or properties in new or emerging geographies. There are risks that undeveloped properties will not ultimately be developed or will become commercially productive, which would have a material adverse effect on its resource reserves and future production. Results in these areas are therefore uncertain, and the value of undeveloped properties will decline if results are unsuccessful.

In addition, results in new emerging geographies are more uncertain than results in areas that are developed. Often, new or emerging properties are located in remote locations with difficult and mountainous terrain that requires specialized equipment and costly engineering solutions, additional security and increased health care personnel. These areas are often prone to natural disasters that insurance potentially does not sufficiently cover. Further, new or emerging properties have limited or no production history, which typically means portfolio companies are unable to use past results in those areas to help predict future results. As a result, costs in these areas could be higher than initially expected, and the value of undeveloped properties will decline if results are unsuccessful.

***Operating Pursuant to Complex Government Licenses, Leases, Concessions or Contracts.*** A Denham portfolio companies are subject to substantial regulation by government agencies. In addition, a portfolio company's operations will rely on government licenses, concessions, leases or contracts that are generally very complex and could result in a dispute over interpretation or enforceability. If a portfolio company fails to comply with these regulations or contractual obligations, it could be subject to disgorgement of profits or monetary penalties, lose its right to operate, and/or face other remedies. Where a client's ability to operate a portfolio company is subject to a permit, license, concession or lease from the government, such requirements restrict the portfolio company's ability to operate the business in a way that maximizes cash flows and profitability. The permit, license, lease or concession generally contain clauses or are subject to rules more favorable to the government counterparty or issuer of the relevant license than might apply in a typical commercial contract. For instance, the government could have the ability to terminate or amend a permit, license, lease or concession in certain circumstances unilaterally, or without requiring payment of adequate compensation. In addition, governments (as counterparties or license or permit issuers) often have the discretion to change or increase regulation of a portfolio company's operations, or implement laws or regulations affecting the portfolio company's operations, separate from any contractual rights they have. Governments have considerable discretion in implementing regulations that could impact a portfolio company's business, and in the event such business provides basic, everyday services, and faces limited competition, governments could be influenced by political considerations and make decisions that adversely affect a portfolio company's business. In addition, a portfolio company could be subject to rate regulation that will determine the prices it is allowed to charge. It could be subject to unfavorable price determinations that are final with no right of appeal or which, despite a right of appeal, could result in its profits being negatively affected.

Denham expects additional regulatory approvals, including, without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, in the future due to changes in laws and regulations, changes in a portfolio companies' customer(s) or for other reasons. There can be no assurance that a portfolio company will be able to (i) obtain all required regulatory approvals that it does not yet have or that it requires in the future, (ii) obtain any necessary modifications to existing regulatory approvals or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could impair or prevent operation of a facility or sales to third parties or could result in additional costs to a portfolio company.

**Land Title Risks.** Certain portfolio companies will require large areas of land to install and operate their equipment and associated infrastructure. The rights to use the necessary land could be obtained through freehold title, easements, leases and other rights of use. Different jurisdictions adopt different systems of land title, and in some jurisdictions it could be impossible to ascertain definitively who has the legal right to enter into land tenure arrangements with respect to investments. In addition, the grantor's fee interests in the land which is the subject of such easements and leases are or could become subject to mortgages securing loans, other liens (such as tax liens) and other lease rights of third parties (such as leases of oil, gas, coal or other mineral rights). As a result, a portfolio company's rights under such leases or easements are or could be subject and subordinate to the rights of third parties. It is also possible that a default by the grantor under any mortgage could result in a foreclosure on the grantor's interest in the property and thereby terminate the investment's right to the leases and easements required to operate such investment. Similarly, it is possible that a government authority, as the holder of a tax lien, could foreclose upon a parcel and take possession of the portion of the investment located on such parcel. The rights of a third party pursuant to a superior lease (such as leases of oil, gas, coal or other mineral rights) could also result in damage to or disturbance of the physical assets of an investment or require relocation of portfolio company assets. If any portfolio company were to suffer the loss of all or a portion of their underlying real estate interests or equipment as a result of a foreclosure by a mortgagee or other lienholder of a land parcel, or damage arising from the conduct of superior leaseholders, such portfolio company's operations and revenues would likely be adversely affected. In addition, any declaration of native title or other indigenous rights in respect of land on which portfolio companies are located would adversely affect the owner or occupier of that land. It could not be possible to mitigate or remove a risk associated with indigenous claims.

**Volatility of Commodities Prices.** The performance of certain investments of our clients will be dependent upon prevailing prices of certain commodities. Historically, the markets for certain commodities have been volatile, and such markets are likely to continue to be volatile in the future. Prices for certain commodities are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for such commodities, market uncertainty and a variety of additional factors that are beyond the control of Denham or its clients. These factors include the level of consumer product demand, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative commodities, political conditions, the price of foreign imports and the overall economic conditions. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended to influence price directly and would likely cause rapid movement in these markets.

More specifically, many mineral and metals commodities have suffered recent significant price declines, exacerbated by the market disruptions arising from the global impact of COVID-19. As such commodities

are highly cyclical, any economic downturn would have significant negative effects for the businesses that produce such commodities.

***Effects of Sector Regulation.*** The energy and commodities sector is subject to extensive regulation under a wide range of statutes, rules, orders and regulations. These regulations could have a significant adverse impact on the financial condition, prospects and profitability of the Denham accounts' investments. There can be no assurance that (i) existing regulations applicable to such portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to such companies; (iii) the technology and equipment selected by such companies to comply with current and future regulatory requirements will meet such requirements; (iv) such companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

***Effects of Ongoing Changes in the Utility Industry.*** Certain of our clients are permitted to make certain investments in electric utility industries both in the United States and abroad. In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. In response, for example, the Federal Energy Regulatory Commission (the "FERC") has implemented regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity; similar actions are being taken or contemplated by regulators in other countries. A number of countries, and some States in the United States, are considering or have implemented methods to introduce and promote retail competition. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects into which certain of our clients are permitted to invest could come under increasing pressure. Changes in regulation are fueling not only the current trend toward consolidation among domestic utilities, but also the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry. In addition, independent power producers find it increasingly difficult to negotiate long-term power sales agreements with solvent utilities, which would likely affect the profitability and financial stability of independent power projects.

There can be no assurance that (i) existing regulations applicable to electric utility portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to electric utility companies; (iii) the technology and equipment selected by such companies to comply with current and future regulatory requirements will meet such requirements; (iv) such companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Pursuant to certain federal statutes, the FERC has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in interstate commerce, including the rates, charges and other terms and conditions for such services,

respectively. Failure to comply with applicable FERC regulations could result in the prevention of operation of a FERC-jurisdictional facility or prevention of the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other unnamed remedies, all of which could result in additional costs to a portfolio company and adversely affect our client's investment results.

#### DEBT RISK FACTORS

***Long-Term Nature of Investments.*** The stated maturity for our SMA clients' investments will typically range from 7 to 31 years as a general matter, and although a SMA client could realize investments early or issuers could redeem loans early, there will likely be a number of years when the only SMA client proceeds are dividend and interest income from its investments. Such income will likely not be significant and operating expenses could exceed income during that period. A SMA client could make investments which will not be advantageously disposed of, or have liabilities that cannot be resolved, prior to the date that such SMA client will be dissolved, either by expiration of such SMA client's term or otherwise. Although Denham expects that investments will be disposed of prior to winding up and termination and Denham has a limited ability to extend the term of the applicable SMA client, such SMA client could be required to sell, distribute or otherwise dispose of investments or resolve contingent liabilities at a disadvantageous time as a result of the winding up and termination. There can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds will occur.

***Risks of Realization and Lack of Liquidity of Investments.*** A SMA client generally invests in interests in debt securities issued by private companies, which are not publicly-traded. These debt instruments are generally heavily negotiated and subject to offering restrictions and, accordingly, do not have the liquidity of conventional public bond and equity securities. Consequently, a SMA client must rely on other means to achieve liquidity and could be precluded from selling interests in the debt securities at an optimal time. Given the nature of the investments contemplated by a SMA client, there is a significant risk that a SMA client will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies whose borrowings underlie a SMA client's investments, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

***No Secondary Market for Securities.*** The debt securities in which a SMA client anticipates investing are generally heavily negotiated and, accordingly, do not have the liquidity of conventional public bond and equity securities. Due to their illiquid nature, a SMA client will likely not be able to dispose of its interest in a debt security in a timely manner and/or at a fair price. There is no assurance that a SMA client will be able to dispose of an investment in a particular debt security prior to its redemption at maturity. The inability to dispose of a loan position could result in losses to a SMA client, including the loss of its entire investment. The debt of highly leveraged companies or companies in default are also less liquid than other debt. If a SMA client voluntarily or involuntarily sold its interests in those types of debt securities, it would likely not receive the full value it expected.

***Credit Risks.*** Debt investments are subject to credit risk. Credit risk relates to the ability of the borrower to make interest and principal payments on the loan or security as they become due. If the borrower fails to pay interest, a SMA client's income would be reduced. If the borrower fails to repay principal, the value

of that security and the value of a SMA client would be reduced. A SMA client's interests in debt instruments are subject to risks of default.

**Interest Rate Risk.** In general, the value of a debt security changes as prevailing interest rates change. For fixed-rate debt securities, when prevailing interest rates fall, the values of outstanding debt securities generally rise. When interest rates rise, the values of outstanding debt securities earning lower rates generally fall, and they would generally sell at a discount from their face amount. The debt instruments in which a SMA client invests generally will have adjustable interest rates. For that reason, Denham expects that when interest rates change, the amount of interest received by a SMA client in respect of such debt investments will change in a corresponding manner. In contrast, the interest income earned by a SMA client on the cash balances in the collateral account, which is expected to be a small component of a SMA client's total anticipated earnings, is pegged to U.S. Department of Treasury (the "U.S. Treasury") rates and thus will fall when U.S. Treasury rates decline or rise when U.S. Treasury rates increase.

**Benchmark Risk.** The London Interbank Offered Rate ("LIBOR") and certain other "benchmarks" have been the subject of national, international, and other regulatory guidance and reform. As of February 2024, only the synthetic 1-month, 3-month and 6-month US dollar LIBOR settings, and the synthetic 3-month sterling LIBOR setting, remain, with the USD settings expected to cease permanently at the end of September 2024 and the sterling setting expected to cease permanently at the end of March 2024. The current phasing out and discontinuation of the remaining LIBOR settings, or the replacement of the remaining LIBOR settings with an alternative reference rate such as the Secured Overnight Financing Rate ("SOFR"), has the potential to adversely affect Denham's credit arrangements and negatively impact the expected return on a client's portfolio and/or the availability of instruments designed to hedge a fund's exposure to the remaining LIBOR settings, and such impacts could be material.

Although it is expected that certain loan obligations that bear interest based on the remaining LIBOR settings will have migrated to a new benchmark, there is no guarantee that (i) such transition has occurred or will occur, and if it occurs, when such transition will occur, (ii) any particular alternative rate will replace the remaining LIBOR settings as the benchmark for such loan obligations and (iii) any spread adjustment adopted in connection with such transition will be representative of the remaining LIBOR settings as of the date of determination of such benchmark.

The discontinuation of the remaining LIBOR settings could cause an increase in the volatility of the remaining LIBOR settings and SOFR or any other relevant alternative rate prior to the consummation of any such change. There is no certainty as to how the emerging market-accepted alternatives to the remaining LIBOR settings have the potential to impact investment returns. It is possible that no alternative benchmark will reflect the composition and characteristics of the remaining LIBOR settings, and dramatic shifts in debt investments and the debt markets generally could occur, which has the potential to negatively impact the expected return on Denham's portfolios. As a result of the expected transition, interest rates on loans, deposits, derivatives, and other financial instruments tied to the remaining LIBOR settings, as well as the revenue and expenses associated with those financial instruments, could be adversely affected. There is no guarantee that a transition from the remaining LIBOR settings to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which has the potential to have a material adverse effect on Denham's business, result of operations, and financial condition.

**Non-Investment Grade Securities.** SMA clients generally are authorized to acquire interests in securities that are rated in the non-investment grade categories by the various credit rating agencies or are not

rated. Such securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions, and the yields and prices of such securities are more volatile than those for higher-rated securities. The market for non-investment grade and non-rated securities is often less liquid than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and even make it impractical to sell such securities. The limited liquidity of the market could also adversely affect the ability of the relevant calculating party to arrive at a fair value for certain non-investment grade and non-rated securities at certain times and could make it difficult for a SMA client to sell or dispose of certain securities.

***Creditor Rights.*** In some cases, Denham will seek appropriate creditor rights to help protect a SMA client's interests, and such rights could include, under certain circumstances, the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Such creditor rights could expose a SMA client's representatives, and ultimately the SMA client, to potential liability. Not all portfolio companies can obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain could be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation is generally time consuming for such persons and diverts the attention of such persons from a SMA client's investment activities.

#### GENERAL RISK FACTORS

***No Assurance of Investment Return.*** No assurance can be given as to the ability to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that our clients will be able to generate returns for their respective investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described in each client's offering documents. Investments made by our clients are subject to a wide range of risks, including the impact of terrorist acts or threats thereof, economic trends and other externalities beyond the control of our clients or Denham that could cause such investments to lose value. There can be no assurance that any investor of our clients will receive any distribution from the client. Accordingly, an investment in the client should only be considered by persons that can afford a loss of their entire investment. There can be no assurance that projected or targeted returns for our clients will be achieved.

***Global Economic Conditions; Market Dislocation.*** General economic conditions could affect the client's activities. Interest rates, commodity prices, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial markets could affect the value of investments made by the client. Instability in the securities markets increase the risks inherent in portfolio investments made by the client. Events of the past decade in the sub-prime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. To the extent the client's portfolio companies participate in such markets, the results of their operations could suffer. In addition, to the extent that such marketplace events continue or worsen, this could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect the financial resources of the client's portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the client could lose both invested capital in and anticipated profits from such portfolio companies.

In addition, current economic conditions could materially and adversely affect (i) the ability or willingness of certain counterparties to do business with a client or its affiliates; (ii) the ability or willingness of certain counterparties to do business with a fund or its affiliates, including due to labor shortages or supply chain disruptions; (iii) a client's exposure to the credit risk of others in its dealings with various counterparties (for example, in connection with joint ventures or the maintenance with financial institutions of reserves in cash or cash equivalents); (iv) demand for the products and services offered by a client's portfolio companies; (v) growth opportunities for a client's investments; (vi) a client's ability to exit its investments at desired times, on favorable terms or at all; (vii) availability of reliable insurance on favorable terms or at all; and (viii) the ability of a client's investors to meet their obligations to a client in a timely manner or at all. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of our clients' investments, their access to capital or leverage or their overall performance. In light of the distress in the global financial markets, any bankruptcy, insolvency or default by a counterparty to our clients could result in a loss of a client's investments.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Our clients will be competing for investments with other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Over the past several years, an ever-increasing number of private equity funds have been formed, resulting in an unprecedented amount of capital available for private equity investment. Additional funds with similar objectives could be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities will increase, thus reducing the number of investment opportunities available to our clients and adversely affecting the terms upon which investments can be made. Even if investment opportunities are identified, there can be no assurance that the clients' bids to acquire interests in such investments will succeed; and, upon a successful bid, legal or contractual transfer restrictions, including rights-of-first-refusal, change-of-control, and similar provisions applicable to such investment could prevent a client from acquiring all or a portion of such investment. In addition, it is possible that Denham will be unable to obtain as favorable terms as it would otherwise in a less competitive investment environment. The availability of investment opportunities generally will be subject to market conditions as well as the prevailing regulatory or political climate. In addition, the current private equity environment has become even more competitive as other market participants, including hedge funds and special purpose acquisition companies, have been competing for investment opportunities that have traditionally been targeted by private equity funds. Furthermore, additional funds with similar investment objectives could be formed in the future by other unrelated parties. There can be no assurance that our client will be able to locate, consummate and exit investments that satisfy a client's rate of return objectives or realize upon their values, or that our clients will be able to invest fully their committed capital. Even so, investors will need to pay management fees based on aggregate commitments during the commitment period. The difficulty identifying and gaining access to attractive investment opportunities also applies to the management teams of portfolio companies, who potentially are unable to fully invest all the capital committed to those portfolio companies by a client. The clients and the portfolio companies could incur significant expenses investigating potential investments that are ultimately not consummated, including expenses relating to due diligence, transportation, legal expenses and the fees of other third-party advisors.

**Limited Number of Investments.** Our clients will participate in a limited number of investments, and as a result, the aggregate return of our clients could be substantially adversely affected by the unfavorable performance of even a single investment. In particular, our clients will only participate in investments in

their respective sector, and as such, a client's investments will not be diversified across the energy and commodities investment space. Further, investors have no assurance as to the degree of diversification of our clients' investments, either by number, geographic region, or asset type within the sector. Finally, to the extent that the total commitments to a client are less than the targeted amount, our clients could invest in fewer issuers and therefore be less diversified.

***Co-investment Opportunities.*** There can be no assurance that co-investment opportunities will arise with respect to any given portfolio investment of a client. Any such opportunities will be allocated by the general partner of the respective client solely in accordance with the governing agreement. As a result, there can be no assurance that any investor will be entitled to participate in any co-investment. The performance of co-investments is not aggregated with that of a client, including for purposes of determining any carried interest that could arise under the governing agreement. Past performance is not necessarily indicative of future results and the actual number of co-investment opportunities made available to investors, if any, could be significantly higher or lower than those made available in connection with other Denham funds. Denham, in its sole discretion, determines whether to charge management fees, one-time funding fees and/or carried interest in respect of co-investments.

Co-Investors could purchase their interest in an investment at the same time as a Denham fund or could purchase their interest from a Denham fund after the relevant fund has consummated an investment structured in such case as a post-closing sell down or transfer. In addition, if a Denham-controlled vehicle is formed to effect any co-investment, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by a Denham fund. However, from time to time, the fund, alongside which a co-investment vehicle is investing, could be required to bear such costs directly or indirectly. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all broken deal expenses relating to such unconsummated transaction are likely to be borne entirely by the relevant fund, and not by any prospective co-investors, that were to have participated in such transaction. In many cases no co-investment vehicle will have been formed at such time. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle will bear its share of such broken deal expenses.

In addition, a client will bear the risk that any or all of the excess portion of such investment could only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the client's general partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, then a client's general partner's interest in limiting the client's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant client would be required to (i) bear the entire portion of any break-up, topping or other fees, costs, and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment.

***Documentation and Other Legal Risk.*** Energy and energy generation and related projects are typically governed by other complex legal agreements. As a result, there can be a higher risk of dispute over interpretation or enforceability of the agreements. It is not uncommon for energy generation and related



infrastructure assets to be exposed to a variety of other legal risks including, but not limited to, legal action from special interest groups. Interest groups frequently use legal processes to seek to impede the progress of particular projects to which they are opposed.

***Reliance on Portfolio Company Management.*** Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the general partner of each of our clients and Denham will be responsible for monitoring the performance of each investment and generally intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with our client's plans and/or objectives.

Past activities of portfolio company management teams are no assurance of future success. Additionally, portfolio companies will likely need to attract, retain and develop executives and members of their management teams. The market for executive talent can be, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Denham funds could be adversely affected thereby.

***Use of Senior Advisors and Operating Partners.*** As described in detail in a client's offering document, Denham's operating partners and senior advisors are permitted to, and frequently do, join a portfolio company's board of directors, assist in executing operational improvements, corporate development and M&A activities, and, when necessary, act as interim management. Such operating partners or senior advisors will likely, in accordance with a client's governing agreement, be compensated by the client or by a portfolio company as an expense of the client for which the investors would be required to make capital contributions. As a result, other shareholders of a portfolio company are expected to benefit from the activities of Denham's operating partners and senior advisors without sharing payment obligations. It should also be noted that, in accordance with the governing agreement, any amounts paid to independent contractors of Denham (including, without limitation, operating partners, advisors and consultants of the Denham) typically will not comprise "other fees" and, in turn, will not reduce the management fee payable by a client.

***Special Services Vehicle.*** Our clients (in particular, our single-sector clients focused on Mining and Sustainable Infrastructure investments) are permitted to, and frequently do, capitalize, form, operate and manage one or more entities (a "ServiceCo") designed to facilitate the client's investment activities, including, without limitation, the ownership and operation of any intermediate entities formed in connection with the client's investments. The fees, costs and expenses incurred in connection with capitalizing, developing, structuring, operating and winding up any ServiceCo will comprise a fund expense borne by the applicable client (including, without limitation, any travel and accommodation expenses related to any such ServiceCo, the salary and benefits of any personnel reasonably necessary for the maintenance of any such ServiceCo, or other overhead expenses in connection therewith). To the extent a ServiceCo of one client shares resources with any other client's ServiceCo, (i) Denham intends to allocate related shared expenses on a fair and reasonable basis (determined quarterly) among the applicable clients, and (ii) Denham will at times effect payments or reimbursements between the clients and any ServiceCos to give effect to the foregoing.

***Non-U.S. Investments.*** Our clients are permitted to invest a substantial portion of capital in portfolio companies located or operating principally outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to (i)

currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the client's non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iv) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, nationalization of business enterprises, the risks of political, economic or social instability, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation; (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities; (vi) less-developed laws regarding corporate governance, fiduciary duties and the protection of investors, and other differences in applicable legal systems, including the possibility that our clients could experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions; (vii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (viii) political hostility to investments by foreign or private equity investors; and (ix) less publicly available information.

***Non-Controlling Investments; Investments with Third Parties.*** Our clients frequently hold a non-controlling interest in certain portfolio companies and, therefore, potentially have a limited ability to protect their position in such portfolio companies, although as a condition of investment in a portfolio company, it is expected that appropriate shareholder rights generally will be sought to protect the client's interests.

Our clients have, and will likely continue to, co-invest with third parties in consortia, through joint ventures or other entities. Such investments involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer could have financial, legal or regulatory difficulties resulting in a negative impact on such investment, could have economic or business interests or goals that are inconsistent with those of the client or could be in a position to take (or block) action in a manner contrary to the client's investment objectives. In addition, the client could in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties generally receive compensation arrangements relating to such investments, including incentive compensation arrangements.

***Investment in Restructurings.*** Our clients have and anticipate continuing to make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. It is possible that these financial difficulties are never overcome and could cause such portfolio companies to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject a client to certain additional potential liabilities that exceed the value of a client's original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor could have its claims subordinated or disallowed or could be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a client and distributions by a client to the investors could be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings could be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or recharacterize investments made in the form of debt as equity contributions.

**Early-Stage Investments.** Our clients have and anticipate in the future will invest in portfolio companies that: (i) are at a conceptual or early stage of development or that have little or no operating history; (ii) offer services or products that are not yet developed or ready to be marketed or that have no established market; (iii) are operating at a loss or have significant fluctuations in operating results; (iv) are engaged in a rapidly changing business; (v) and need substantial additional capital to set up infrastructure, hire management and personnel, develop product prototypes, support expansion or achieve or maintain a competitive position. Such companies could face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Clients have, and could in the future, invest a significant portion of their assets in the securities of smaller, less-established companies. Investments in such companies involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by a client, such securities are generally subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources, and, therefore, often are more vulnerable to financial failure. Such companies typically also have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on a client's other assets. Our clients have not established any minimum size for the companies in which it will invest.

**Expedited Transactions.** Denham reserves the right to undertake, on an expedited basis, investment analyses and decisions in order for a client to take advantage of investment opportunities. In such cases, the information available to the client at the time of an investment decision will be limited, and the client will likely not have access to the detailed information necessary for a full evaluation of the investment opportunity.

**Exclusivity Arrangements.** In connection with certain investments or potential investments, Denham will often be required to enter into exclusivity arrangements with other transaction participants or a prospective portfolio company. These arrangements frequently restrict the client from participating in an investment with other parties or restrict the client from pursuing investments that are deemed competitive with a portfolio company or potential portfolio company. These restrictions often require the client to forgo desirable investments it would otherwise have made, or require the client to seek the consent of third parties to pursue such investments. Denham will seek to minimize the impact of any such exclusivity arrangements on the client's investment program, when and where practicable.

**Bridge Financings.** From time to time, a client is permitted to provide financing (whether as debt or equity) to portfolio companies on an unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. In such case, the client will bear the risk of any changes in capital markets that could adversely affect the ability of a portfolio company to refinance any bridge investments. Such bridge financings would typically be convertible into a more permanent, long-term security; however, for reasons not always in a client's control, it is possible that such long-term securities issuance or other refinancing does not occur, and such bridge financings could remain outstanding. In such event, there is no assurance that the interest rate on such loans or the terms of such interim investments will adequately reflect the risk associated with the unsecured position taken by a client. Bridge financings and similar arrangements have the potential to cause a Denham fund to be less diversified than Denham intended.

**Warehoused Investments.** Denham and its affiliates could in the future warehouse one or more investments (a “Warehoused Investment”) (subject to applicable laws and regulations) for a Denham fund. The purchase price for any Warehoused Investment will generally be (i) an amount equal to the cost of such Warehoused Investment to Denham (or its applicable affiliates), including any expenses, costs of borrowing, or an interest charge, or (ii) an amount to be determined between parties at the relevant time; provided that Denham and its affiliates have the ability to contribute Warehoused Investments in exchange for a distribution of corresponding interests in such purchasing fund. Denham will determine, in its discretion, when to transfer such Warehoused Investments to the applicable fund, which will affect the amount of interest that will accrue and be paid to Denham or its applicable affiliates (including other Denham funds) upon such transfer or redemption. Because the value of Warehoused Investments could decline prior to their transfer to a Denham fund, there can be no assurance that their value at the time of the transfer will not be less than their cost to such selling fund. Although the value of any Warehoused Investments could decline, in some cases significantly, prior to the admission of investors, such purchasing fund will be required to repay Denham or its affiliates (including the selling fund) any such amounts, plus any expenses, costs of borrowing, or an interest charge. Moreover, in some cases, the value of any Warehoused Investment could increase, which, if subsequently purchased at cost, could benefit the purchaser to the detriment of the seller.

**Leverage.** Our client’s investments are expected to include portfolio companies whose capital structures have significant leverage. Our clients have and will continue to employ leverage at the portfolio level where multiple portfolio companies’ assets collateralize loans that are made for the benefit of one or more portfolio companies. Although the general partner of each of our clients will seek to use leverage in a manner it believes is prudent, the leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry. A decrease in the availability of financing (or an increase in interest rates or other costs) for leveraged transactions would impair our client’s ability to consummate such transactions. In addition, if a portfolio company cannot generate adequate cash flow to meet its debt obligations, our client would likely suffer a partial or total loss of capital invested in such portfolio company. Our clients could also be forced to liquidate assets earlier than planned in order to repay borrowings.

These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company’s creditworthiness is such that it must borrow at higher interest rates than are available to the relevant client. Except where otherwise required by the relevant governing documents, a client will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the client’s creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

**Fund Borrowing.** As described in more detail in the governing agreements of our clients, clients frequently borrow funds or enter into other financing or credit arrangements, including a fund-level credit facility. Subject to the terms and conditions of any fund-level credit facility, the general partner of a client will have the ability from time to time to designate a holding company or portfolio company of a client as a borrower under such credit facility. The commitments (or client assets) could be pledged as collateral to support these arrangements, and a client could charge its portfolio companies fees (which could be received in cash or in kind) for providing any applicable credit support. The agreements for any of the foregoing generally impose additional restrictions on a client and the general partner of such client. For example, it is possible that the general partner will not be permitted to consent to certain transfers of interests, or a client could be prohibited or restricted from making certain distributions to the investors. Borrowings under the fund-level credit facility will be used to finance a client’s investment activities

permitted under its governing agreement and to provide working capital and for other purposes permitted by the governing agreement.

***Certain Risks and Costs of Leverage Below a Fund.*** Even though it presents many of the same risks as fund-level borrowing, indebtedness of entities other than a fund will not be treated as fund-level borrowing for purposes of the Governing Documents, even if the special purpose vehicles or other entities incurring such leverage engage in borrowings that are cross-collateralized with or among multiple investments such that multiple investments and a substantial portion of a fund's value are at risk. As a result, these borrowings will not be subject to any limitations on fund-level borrowing in the governing documents. Since Denham has more flexibility to engage in these structures, Denham has an incentive to incur significant leverage at the level of holding companies beneath a fund. The negative performance of one asset could materially and adversely impact the performance of other investments or a Denham fund as a whole.

***Illiquid and Long-Term Investments.*** Our client's investments require long-term commitment with no certainty of return. Although investments by our clients could generate some current income, the full return of capital and the realization of gains, if any, from an investment is generally not expected to occur until the partial or complete disposition of such investment. While an investment could be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made. It is unlikely that there will be a public market for the securities held by our client at the time of their acquisition. Our clients will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases our clients could be prohibited by contract or regulatory reasons from selling certain securities for a period of time. There can be no assurances that private purchasers of our client's investments will be found.

***Recourse to a Fund's Assets.*** A Denham fund's assets, including any investments made by such Denham fund and any capital held by the Denham fund, are available to satisfy all liabilities and other obligations of the Denham fund. If a Denham fund itself becomes subject to a liability, parties seeking to have the liability satisfied could have recourse to the Denham fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

***Early Termination of a Denham Fund.*** Pursuant to the partnership agreement (or similar agreement), a Denham fund is permitted to be dissolved and terminated prematurely, and as a result, potentially not be able to accomplish its objectives and could be required to dispose of its investments at a disadvantageous time or make an in-kind distribution (resulting in limited partners not having their capital invested and/or deployed in the manner originally contemplated).

***Uncertainty of Financial Projections.*** Denham will generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results could vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

***Public Disclosure Obligations.*** A Denham fund in certain circumstances will be required to disclose confidential information relating to its portfolio investments and its financial results to third parties that

could request such information if and to the extent required by federal, state or local law or regulation applicable to the fund or any of its limited partners, including those limited partners that are public agencies or governmental bodies. There can be no assurance that such information will not be disclosed either publicly or to regulators, or otherwise. In addition, in order to comply with regulations and policies to which a Denham fund, the general partners, Denham, portfolio companies, or service providers (including financial institutions) are or could become subject, or to satisfy regulatory or other requirements in connection with transactions, the Denham fund, the general partners or Denham could be required to disclose information about the limited partners, including their identities. Such disclosure obligations in certain cases will adversely affect certain limited partners, particularly limited partners who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest. Such disclosure obligations in certain cases will adversely affect certain limited partners, particularly limited partners who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest.

***Freedom of Information Act.*** The general partner or Denham could withhold all or any part of the information otherwise to be provided to a limited partner (pursuant to the limited partnership agreement or otherwise) under certain circumstances in order to prevent public disclosure of such information under the U.S. Freedom of Information Act (“**FOIA**”), any governmental public records access law, any state, provincial or other jurisdiction’s laws similar in intent or effect to FOIA, or any other similar statutory or regulatory requirement.

***Accuracy of Third-Party Information.*** Denham could select investments for our clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Denham by third parties. Although Denham will evaluate all such information and data and will ordinarily seek independent corroboration when Denham considers it is appropriate and when such corroboration is reasonably available, it is possible that Denham will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be available.

***Possibility of Fraud or Other Misconduct of Employees and Service Providers.*** Misconduct by Denham personnel, portfolio company officers or employees, service providers to the foregoing or their respective affiliates could cause significant losses to Denham or its funds. Misconduct could include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by a fund, misappropriation of client assets, or the improper use or disclosure of confidential or material non-public information, any of which could result in litigation or serious financial harm. While Denham has controls and procedures through which it seeks to minimize the risk of such misconduct occurring, there can be no assurance that Denham will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor its personnel or investments on an ongoing basis. Further, where such misconduct occurs, Denham or the Denham funds could still have indemnification obligations to such employees and service providers and have limited remedies for such misconduct.

In the event of fraud by any portfolio company or any of its affiliates, our clients could suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company. Such inaccuracy or incompleteness could adversely affect the value of our client’s securities and/or other investments in such portfolio company. In certain investments, the client will rely upon the accuracy and completeness of

representations made by portfolio company and/or their former owners, if applicable, in the due diligence process to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Denham account could be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Banking System Volatility.** The U.S. banking system has experienced, and likely will continue to experience, significant volatility. In the event of failure of any of the financial institutions where Denham, any general partners, the Denham funds, a portfolio company or service providers maintains its respective cash and cash equivalents, there can be no assurance that each would be able to access uninsured funds in a timely manner or at all. Any inability to access, or delay in accessing these funds could adversely affect the business and financial position of Denham, any general partners, the Denham funds, a portfolio company or service provider. Any additional closures that could occur within the banking system, could increase Denham's, the general partners' and the Denham funds' costs, negatively impact the Denham funds' ability to execute on pending transactions, including with respect to the ability to draw down amounts under credit facilities, and divert Denham's time, attention and resources away from the pursuit of the Denham funds' investment strategy. Furthermore, these closures, and any additional closures that could occur within the banking system, have the potential to also increase counterparty risk, including raising the likelihood of defaults or bankruptcies by counterparties and their major customers that rely on such bank relationships. Depending on developments, regulatory guidance and timing, such events could exacerbate the normal risks associated with the Denham funds and result in adverse changes to, among other things: (i) general economic and market conditions; (ii) interest rates, currency exchange rates, and expenses associated with currency management transactions; (iii) demand for investments; (iv) availability of credit in certain markets; and (v) laws, regulations and governmental policies. Furthermore, such events could lead to financial system and participant regulatory reform, and such increased regulatory oversight could impose additional administrative burden on Denham, the general partners and the Denham funds.

**NAV-Backed Borrowing.** Each Denham fund is permitted to enter into net asset value ("NAV") or other asset-backed facilities, hybrid facilities, working capital facilities or other facilities or indebtedness to leverage investments, and any such facilities or indebtedness, could be collateralized by any or all investments or assets of the Denham fund on a joint and several and cross-collateralized basis and could be cross-collateralized with the investments and assets of parallel funds, or subsidiary or other investment vehicle of the Denham fund, or with the investments or assets of other affiliates and such entities could be held jointly and severally liable for the full amount of the obligations arising out of such borrowings. Accordingly, a Denham fund is permitted to pledge or charge its assets (including its commitments) in order to borrow additional funds or otherwise obtain leverage for investments or other purposes (including in support of the obligations of parallel funds, or subsidiary or other investment vehicle of the Denham fund or with the investments or of other affiliates). Denham will determine each Denham fund's use of proceeds from such facilities, and Denham's decision on how to utilize the proceeds of such facilities has the potential to impact the performance of each such Denham fund.

With respect to any NAV or other asset-backed facility entered into by a Denham fund (or an affiliate thereof), a decrease in the value of such Denham fund's investments and other assets would increase the effective amount of leverage as a ratio of asset value, which has the potential to result in the possibility of a violation of certain financial covenants under such facilities that require the Denham fund to repay certain or all of the borrowed funds to the lender. In such event, subject to any limitations set forth in such Denham fund's governing document, Denham has the authority in its sole discretion to require the

limited partners of such Denham fund to make additional capital contributions in respect of such borrowings or to invest in certain portfolio investments, or to cause such Denham fund to dispose of certain investments or assets to repay such borrowings (whether or not such investments or assets are pledged or charged thereunder), or to cause such Denham fund to suffer foreclosure or forced liquidation of the pledged or charged investments and other assets. Liquidation of such Denham fund's investments at an inopportune time in order to satisfy such obligations has the potential to adversely impact the performance of such Denham fund and, if the value of its investments had declined significantly, cause such Denham fund to lose all or a substantial amount of its capital. Furthermore, the amount of leverage derived from a NAV-backed facility poses a substantial risk in an economic downturn due to the highly leveraged nature of such facilities.

The interest expense and other costs of a Denham fund's borrowings (for example, any upfront fees, unused commitment fees and the legal expenses relating to such facilities) will be borne by the relevant Denham fund and, accordingly, will decrease net returns and total distributable profits of such Denham fund. It is possible that a facility's interest rate is higher than the interest rate a limited partner could obtain individually because a facility's interest rate is based in part on the terms of such Denham funds governing documents. A NAV-backed facility could allow Denham to acquire a larger proportion of debt than what lenders would typically deem appropriate in the absence of the use of a Denham fund's capital as collateral. A Denham fund's borrowings allow Denham to enter into additional investments, which creates an incentive for Denham to incur more debt in order to conduct additional deals, particularly if Denham is unable to raise additional capital from present or future limited partners, and has the potential to increase the exposure of such Denham fund to a particular investment above the level that such Denham fund would typically have had there been no such leverage. Additionally, calling a large amount of capital at once to repay amounts under a facility has the potential to cause liquidity concerns for the limited partners that would not arise had smaller amounts of capital been called incrementally over time. The use of borrowed funds at the Denham fund level in lieu of calling capital could create a conflict of interest on behalf of Denham as the use of a facility could impact the calculation of returns by causing the internal rate of return to increase, even though the net effect of such borrowing is to reduce such Denham fund's capital. Accordingly, Denham could be incentivized to fund the investments and ongoing expenses with such borrowings instead of with unfunded capital commitments. To the extent a particular limited partner's cost of capital is lower than such Denham fund's cost of borrowing, such Denham fund's borrowing has the potential to negatively impact a limited partner's overall individual financial returns even if it increases such Denham fund's reported net returns in certain calculation methodologies.

**Public Company Holdings.** Our client's investment portfolio could contain securities issued by publicly held companies or their affiliates. Such investments generally subject clients to risks that differ in type and degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the client to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members or significant shareholders, and increased costs associated with each of the foregoing risks.

**Additional Capital.** Certain of our client's portfolio companies, especially those in a development or "platform" phase, are expected to require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each round of financing (whether from the client or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company could have to



raise additional capital at a price unfavorable to the existing investors, including our client. In addition, our client could make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve its proportionate ownership when a subsequent financing is planned or to protect the initial investment when such portfolio company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of Denham, the Denham funds or any portfolio company. There can be no assurance that the Denham funds will be able to fund all of their portfolio companies' needs or that they will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available.

***U.S. and International Trade Relations.*** Denham, the Denham funds and the companies in which they invest could be adversely affected by economic, social and geopolitical developments in the countries in which they are invested and more broadly. The global economic and geopolitical climate is uncertain as acts of war, acts of terrorism, the threat of future acts of war or terrorism, growing social and political discord in the United States and elsewhere, economic sanctions, tariffs and other trade disputes, evolving international political developments, changes in government policies and taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken. This could have an adverse effect on the economy generally and on the ability of the Denham funds to execute their respective strategies. A climate of uncertainty could reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions. The Denham funds could be adversely affected by abrogation of international agreements and national laws which have created the market instruments in which the Denham funds invest, failure of the designated national and international authorities to enforce compliance with the same laws and agreements, failure of local, national and international organization to carry out the duties prescribed to them under the relevant agreements, revisions of these laws and agreements which dilute their effectiveness or conflicting interpretation of provisions of the same laws and agreements. Global developments related to international policy and trade have fueled doubts about the future of global free trade. The U.S. government, along with other governments, have indicated their intent to alter their approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries, and has made proposals and taken actions related thereto. U.S. and global market and economic conditions could decrease the demand for consumer products and could materially and adversely affect (i) the ability of a Denham fund, its portfolio companies or their respective affiliates to access credit markets on favorable terms or at all in connection with the financing or refinancing of investments, (ii) the ability or willingness of certain counterparties to do business with a Denham fund or its affiliates, (iii) a Denham fund's exposure to the credit risk of others in its dealings with various counterparties (for example, in connection with joint ventures or the maintenance with financial institutions of reserves in cash or cash equivalents), (iv) consumer spending and demand for the products and services offered by a Denham fund's portfolio companies, (v) growth opportunity for a Denham fund's investments, (vi) a Denham fund's ability to exit its investments at desired times, on favorable terms, or at all, (vii) availability of reliable insurance on favorable terms or at all, and (viii) the ability of a Denham fund's investors to meet their obligations to a Denham fund promptly or at all. There can be no assurance as to the future direction of national and global market and economic conditions. The market outlook, trends, opportunities and other matters presented in the Denham funds' private offering documents and governing agreements are based on various estimates and assumptions, including about future events. There can be no assurance that such market outlook, trends, opportunities and other matters will materialize.

**Israel Conflict.** Following the invasion of Israel on October 7, 2023 by certain organizations residing in territories and countries adjacent to Israel, military activities conducted immediately thereafter by many of the parties involved or indirectly involved have significantly increased the risks related to the conduct of international policy and trade in the area. The foregoing could seriously impact the operations of the Denham funds and their ability to realize investment objectives in a timely manner.

**Russia-Ukraine Conflict.** The Russian Federation invaded Ukraine on February 24, 2022. Geopolitical tensions have mounted in response and the United States (“US”), United Kingdom (“UK”), European Union (“EU”) member states, and other countries have imposed economic sanctions on the Russian Federation, parts of Ukraine, as well as various designated parties. These sanctions have impacted the Russian economy. As further military conflicts and economic sanctions continue to evolve, it has become increasingly difficult to predict the effect of these events or how long they will last. Depending on direction and timing, the Russian Federation-Ukraine conflict could significantly exacerbate the normal risks associated with a Denham fund and lead to adverse changes to, among other things: (i) general economic and market conditions; (ii) shipping, energy and transportation costs and supply chain constraints; (iii) interest rates, currency exchange rates, and expenses associated with currency management transactions; (iv) demand for investments; (v) available credit in certain markets; (vi) import and export activity from certain markets; and (vii) laws, regulations, treaties, pacts, accords and governmental policies. Economic and military sanctions related to the Russian Federation-Ukraine conflict, or other conflicts, could affect markets, global supply and demand, import/export policies, and the availability of labor in certain markets. There is no guarantee that such sanctions and economic actions will abate or that more restrictive measures will not be put in place in the near term. It is also expected that the Russian Federation-Ukraine conflict could spark further sanctions or military conflicts which will impact other regions. The foregoing could seriously impact each Denham fund’s operations and its ability to realize its investment objectives timely.

**Withdrawal of the United Kingdom from the European Union.** The UK withdrew from the EU on January 31, 2020 (“Brexit”). In connection with Brexit the UK and the EU agreed to the Trade and Cooperation Agreement (“TCA”) which took effect from January 1, 2021, that governs the future trading relationship between the UK and the EU in specified areas. On June 27, 2023, the UK signed a Memorandum of Understanding with the European Union to increase co-operation on financial services. The Memorandum of Understanding does not represent an agreement or roadmap towards reconstituting any of the mutual freedoms prior to Brexit; rather, it represents an arrangement to cooperate around shared objectives and establishes a “forum” mechanism to facilitate discussion.

The Memorandum of Understanding sets out a shared objective of preserving financial stability, market integrity and the protection of investors and consumers. Brexit continues to lead to changes to the regulatory environment and regulatory divergence between the UK and EU. In particular, in the UK the Financial Services and Markets Act 2023, which received Royal Assent on 29 June 2023, made provision for all retained EU legislation (known as “assimilated law” from 1 January 2024) to be repealed and replaced with UK-specific legislation and regulatory rules. While this will not necessarily result in policy changes to all regimes inherited from the EU, it does afford policymakers with the opportunity to make such changes and will result in divergence in certain areas. Further, the EU is also working on legislative changes as part of scheduled reviews of various regulatory regimes; such changes will not be reflected in the UK equivalent regimes.

There can be no assurance that any negotiated laws, taxation and/or regulations will not have an adverse impact on the Denham, the funds or their portfolio companies, including the ability of the Denham funds

to achieve their investment objectives. The ongoing effects of Brexit have the potential to result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities), an adverse effect on the ability of Denham to manage, operate and invest the Denham funds and increased legal, regulatory or compliance burden for Denham or the Denham funds, each of which has the potential to negatively impact the operations, financial condition, returns or prospects of the Denham funds.

***Use of Derivatives and Other Specialized Techniques.*** Companies in the energy and commodities industries engage in derivative transactions to insulate against changes in commodities prices, and our clients or their portfolio companies are permitted to engage in other derivative or similar transactions. These transactions could involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars or other arrangements. Such instruments could be difficult to value, could be illiquid and could be subject to wide swings in valuation caused by changes in the price of commodities or other underlying assets. Derivative instruments could trade principally on markets organized outside the United States. Markets for such instruments could be illiquid, highly volatile and subject to interruption. There is no assurance that suitable hedging instruments will continue to be available at reasonable cost. The investment and hedging techniques related to derivative instruments are highly specialized and could be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques could turn on small changes in exogenous factors not within the control of portfolio companies, Denham or our clients. Exchange-traded futures and options on futures are subject to extensive statutes, regulations and margin requirements, which could include without limitation position limits or accountability standards and daily priced limits. Over-the-counter (“OTC”) derivatives are also subject to regulatory requirements, including margin requirements. For all the foregoing reasons, the use of derivatives and related techniques can expose our clients and its portfolio companies to significant risk of loss.

***Hedging Policies and Commodities Price Risks.*** In connection with certain investments, a client or its portfolio companies are expected to employ hedging or other structuring techniques designed to reduce the risks of adverse movements in commodities prices, interest rates, securities prices and currency exchange. While such transactions could reduce certain risks, such transactions themselves could entail certain other risks. If a client or a portfolio company engage in any such hedging activities, it could be exposed to credit-related losses in the event of non-performance by counterparties to the physical or financial instruments. Additionally, if commodity prices, interest rates or exchange rates increase above or decrease below those levels specified in any future hedging agreements, such hedging arrangements could prevent a Denham fund or a portfolio company from realizing the full benefit of such increases or decreases. In addition, any future commodity hedging arrangements could cause a Denham fund or a portfolio company to suffer financial loss if it is unable to produce sufficient quantities of the commodity to fulfill its obligations, if it is required to pay a margin call on a hedge contract or if it is required to pay royalties based on a market or reference price that is higher than a Denham fund’s or the portfolio company’s fixed ceiling price.

To the extent that risk management activities and hedging strategies are employed to address commodity prices, exchange rates, interest rates or other risks, risks associated with such activities and strategies, including counterparty risk, settlement risk, basis risk, liquidity risk and market risk, could impact or negate such activities and strategies, which would have a negative impact on the Denham fund’s overall performance.

**Currency and Exchange Rates.** A significant portion of our clients' investments, and the income received by our clients with respect to such investments, could be denominated primarily in foreign currencies. However, the books of our clients are maintained, and contributions to and distributions from are clients generally are made, in U.S. dollars. Accordingly, changes in currency exchange rates could adversely affect the dollar value of investments and the amounts of distributions, if any, to be made by our clients. In addition, our clients will incur costs in converting investment proceeds from one currency to another. The general partner of each of our clients could enter into hedging transactions designed to reduce such currency risks. With respect to investors of Denham accounts from any country in which U.S. dollars are not the local currency, changes in the exchange rate between U.S. dollars and such currency could have an adverse effect on the value, price or income of the investment to such investor. Each prospective investor of our clients should consult with its own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in one of our clients.

**Inflation.** Certain countries have experienced and could in the future experience substantial, and in some periods extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates have harmed and could continue to harm the economies and securities markets (both public and private) of certain countries in which the clients invest. There can be no assurance that high rates of inflation will not have a material adverse effect on the investments of the clients. For example, if a company were unable to increase its revenue while business expenses were increasing, the company's profitability would likely suffer. Likewise, to the extent a company has revenue streams that are slow or unable to adjust to changes in inflation, including by contractual arrangements or otherwise, the company could increase revenue by less than its expenses increase. Conversely, as inflation declines, a company could see its competitors' costs stabilize sooner or more rapidly than its own. Moreover, as inflation increases, the real value of the interests in the Denham funds and distributions therefrom can decline and increase the likelihood that the Denham fund will surpass its hurdle rate.

Depending on the inflation assumptions relating to anticipated cash flows from an investment of a fund, as well as the manner in which the asset revenue is determined with respect to such an investment, returns from an investment of each Denham fund could vary from those projected by Denham or its general partner as a result of changes in the rate of inflation and any corresponding changes in the price of commodities. In addition, the market value of investments by the Denham funds could decline in times of higher inflation rates given that the most commonly used methodologies for valuing such investments (e.g., discounted cash flow analysis) are sensitive to rising inflation and real interest rates.

**Due Diligence Risks.** Before making investments, the general partners of our clients and Denham intend to conduct due diligence that they deem appropriate based on the facts and circumstances applicable to each investment. Due diligence could entail evaluation of important and complex business, financial, tax, accounting, and legal and regulatory issues. Outside consultants, legal advisors, accountants, investment banks and other third parties could be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants could present a number of risks primarily relating to the general partner's reduced control of the functions that are outsourced. In addition, if Denham is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, Denham will rely on the resources available to it, including information provided by the issuer and, in some circumstances, third-party investigations.

The due diligence investigation that Denham carries out with respect to any investment opportunity could be limited and potentially not reveal or highlight all relevant facts that are necessary or helpful in

evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Additionally, among the other risks inherent in investments, particularly so in companies experiencing financial distress, is the fact that it frequently could be difficult to obtain information as to the true condition of such issuers. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect.

***Environmental Matters.*** Environmental laws, regulations and regulatory initiatives play a significant role in the energy and commodities industries and can have a substantial impact on investments in such industries. For example, many jurisdictions have complex regulations that can change abruptly, making it difficult to estimate closure and reclamation costs. Required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. Certain rules and regulations require that investments address prior environmental concerns, including soil and groundwater contamination caused by the spillage of fuel, hazardous materials or other pollutants. The energy and commodities industries will continue to face considerable oversight from environmental regulatory authorities, and Denham will seek to evaluate carefully the expected impact of environmental compliance on all potential investments. Our clients could invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

Portfolio companies risk exposure to the liabilities and obligations associated with and arising from environmental hazards, such as ruptures and discharges of hazardous substances, mining accidents and historic disposal activities and other contamination from historic operations. These environmental hazards could expose portfolio companies to material liabilities (including litigation) for property damage, personal injury or other environment-related losses, including the cost of investigating and remediating contaminated property. Any of these events could have a material adverse effect on the financial condition and business operations of the portfolio companies.

Our clients also could be liable for environmental damage caused by previous owners or operators of any property it or any of its issuers purchase. Additionally, environmental claims with respect to a specific investment could exceed the value of such investment, and under certain circumstances, subject the other assets of the portfolio company to such liabilities. Even in cases where a Denham account or a portfolio company is indemnified by a third party with respect to an investment against liabilities arising out of violations of environmental laws and regulations or other environmental conditions, there can be no assurance as to the financial ability of such third parties to satisfy such indemnities or the ability of the client to achieve enforcement of such indemnities.

Under certain circumstances, environmental authorities and other parties could seek to impose personal liability on the limited partners of a partnership (such as our clients) subject to environmental liability. However, a limited partner investor in one of our clients could reduce its risk of such personal liability by avoiding activities with respect to the client's portfolio investments other than as specifically contemplated by the governing agreement.

***Climate Change Laws.*** In response to findings that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, establish Prevention of Significant Deterioration ("PSD") construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet "best available control technology" standards that will be established by the states or, in some cases, by the EPA on a case-by-case basis. These EPA rulemakings could adversely affect a portfolio company's operations and restrict or delay its ability to obtain air permits for new or modified sources.

In the absence of federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If U.S. Congress undertakes comprehensive tax reform, it is possible that such reform could include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. Although it is not possible at this time to predict how legislation or new regulations that could be adopted to address GHG emissions would impact each Denham account's investment program, any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, a portfolio company's equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere could produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on a portfolio company's exploration and production operations.

***Catastrophic and Force Majeure Events; Availability of Insurance.*** While portfolio companies could maintain insurance to protect against certain operational risks, such as business interruption insurance, such insurance is not subject to customary deductibles and coverage limits and potentially are not sufficient to recoup all of a portfolio company's losses. In addition, our clients' investments could be subject to catastrophic events and other force majeure events, in the construction, technical and operational phases, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment, significant down time resulting in lost revenues, and injury or loss of life, as well as litigation related thereto, among other potentially detrimental effects. Losses from such catastrophic events could be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. To the extent losses related to such events are insurable at all, they could have high deductibles and other important limitations on coverage. As a result, not all investments could be insured against such events, or such insurance could be obtained notwithstanding the high cost.

***Natural Disasters, Terrorist Acts and Similar Dislocations.*** Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, pandemic, or upon an incident of war, riot or civil unrest, there is no

assurance that the impacted country will efficiently and quickly recover from such event, which can have a material adverse effect on portfolio companies and other developing economic enterprises in such country. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. military and related actions in Afghanistan and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S. and world economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to our client's investments. These disruptions could also expose our client to significant construction risks, including the risk of substantial delay or increase in cost due to the factors noted in this paragraph. A material delay or increase in unabsorbed costs could significantly impair the financial availability of an investment project and result in a material adverse effect on the client's investments.

**Cyber Security Incidents and Risks.** Denham, each Denham fund, portfolio companies and service providers to Denham, rely on the Internet, computer networks, and various software and hardware ("IT Systems") for current and planned and internal and external-facing operations. IT Systems and the confidential information, personal information, financial information, and other proprietary or nonpublic information Denham, the Denham funds, each Denham fund's portfolio companies or third-party vendors store, transmit, and otherwise process (collectively, the "Information") are subject to cybersecurity threats, risks and vulnerabilities, including through social engineering/phishing, malware (including ransomware), malfeasance by insiders, human or technological error, and vulnerabilities in software (including malicious code) that is integrated into IT Systems, products or services. While Denham has taken steps to protect its IT Systems and Information, threat actors are increasingly sophisticated and using advanced tools and techniques (including artificial intelligence) to circumvent security controls, evade detection and delete forensic evidence, which impacts Denham's ability to timely and effectively detect, investigate, mitigate and recover from attacks and incidents. Denham also engages third parties to perform various functions, and we cannot control their actions entirely.

While Denham has not suffered any cybersecurity incidents that have resulted in, or are expected to result in, a material impact to Denham's operations or financial results, Denham, a Denham fund or a Denham fund's portfolio company could experience cybersecurity incidents in the future that have a material adverse impact on its business or operations. A security incident has the potential to result in significant costs and liability, including legal claims or proceedings, regulatory investigations and enforcement actions, fines and penalties, increased preventative and protective costs, significant incident response, system restoration or remediation and compliance costs, reputational or brand damage, loss of investors, and the loss of liquidity. Any of the foregoing has the potential to materially impact Denham's business prospects or financial position, as well as each Denham fund's ability to achieve its investment objectives or conduct its operations. Finally, there is no guarantee that any costs and liabilities will be covered by Denham's existing insurance policies or that applicable insurance will be available to Denham in the future on economically reasonable terms or at all.

**Systems and Operational Risk.** Denham relies on certain financial, accounting, data processing and other operational systems and services that are employed by Denham and by third party service providers, including prime brokers, third-party administrators, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems could be subject to certain defects, failures or interruptions. For example, Denham and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients'

operations. In addition, despite certain measures established by Denham and third-party service providers to safeguard information in these systems, Denham, clients and their third-party service providers are subject to risks associated with a breach in cybersecurity which could result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions could lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

***Diseases, Pandemics and Epidemics.*** The impact of disease and epidemics, including coronavirus, could have a negative impact on our business, the funds, their portfolio companies and their performance and financial position. Renewed outbreaks of existing pandemics or the outbreak of new epidemics or pandemics (or variants thereof) could result in health or governmental authorities requiring the closure of offices or other businesses and could also result in a general economic decline. For example, such events could adversely impact economic activity through disruption in supply and delivery chains. Moreover, our operations and those of our funds or portfolio companies could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses could have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence could negatively impact market value, increase market volatility and reduce liquidity, all of which could have an adverse effect on our business, the Denham funds and underlying portfolio investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated.

***Business Continuity Plans.*** In the event of unforeseen catastrophic events such as natural disasters, terrorist attacks and epidemics, Denham will initiate its business continuity plan to safeguard that its employees have the resources and technology necessary to continue their responsibilities and meet portfolio company and investor needs. The business continuity plan is tested to ensure that appropriate measures are put in place to manage any such catastrophic events. However, Denham is not able to predict the level of disruption that such catastrophic events could have on its operation or the ability of the plan to succeed in a time of crisis. Thus, its business continuity plan could be insufficient to continue operating Denham's business as usual. The failure of the business continuity plan for any reason could cause significant interruptions in a general partner's, Denham's, the accounts' and/or a portfolio company's operations. Similar types of operational risks are also present for the portfolio companies in which the accounts invest, which could have material adverse consequences for such companies and could cause the accounts' investments to lose value. While Denham has limited ability to control these risks at the portfolio-company level, Denham will work with portfolio companies to implement their own business continuity plans, where the opportunity arises.

***Valuation Risks.*** World financial markets have experienced extraordinary market disruptions recently, including, among other things, extreme losses and volatility in securities and energy markets. In reaction to these events, regulators in the U.S. and several other countries have undertaken exceptional regulatory actions, including interest rate cuts and halting market trading. Recent volatility in the world financial markets and depressed commodity prices could negatively affect the valuation of the account and its investments and impair Denham's ability to accurately value portfolio investments. Valuation estimates could cause uncertainty in the performance of investments and the account.

***U.S. Taxation of Carried Interest.*** U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the clients as short-term capital gain (taxed at higher ordinary



income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a client (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which could be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that could be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a client, its general partner, or Denham who were or could in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract and retain individuals to perform services for a client. This creates potential incentives for Denham to cause a client to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

***Recent Developments in the U.S. and Global Financial Markets.*** The current environment is one of significant uncertainty for the financial services industry. These developments have heightened the risks associated with the investment activities and operations of investment funds, including without limitation, those resulting from a substantial reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity, an increased risk of insolvency of prime brokers and other counterparties, and regulatory changes that could have an adverse effect on investment funds generally, and in particular, on the our clients' ability to achieve its investment objective. In addition, U.S. governmental action concerning instability in the U.S. financial markets could have a significant impact on the financial services industry or other industries generally. Global financial markets have experienced considerable declines in the valuations of equity and debt securities and an acute contraction in the availability of credit. As a result, certain government bodies and central banks worldwide, including the U.S. Treasury and the Federal Reserve, have undertaken unprecedented intervention programs, the effects of which remain uncertain.

The global credit markets continue to experience substantial disruption and financial instability extends beyond the United States. Although there has been recent improvement in the global financial markets, particularly in the United States where employment is rising, there significant increases in inflation and interest rates attendant thereto. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of our clients' investments, their access to capital or leverage or their overall performance. In light of the distress in the global financial markets, any bankruptcy, insolvency or default by a counterparty to our clients could result in a loss of a client's investments.

***Risk Management.*** There is no assurance that our client's methods to minimize investment strategy and market risks will accurately address future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which could fail to predict market divergences that are larger than historical indicators. Also, information used to manage risks will potentially not be accurate, complete or current, and such information could be misinterpreted. In certain situations, the accounts could be unable to, or could choose not to, implement risk management strategies because of the costs involved or other relevant circumstances or business judgments, and even if risk management strategies are utilized, such strategies cannot fully insulate the accounts from the risks inherent in its planned activities. No risk management system is fail-safe.

***Material, Non-Public Information.*** By reason of their responsibilities in connection with other activities of Denham, including the management of other investment accounts that could be organized or managed by Denham, certain Denham personnel are expected to acquire confidential or material non-public

information or be restricted from initiating transactions in certain securities. Our clients will not be free to act upon any such information. Due to these restrictions, there is no assurance that our clients will be able to initiate a transaction that it otherwise might have initiated or be able to sell an investment that it otherwise might have sold.

Despite the maintenance of restricted lists and other internal controls relating to the management of material non-public information, such procedures could fail and lead to Denham, or one of its investment professionals, buying or selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could harm Denham's reputation, lead to the imposition of regulatory or financial sanctions, and harm Denham's ability to perform its investment management services on behalf of a client.

***Broken Deal Expenses.*** Our client's investments often require extensive due diligence activities prior to acquisition, including feasibility and technical studies, preliminary engineering costs and marketing studies, environmental review and legal costs. In the event that an investment is not consummated, some or all of such third-party expenses will be borne by a particular client and its investors and could be significant.

***Allocation of Investment Opportunities.*** The objective of Denham with respect to allocations of investment opportunities is to ensure that all Denham accounts are treated in a fair and equitable manner under the particular circumstances. Accordingly, Denham has established allocation policies and procedures in an effort to ensure that investment opportunities are allocated among advisory clients in a fair and equitable manner. These policies and procedures seek to provide consistent treatment, to the extent possible and consistent with legal, regulatory and contractual restrictions, of accounts that have similar investment objectives and guidelines. There can be no assurance that the application of these policies and procedures will result in fair or equivalent allocation of, or participation in, investment opportunities, or comparable performance of investments allocated to one advisory client as compared to another.

***Foreign Interests in U.S. "Critical Infrastructure" and "Critical Technology".*** Since the funds are permitted to invest in portfolio companies that produce, design, test, manufacture, fabricate, or develop critical infrastructure or critical technology in the United States, the funds' acquisition of portfolio companies could be reviewed by the Committee on Foreign Investments in the United States. This could have a material adverse effect on the participation in the funds by the investors or could limit the market of potential buyers and increase deal uncertainty for any sale, which could have a negative impact on the price realized. Recently passed regulations could also have the effect of restricting the percentage of such infrastructure or technology investments that can be owned (directly or indirectly) by non-U.S. investors. If such limitations on non-U.S. ownership cannot be addressed by insulating non-U.S. investors, then Denham could be required to impose additional restrictions or take remedial measures to prevent the percentage of non-U.S. investors in certain fund assets from exceeding such restrictions.

***OFAC Considerations.*** Economic sanction laws in the United States and other jurisdictions could prohibit Denham, Denham's professionals and some of Denham's accounts from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers

and other parties subject to OFAC sanctions and embargo programs. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions could restrict some of our client's investment activities.

***Anti-Corruption Laws and Regulations.*** Conducting business on a worldwide basis require our client's portfolio companies to comply with the laws and regulations of the U.S. government and various international jurisdictions, and their failure to comply with these rules and regulations could expose both our client and such portfolio companies to liabilities. These laws and regulations could apply to companies, individual directors, officers, employees and agents, and could restrict our client's portfolio companies' operations, trade practices, investment decisions and partnering activities. In particular, our client's international portfolio companies are subject to U.S. and foreign anti-corruption laws and regulations, such as the Foreign Corrupt Practices Act ("FCPA") and the U.K. Bribery Act 2010 (the "Bribery Act"). In particular, the FCPA prohibits U.S. companies and their officers, directors, employees and agents acting on their behalf from corruptly offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately and fairly reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. As part of their business, our client's portfolio companies are expected to deal with state-owned business enterprises, the employees and representatives of which could be considered foreign officials for purposes of the FCPA. The Bribery Act contains similar restrictions. In addition, some of the international locations in which our client's portfolio companies operate could lack a developed legal system and have elevated levels of corruption. As a result of the above activities, our client's portfolio companies could be exposed to the risk of violating anti-corruption laws. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. A portfolio company's employees, subcontractors and agents could take actions that violate these requirements, which could adversely affect our client's portfolio companies' reputation, business, financial condition and results of operations.

***Side Letters.*** The general partner, on behalf of the respective client, could from time to time enter into side letters with one or more investors, which provide such investors with additional or different rights (including with respect to access to information and liquidity terms) than such investors have pursuant to the governing agreements, in connection with their admission to a client as limited partners therein without the approval of any other investor. As a result of such side letters, certain investors could receive additional benefits that other investors will not receive. The general partner, on behalf of the respective client, could enter into such side letters with any party as the general partner could determine, in its sole and absolute discretion, at any time. Such rights or terms in any such side letter or other similar agreement could include, without limitation, (i) fee or carried interest arrangements with respect to such investors; (ii) excuse rights applicable to particular investments (which could increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments); (iii) reporting obligations of the general partner; (iv) waiver of certain confidentiality obligations; (v) consent of the general partner to certain transfers by such investor; (vi) special rights with respect to co-investment; (vii) withdrawal rights; (viii) limits on indemnification obligations; or (ix) rights or terms necessary in light of particular legal, public policy or regulatory characteristics of an investor. Any rights

or terms so established in a side letter with an investor will not require the approval of any other investor notwithstanding any other provision of the governing agreement.

**Indemnification.** Subject to limitations imposed by law or regulation, our clients will be required to indemnify their respective general partner, Denham and any sub-advisors, their affiliates and each of their respective members, officers, directors, employees, stockholders, shareholders or partners and other persons who serve at the request of the general partner on behalf of a client for liabilities incurred in connection with the affairs of a client. Members of a client's advisory committee will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the governing agreement (subject to limitations imposed by law or regulation). Such liabilities could be material. For example, in their capacity as directors of portfolio companies, the partners, managers or affiliates of the general partner could be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of our clients would be payable from the assets of our clients, including the unpaid capital commitments of investors. If the assets of our clients are insufficient, the general partners could recall distributions previously made to the investors, subject to certain limitations set forth in the governing agreements.

**No Market for Limited Partner Interests; Restrictions on Transfers.** Interests in our clients have not been registered under the 1933 Act, the securities laws of any U.S. state thereof or the securities laws of any other jurisdiction; and, therefore, cannot be resold unless they are subsequently registered under the 1933 Act and other applicable securities laws or unless an exemption from registration is available. It is not contemplated that registration of the interests under the 1933 Act or other securities laws will ever be effected. There is no public market for the interests, and one is not expected to develop. An investor will not be permitted to assign, sell, exchange or transfer any of its interests, rights or obligations with respect to its interests without the prior written consent of the general partner of the respective client, which consent could be given or withheld in the sole and absolute discretion of such general partner. Except in extremely limited circumstances, withdrawals from our clients will not be permitted. Investors must be prepared to bear the risks of owning interests for an extended period of time.

**The AIFMD and the UK AIFMR.** The Directive on Alternative Investment Fund Managers, together with any supplementary regulation implemented in the UK following Brexit ("UK AIFMR"), or subordinate legislation or guidance thereto implemented in any relevant jurisdiction ("AIFMD"), imposes requirements on AIFMs (as defined in the AIFMD) that markets AIFs (as defined in the AIFMD) to professional investors who are domiciled or have a registered office within the European Economic Area (the "EEA") or the UK, as applicable. The UK AIFMR currently imposes compliance obligations that are broadly similar to those described below in connection with a non-EEA AIFM marketing a non-EEA AIF.

For these purposes certain of the funds are non-EEA and non-UK AIFs and Denham is a non-EEA and non-UK AIFM. As a non-EEA entity, Denham is required to comply with the national private placement regimes in those EEA member states that allow private placement in which interests in a fund are marketed and sold. Compliance with these requirements could result in significant additional costs over the life of the funds and could reduce returns to investors. In addition, Denham relies on third party AIFMs to manage certain of its AIFs from time to time. Denham and its affiliates and agents have endeavored to comply with these rules as interpreted, but there is not absolute certainty as to their successful compliance. In the event that Denham or any of its affiliates or agents, including any third party AIFMs, is found to have breached the provisions of the AIFMD (inadvertently or otherwise), such parties (and/or a fund indirectly) could face regulatory sanctions and/or EEA investors could seek to rescind their interests, which would result in significant costs and ultimately materially and adversely affect such fund.

**AIFMD II.** On November 25, 2021, the European Commission adopted a legislative proposal to amend the AIFMD and Directive 2009/65/EC (the “Amending Directive”). On November 16, 2013, the Council of the European Union and the European Parliament announced that they had reached political agreement on the text of the Amending Directive. The Amending Directive is expected to become effective in 2026, subject to certain transitional arrangements. The text provides a number of provisions that, when implemented have the potential to adversely affect the ability of certain of the funds to achieve their investment objectives, as well as the ability of certain of the funds to conduct their operations, including but not limited to: concentration limits, limits on lending to connected entities, cap on leverage and risk retention requirements for loan originating funds, and also mandated liquidity management mechanisms. As a result, certain of the funds and their investments could be adversely affected. It is possible that the Amending Directive will entail certain of the Denham funds incurring additional costs, expenses or resources, and restrict or prohibit certain activities.

**Data Privacy and Cybersecurity Laws and Requirements.** Denham, each Denham fund, their respective affiliates, portfolio companies, and, on their behalf, third-party vendors, collect, use, handle and otherwise process information related to individuals (“personal information”), including information concerning actual and prospective individual investors (and the beneficial owners of investors) and representatives of institutional investors, as well as employees, job applicants, representatives of companies Denham, a portfolio company or an affiliate thereof does business with, and others, which subjects Denham, its portfolio companies or their affiliates to certain foreign, federal and state laws, regulations, rules and other requirements related to the privacy, security and processing of personal information.

These requirements, and their application and interpretation, are constantly evolving and increase the potential exposure to regulatory enforcement or litigation. In particular, the SEC has proposed new cybersecurity risk management rules intended to enhance cybersecurity preparedness and resilience, which would impose further requirements on Denham if the new rules were to come into effect. Compliance with such emerging requirements will likely result in increased compliance costs and have the potential to lead to changes in Denham’s business practices.

The General Data Protection Regulation and equivalent legislation in the UK impose comprehensive data privacy compliance obligations in relation to the processing of personal information which are actively enforced (the “GDPR”). The GDPR also regulates the international transfer of personal information from the European Economic Area (“EEA”) and UK. Following development of regulatory guidance and enforcement action in this area, we expect legal complexity and uncertainty regarding data transfers to continue. To the extent that Denham actively offers investment opportunities to natural persons located in the EEA and the UK, Denham will be subject to the GDPR.

In addition, Denham, the Denham funds, and their respective affiliates receive, store, handle, transmit, use and otherwise process information related to our portfolio companies and prospective portfolio companies, including from and about actual and prospective investors (and the beneficial owners of investors), as well as our employees, job applicants, contractors and representatives of companies we do business with (collectively, “confidential information”). As a result, Denham, each Denham fund and each affiliate thereof is, and could in the future become subject to further U.S. federal and state laws, rules and regulations related to data privacy, data protection and information security which could apply to personal information provided by, or on behalf of, any investor. For instance, in the United States, the federal Gramm-Leach-Bliley Act of 1999 (“GLBA”) and Regulation S-P adopted by the SEC pursuant to the GLBA, imposes certain privacy obligations on covered financial institutions that offer financial products or

services, including to notify customers of their privacy policies and establish sufficient safeguards of its confidential information. Additionally, many states are currently reviewing or proposing the need for greater regulation of the collection, sharing, use and other processing of information about individuals and there remains increased interest at the federal level.

We could be required to modify our data collection or processing practices and policies and incur substantial costs and expenses in an effort to comply with such laws, and increase our potential exposure to regulatory enforcement and/or litigation. Additionally, these requirements, and their application, interpretation and amendment are constantly evolving and developing. Compliance with existing and emerging data privacy and security laws, regulations and industry standards could result in increased compliance costs and/or lead to changes in business practices and policies. Any actual or perceived failure to protect the confidentiality of client or other personal information could adversely affect Denham's reputation, result in legal claims or proceedings (including class actions), regulatory investigations or enforcement actions, fines or other financial loss, require Denham to incur significant costs or investment in resources, and impact strategies, any of which could materially and adversely affect Denham and each Denham funds business, results of operations and financial condition.

**ESG Matters.** ESG matters have been the subject of increased stakeholder and regulatory focus. This can result in increased costs and risks associated with our activities. While Denham strives to implement appropriate ESG practices, expectations and standards regarding ESG matters continue to evolve rapidly, and there can be no assurance that Denham will be able to identify all ESG matters that impact investments or that any measures adopted will successfully manage the matters that are identified. ESG-related practices differ by region, industry, and issue; as such, an investment or potential investment's ESG profile and practices, or Denham's assessment of such profile and practices, change over time. Methodologies regarding ESG matters continue to evolve and, in many cases, the assessment of ESG matters entails a substantial degree of subjectivity, including on the appropriate metrics or other information to use. As such, there is no guarantee that Denham will be able to measure the ESG risks or performance of investments or potential investments of a Denham fund in a manner that is accurate or in keeping with the values and preferences of a particular investor. In evaluating an investment's ESG characteristics, Denham expects to also rely on information and data from various third parties, which could be incomplete, inaccurate, produced using different or divergent methodologies, or unavailable. As a result, there is a risk that Denham could incorrectly assess the ESG profile of an investment or potential investment, including the feasibility of improving such profile or the costs associated therewith. There is also a risk that Denham's application of ESG criteria is not done correctly or with a focus on particular risks, either in relation to individual criteria or in the aggregate. Even where ESG matters are assessed, a portfolio could have indirect exposure to companies that do not meet the relevant ESG criteria used by such portfolio.

While Denham views ESG considerations as having the potential to contribute to a portfolio's long-term performance, there is no guarantee that any particular results will be achieved, either over a particular timeframe or at all. Relatedly, there is no guarantee that any investment or potential investment will achieve ESG targets or, whether or not such targets are met, have a particular impact, either on particular ESG matters or as a whole. Further, the application of ESG considerations in the discovering, assessing, developing, negotiating, evaluating, acquiring, structuring, holding, carrying, monitoring, managing and disposing of the Denham funds' investments could result in higher ESG compliance expenses or costs. The use of ESG criteria affects a Denham fund's investment performance (including by increasing expenses) and, as such, any given Denham fund is expected to perform differently compared to similar funds that either do not use such criteria or use such criteria in a different manner.

Additionally, it should not be assumed that any ESG practices or standards will apply, or will not apply, to every investment in which the Denham funds invest or that they have applied, or have not applied, to all of such Denham funds' prior investments. ESG is only one set of many considerations that Denham takes into account when making investment decisions and when seeking to maximize risk-adjusted investment returns, and other considerations can be expected in certain circumstances to outweigh ESG considerations. Accordingly, certain investments exhibit characteristics that are inconsistent with ESG standards.

The impact following the occurrence of an ESG event varies depending on the nature of the event, asset class, the region and applicable regulatory regime(s). Where such an event occurs, there could be a negative impact on the value of an underlying asset or other adverse impacts for the underlying asset, Denham or the Denham funds, including resulting in reputational harm. Any ESG information provided is intended solely to provide an indication of ESG initiatives and standards that the firm applies when seeking to evaluate or improve the ESG characteristics of an investment as part of the larger goal of maximizing financial returns on investments. Accordingly, certain investments will, from time to time, exhibit characteristics that are inconsistent with the practices or standards described herein.

**ESG Regulation.** Various policymakers, including in the U.S., UK and EU, among other jurisdictions, have adopted, or are considering adopting, laws or regulations regarding the consideration of various ESG matters. Under certain such requirements, Denham could be required to classify itself, its funds, or individual investments or potential investments against certain criteria, which are open to subjective interpretation in certain circumstances. Denham's view on the appropriate classification is expected to develop over time, including in response to statutory or regulatory guidance or changes in industry practices or approaches to classification. A change to the relevant classification would require further actions to be taken, such as requiring further disclosures by impacted Denham funds or new processes to be set up to capture data about relevant investments, which can lead to additional costs. In addition, there is a risk that a classification of Denham, any of its funds, or any of its individual investments or potential investments as considering or not considering certain ESG matters results in Denham, any such fund or any such investment being targeted by certain policymakers or other stakeholders for activism or pushback. Policymakers have increased the level of scrutiny on ESG disclosures, and Denham could in the future be required to incur costs or expend substantial time and resources in responding to such policymakers' inquiries.

Additionally, there is increasing fragmentation in the ESG expectations of various jurisdictions. This could in the future require us to prepare disclosures under various different methodologies that do not align with the methodologies we use in our assessment of ESG criteria, and to incur additional costs. Moreover, several jurisdictions, including various U.S. states, have adopted or proposed legislation or other policies to require relevant state entities or the administrators of state investments to take certain prescriptive steps regarding their investment decisions. Certain of these jurisdictions require the consideration of certain ESG matters, whereas others require investment decisions to be made solely on financial factors or investment returns without consideration of certain ESG matters. In addition, other potential investors could voluntarily implement strategies regarding their investments in funds dependent on their use or eschewal of ESG factors. To the extent such state laws apply to prospective investors in the Denham funds or a significant number of such prospective investors adopt strategies regarding investment in funds based on ESG factors, Denham could in the future be required to modify, augment, or eliminate its ESG policies to the extent Denham targets particular investors for investment in the Denham funds, or limit its investor base to exclude investors with deviating ESG strategies, which could materially affect the amount of capital a Denham fund has available for implementing its investment objectives. In addition, the evolving

nature of ESG and sustainability-related regulations and practices means that there is likely to be a degree of divergence as to the regulatory and market meaning of such terms, as well as the divergent views on the degrees to which such matters contribute to long-term performance.

***Competition for ESG and Climate-Related Investments.*** Due to increasing market interest in ESG and climate-related investing, the Denham funds are likely to encounter competition from other entities having a similar focus on these areas. Denham expects that competition for appropriate investment opportunities in these areas will increase, which could increase the difficulty of finding investments at attractive prices or at all, increase the pressure on the Denham funds to seek investments that are perhaps more vulnerable to greenwashing claims or allegations, increase the likelihood the Denham funds will pay higher prices for investments, conduct less due diligence or provide certain seller favorable terms in transactions, or decrease the likelihood of the Denham funds obtaining buyer favorable terms in transactions.

***Alternative Data and Automated Decision-Making Technologies.*** Denham is permitted to use machine learning, predictive data analytics, automated decision-making technologies and similar technologies in certain limited circumstances. As with many technological innovations, there are significant risks involved in maintaining and deploying these technologies and there can be no assurance that the usage of such technologies will enhance our services or be beneficial to the Denham funds. In particular, if the models underlying such technologies are incorrectly designed or implemented; trained or reliant on incomplete, inadequate, inaccurate, biased or otherwise poor quality data, or on data to which we do not have sufficient rights or in relation to which we and/or the providers of such data have not implemented sufficient legal compliance measures; are used without sufficient oversight and governance to ensure their responsible use; and/or adversely impacted by unforeseen defects, technical challenges, cybersecurity threats or material performance issues, such technologies could produce inaccurate or misleading content or other discriminatory or unexpected results or behaviors, such as hallucinatory behavior that can generate irrelevant, nonsensical, or factually incorrect results, or infringing material, all of which has the potential to adversely affect our operations and the performance of the Denham funds, and we could incur liability through the violation of laws or contracts to which we are a party or civil claims.

Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data and technologies, and the use or misuse of such data and technologies under current or future laws and regulations could create liability for Denham and the funds in numerous jurisdictions. Denham cannot predict what, if any, regulatory or other actions could be asserted with regard to its use of alternative data and technologies, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to Denham or to the funds.

Denham is permitted to obtain and use alternative data in its investment process. Alternative data could consist of datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as “big data” or “alternative data”). Denham reserves the right to apply this alternative data to better anticipate micro- and macroeconomic trends and otherwise to develop or improve trading or investment themes. No assurance can be given that Denham will be successful in utilizing alternative data in its investment process. Use of alternative data and technologies could present certain conflicts of interest to Denham and risks to Denham’s clients. Use of these data and technologies has the potential to increase the risk



that certain conflicts of interest remain unidentified or unaddressed, while also potentially increasing the scalability of the transmission of such conflicts of interest.

**SEC Regulation; Impact of Private Fund Adviser Rule Reforms.** Changes in law or regulations could adversely affect the value of investments held (directly or indirectly) by the Denham funds, affect the ability of the Denham funds to pursue their respective investment strategies, restrict Denham's ability to operate as it has in the past, and increase the amount of fees or expenses borne by the Denham funds and the limited partners of the funds indirectly. For example, in August 2023, the SEC adopted significant rules under the Advisers Act concerning certain private fund advisers. These rules include new (i) restrictions and prohibitions on certain conflicted activities (including the charging or allocation of certain fees and expenses to private fund clients); (ii) prohibitions and restrictions on preferential treatment relating to redemption rights and investment information, as well as requirements concerning increased transparency of preferential treatment; (iii) requirements to issue detailed quarterly statements to investors on performance, fees and expenses, and adviser and related person compensation; (iv) enhanced annual audit requirements; and (v) requirements relating to adviser-led secondary transactions. The dates by which advisers will be required to comply with these rules vary depending on the specific provision and by the amount of a private fund adviser's assets under management.

The time and attention as well as the financial costs associated with compliance with these rules, or other rules adopted in the future, could divert Denham's resources away from managing the investment programs of the Denham funds, which could adversely affect both the Denham funds and their portfolio companies. Similarly, the cost of new compliance obligations attributable to the Denham funds - such as the costs associated with quarterly reporting or audit requirements - will increase the financial burden on the Denham funds to the extent those costs are treated as fund expenses and could reduce limited partner distributions. Further, the impact of these rules is uncertain and could become subject to increased uncertainty in the event the rules are challenged in court by industry groups or other market participants. Any legal or regulatory uncertainty with respect to these or other rules is likely to result in a diversion of Denham's time and resources as well as expose Denham to regulatory risk, all of which in turn could negatively impact the Denham funds and their investments.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary matters that would be material to the evaluation of our advisory business or integrity of our management by a client, prospective client or investor in a Denham account.

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

DCM is affiliated with DSIM, which relies on DCM's investment adviser registration in accordance with SEC guidance under the Advisers Act, and the general partner of each fund and these general partners are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to DCM's registration. These affiliated investment advisers operate as a single advisory business together with DCM, are under common control with DCM, and are subject to DCM's code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act. Denham and the affiliated investment advisers could share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Three Curve Capital LP (“Three Curve”), formerly known as SD Porter Holdings LP, is an affiliate of Denham that is majority owned and controlled by Mr. Stuart Porter. Three Curve is a personal holding company and holds certain of Mr. Porter’s interests in Denham, as well as other personal investments of Mr. Porter unrelated to the Denham business. Such other personal investments satisfy all requirements of Denham’s conflicts of interest policy and applicable limited partnership agreement requirements, presenting no conflict to the Denham funds or Mr. Porter’s responsibilities and obligations to the Denham funds.

On August 15, 2022, Denham announced that its Energy Resources business led by Jordan Marye and Mr. Porter had “lifted out” of Denham into a newly-formed SEC-registered investment adviser, Trace Capital Management LP (“Trace”). Trace is owned principally by Mr. Marye and Mr. Porter. At the same time, Denham effected a lift out of the majority of its back-office team, including Denham’s former General Counsel and Chief Compliance Officer, Paul Winters, and Chief Financial Officer, John Collins. The back-office team formed Petra FG Services LLC (“Petra Services”), a new subsidiary of Petra Funds Group, an established third-party fund administrator. Petra Services, led by Mr. Winters and Mr. Collins, has been engaged to provide fund administration, compliance and other services to Denham and Trace, including to the Denham funds, and it is expected that other former Denham professionals now at Petra Services will be involved in providing these services.

Certain Denham senior management personnel, along with certain members of their departments, provide functional support from time to time for Three Curve. This support is generally limited to the provision of certain administrative and back-office services to Three Curve. Denham personnel that provide support to Three Curve are not constrained in any way from performing their Denham obligations, which take priority over Three Curve matters in all respects. Three Curve independently compensates certain Denham senior management personnel for this work.

Denham could recommend or select other investment advisers for its clients, but Denham does not currently do so at this time.

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

### **CODE OF ETHICS**

Denham maintains a Code of Ethics which sets forth standards of conduct that are expected of Denham’s principals, employees and their family members living in the same household and addresses conflicts that could arise from association with Denham. Such topics include conflicts of interest, personal securities trading, insider trading, outside activities, gifts and entertainment and political contributions.

In accordance with applicable federal and state securities regulations, Denham’s Code of Ethics is designed to ensure that no Denham representative employs any device, scheme or artifice to defraud a client or an investor of a client, makes any untrue statements of a material fact to a client or an investor of a client, engages in any act, practice or course of business that operates as a fraud or deceit on a client or an investor of a client or engages in any manipulative practice with respect to a client or an investor of a client. Conflicts of interest and potential of conflicts of interest are required to be reported to the Chief Compliance Officer (“CCO”) of Denham. Denham conducts ongoing training and has active discussions with its employees to ensure understanding of conflicts and the avenues to report them to the proper management individuals.

Denham prohibits insider trading by any employee or related person in possession of Denham information. Through its evaluation of potential investment opportunities for its clients, Denham could, from time to time, come into possession of material nonpublic information regarding outside companies and businesses. Under applicable law, Denham and its employees are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Denham. Denham maintains internal procedures designed to ensure information is kept confidential and prohibits trading in such companies by its employees. Similar restrictions could be applicable as a result of Denham's employees serving as directors of public companies and could restrict trading on behalf of clients, including the Denham accounts. Due to these restrictions, there is no assurance that the Denham accounts will be able to initiate a transaction that they otherwise might have initiated or be able to sell an investment that they otherwise might have sold.

Further to the Code of Ethics, Denham requires its employees to pre-clear the purchase or sale of securities for which they have beneficial ownership. Excluded from the preclearance requirements are open-ended mutual funds, open-ended funds, exchange traded funds and notes, direct obligations of the United States, banker's acceptances, bank certificates of deposit, high-quality government short-term debt instruments, employees stock option purchase plans of spouses, shares issued by money market funds and unit investment trusts. Additionally, Denham employees are required to pre-clear the purchase of any initial public offering or private placement.

Denham's Code of Ethics additionally places restrictions on employees' outside activities, requiring them to pre-clear employment by another entity, board or officer membership of an outside entity, holding an official position for a candidate seeking public office or being a candidate for public office, or operating a fund or group formed to invest in securities. Denham employees must also seek approval from the CCO or his or her designee prior to making a political contribution on any level.

Denham monitors gifts and entertainment both received and given by its employees, requiring reporting over a threshold of \$500 for gifts.

Denham provides a copy of the Code of Ethics to any client or prospective client upon request to at 617-531-7200 or [legalnotices@denhamcapital.com](mailto:legalnotices@denhamcapital.com).

If a violation of Denham's Code of Ethics is found to have occurred, the CCO in his or her sole discretion shall determine what appropriate actions are to be taken. Such actions could include disgorgement of personal trading profits, letter of censure or suspension, termination of employment and/or referral to civil or criminal authorities.

#### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Denham provides ongoing portfolio management and advisory services for the Denham accounts. Investment decisions are made by the investment committee for the applicable Denham account. The investment committee is responsible for monitoring and managing the investment portfolio of the applicable Denham account in accordance with its particular investment objectives, limitations and guidelines, and as set forth in the applicable governing agreements. Denham also complies with restrictions provided in the applicable governing agreements relating to principal transactions or other affiliated transactions, in which we or our personnel could have interests that are not aligned with the interests of one or more of our clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction. Denham does not currently engage in such transactions, and, if it does so in the future, will follow all requirements applicable under its relevant agreements with its clients and the Advisers Act.

Client cross transactions occur where an adviser executes a transaction between two (or more) of its managed client accounts. These can create conflicts of interest because, by not exposing such buy and sell transactions to market forces, it is possible that clients will not receive the benefits of best price, or an adviser might seek to prop up the performance of one fund by selling under-performing assets to another fund in order, for example, to earn higher fees in the aggregate. Client cross transactions are conducted either (i) in accordance with the governing agreements of the involved clients or (ii) pursuant to policies approved by the advisory committees or consented to by the limited partners of the Denham funds. For example, Denham's funds operating in the Sustainable Infrastructure and Mining sectors are expected to permit purchase or sales to or from other Denham funds of projects that have not yet reached certain operational or financial milestones, without the consent of the applicable advisory committees or applicable limited partners in some cases, and with such consent in other cases. In some cases, these provisions specify the price at which such purchases and sales are to be conducted. Moreover, Denham's Sustainable Infrastructure and Mining funds could permit the sharing of portfolio company personnel among portfolio companies of the Denham funds, without the consent of the applicable advisory committees or applicable limited partners. Related costs and expenses are then shared among the applicable Denham funds in accordance with the governing documents of the Denham funds (or other applicable procedures).

Additionally, a fund could invest in the same projects or portfolio companies with another Denham fund, subject to limitations set forth in the applicable fund partnership agreements. Such investments, or investments within a single Denham fund, could be in different parts of the capital structure of a company in which one or more Denham fund has an investment in a debt and/or equity tranche. Given the differing tranches and corresponding priorities in the capital structure of a single company, Denham could in certain circumstances face a conflict of interest in respect of the advice they have given to, and the actions they take on behalf of, the funds. In addition, where one or more funds invests in different parts of the capital structure, the respective interests could diverge significantly in the case of financial distress of the company. Denham will determine allocations of investment opportunities in a manner that they believe is fair and equitable to the funds consistent with its obligations to each such fund, including as set forth in relevant fund agreements and Denham's allocation policy. Where necessary, Denham will consult and receive consent to conflicts from an advisory committee consisting of limited partners of the funds subject to any conflict of interest.

To the extent that one or more Denham investment vehicles invest in the same securities of the same issuer, Denham will generally seek to ensure that all participants in such investment participate on comparable terms. It is possible that this will not be practicable or appropriate in all circumstances, however, and one or more Denham investment vehicles could participate in such investments on different and potentially less favorable terms than other participants if Denham deems such participation as being otherwise in the best interests of the participating Denham clients. This could have an adverse impact on one of the participating Denham clients.

### PERSONAL TRADING; INVESTMENT ALONGSIDE CLIENT FUNDS

Conflicts of interest could arise between a Denham fund and Denham personnel when we invest on our own behalf in the same securities that we recommend to the Denham funds. The governing documents for the Denham funds contain specified procedures for managing or obtaining client consent with respect to potential or actual conflicts of interests, including, in some cases, obtaining consent from an advisory committee comprised of investor representatives. A Denham fund's advisory committee is typically authorized to grant consents on behalf of the Denham fund. Pursuant to each fund's governing documents, none of the advisory committee members shall be liable to the respective fund or any other partner for any reason, other than fraud or willful misconduct on the part of such member or the investor whom he or she represents. In addition, representatives of the advisory committee could have various business and other relationships with the Adviser and its partners, employees and affiliates that influence their decisions as members of the advisory committee. The members of the advisory committee of a Denham fund disproportionately represent one or more of the entities or categories of limited partners comprising such Denham fund. In addition, the composition of a Denham fund advisory committee could have substantial overlap with the composition of an advisory committee for another Denham fund which could lead to conflicts of interest if there are transactions between such Denham funds that require advisory committee approval.

In addition, we have established internal procedures to identify and manage such conflicts. Pursuant to our Code of Ethics, each of our employees is required to submit to the CCO a report of the employee's securities holdings (which must be updated annually), as well as provide to the CCO a report of any personal securities transactions on a quarterly basis. In addition to these reports, our employees have an obligation to report any personal conflict of interest to the CCO as such conflict becomes known. Our employees must obtain the CCO's prior approval before buying or selling any security for their own account with limited exceptions.

We are also subject to the following conflicts of interest, although the discussion below does not describe all of the conflicts that could potentially be faced by Denham.

### CONFLICTS OF INTEREST

#### *Interests in the Funds*

Each Denham fund's general partner (or its affiliates) is required by the fund's governing documents to commit capital to such Denham fund, either as an investor or through a parallel vehicle. This capital requirement is intended to further align the general partner's interest – i.e., Denham's interest – with that of the client fund's investors.

Denham, its employees, and certain business associates and other "friends and family" of key professionals currently invest and could in the future invest directly or indirectly in one or more Denham funds. Such investments generally are not subject to the management or performance-based fees described in Items 5 and 6 above. The fact that Denham and its employees have financial ownership interests in certain funds creates a conflict in that it could cause Denham to make different investment decisions than if such parties did not have such financial ownership interests. Additionally, Aflac's ownership stake in DSIM create conflicts, including by giving DSIM an incentive to provide more favorable terms to investors affiliated with Aflac than to other investors. Denham carefully considers the risks involved in any investments and Denham provides to investors disclosure in the Denham funds' offering documents regarding the potential risks that come with an investment in the Denham funds.

### *Receipt of Performance Fees (“Carried Interest”)*

The existence of the performance-based fees (i.e., carried interest) charged by Denham creates an incentive for Denham to make investments that are riskier or more speculative than in the absence of such fees. In addition, the terms applicable to carried interest distributions incentivize Denham to make decisions regarding the timing and structure of realizations of investments that are not in the best interests of a Denham fund. Further, Denham is incentivized to hold on to investments that have poor prospects for improvement to receive, potentially, a more likely or larger carried interest distribution if such asset’s value appreciates in the future.

For gains that are attributable to the carried interest to qualify as long-term capital gain for U.S. federal income tax purposes, the holding period for the asset giving rise to such gains generally must exceed three years. For investors, gains in respect of assets held for more than one year will generally qualify as long-term capital gain. Long-term capital gain recognized by non-corporate U.S. taxpayers is generally subject to U.S. federal income tax at preferential rates. These disparate holding period requirements give rise to conflicts of interest. A general partner has an incentive to take actions intended to maximize the amount of gains from assets held for more than three years, even though investors will not necessarily derive any additional U.S. federal income tax benefit from the longer holding period. For example, the general partner will have an incentive to (i) refrain from making investments expected to generate gains within three years, (ii) refrain from selling or engaging in other transactions with respect to investments that would give rise to capital gain if the investment has not been held for more than three years or (iii) structure follow-on investments in a manner intended to maximize the amount of gain attributable to a Denham fund’s existing interests in such investments. Such actions could reduce the amount realized from a Denham fund’s investments and adversely affect the amount and timing of distributions to a Denham fund’s investors.

In certain limited circumstances, the amount of carried interest could be calculated based on the fair market value of non-cash distributions, which could result in a valuation for purposes of determining the carried interest that exceeds any cash value ultimately achieved. The carried interest can be distributed prior to the final liquidation of all of a Denham fund’s investments and prior to returning all of the capital invested by the investors. If a Denham fund experiences significant losses after having made distributions of the carried interest to a general, then it is possible that the aggregate cumulative amount distributed to all of a fund’s investors upon final liquidation of a Denham fund would be less than the investors’ aggregate capital contributions plus the cumulative unpaid amount of the preferred return thereon. In such a case, a general partner could be required to contribute to a Denham fund all or a portion of the carried interest distributions previously received to restore the deficiency; however, such clawback obligations will be computed on an “after-tax” basis. Accordingly, such calculated amounts would not be sufficient to return to an investor its capital contributions or any return thereon.

### *Receipt of Other Fees*

Denham or its affiliates receive, from time to time, fees or other payments in respect of investments completed by certain Denham funds, such as deal fees, monitoring fees or transaction fees. Such parties are also permitted to receive “break-up” fees and other compensation with respect to portfolio company investments (including unconsummated investments). Such fees are not dependent on the performance of the investment and present a conflict of interest between Denham and its clients. To address this conflict, some or all of a client’s *pro rata* share of these fees generally offset the management fees otherwise payable by clients to Denham, if any. In addition, as described herein, Denham has internal

policies and procedures designed to address conflicts of interest, and each Denham fund has an advisory committee which, in accordance with the governing agreements of the respective Denham fund or on a voluntary basis, the general partner of a fund could consult in seeking to resolve any conflicts of interest.

#### *Investments Longer than Term; Distributions In-Kind*

Our clients could make investments that will not be advantageously disposed of prior to the date a client will be dissolved, either by expiration of a client's term or otherwise. Although the general partners of our clients expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the general partners have a limited ability to extend the term of our clients, a client could have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, a Denham fund reserves the right to consider various mechanisms to benefit from such long-life assets, in addition to seeking to sell, distribute in kind or otherwise dispose of one or more continuation funds within the Denham fund's term. Although upon the dissolution of each fund, the general partner (or the relevant liquidator) will try to dispose of or distribute all fund assets within two years of dissolution, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur. In the event a client is required to make in kind distributions that could consist of securities for which there is no readily available public market, there is a conflict of interest between a general partner (and its beneficial owners) and the relevant Denham fund's investors. For example, a Denham fund's general partner and its beneficial owners could intend to hold securities distributed in-kind for a different time period than Denham deems suitable for the client. Further, although the Denham funds generally intend to make distributions in cash or in publicly traded securities, it is possible that under certain circumstances (including the liquidation of a Denham fund) distributions could be made in kind and could consist of securities for which there is no readily available public market. Further, Denham is allowed to receive in-kind distributions from the funds, including as payment for carried interest or in connection with the receipt of proceeds from fund's investment. The receipt of in-kind distributions from a Denham fund creates a conflict of interest between Denham and such fund's investors where Denham intends to hold such interests for a longer period of time than Denham determines is appropriate for the fund. Where the value of such interests increases subsequent to the relevant fund's disposition of such interests, none of that fund's investors will benefit from such increase in value, which could be substantial.

#### *Portfolio Company Representation*

Employees and related persons of Denham and consultants affiliated with Denham frequently serve on the boards of, serve as employees of, or otherwise are retained as consultants by portfolio companies of Denham clients. Since Denham is reimbursed for certain compensation and other fees and expenses that relate to the employment of certain expected portfolio company employees or retention of certain consultants, Denham has a conflict of interest in connection with the applicable fund's initial investment in such portfolio company and the resulting reimbursement of such amounts. In addition, as a result of the funds' controlling interests in portfolio companies, Denham typically has the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of compensation for board members, portfolio company employees and/or consultants retained by portfolio companies. Serving on a portfolio company board gives rise to conflicts to the extent that a Denham employee's (or consultant's) fiduciary duties to a portfolio company as a director conflict with the interests of the Denham clients that are invested in such portfolio companies.

Denham has previously, and could, from time to time in the future, employ personnel with pre-existing ownership interests in portfolio companies owned by the Denham clients. Additionally, Denham and/or its personnel maintain relationships with (or invest in) financial institutions or other service providers, some of which could invest (or are affiliated with an investor) in, engage in transactions with and/or provide services to, Denham, and/or Denham's clients. From time to time, situations arise where Denham is in the position of recommending one portfolio company's services to other portfolio companies. Denham will generally have a conflict of interest in making such recommendations, in that Denham has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the funds, while it is possible that the products or services recommended are not necessarily the best available or the lowest priced for the other portfolio companies. The benefits received by a portfolio company providing a service could be greater than those received by the fund(s) and its portfolio companies receiving the service. Denham seeks to mitigate any such conflicts where possible.

The funds could invest in a company that competes with, is a customer of, or a service provider or supplier to a portfolio company of another fund. In addition, as noted above, principals and employees of Denham are permitted to, and frequently do, serve as directors and officers of companies that are competitors of portfolio companies of certain funds. These circumstances give rise to certain conflicts of interest. For example, a fund or its portfolio company could take actions for commercial reasons that have adverse consequences for another Denham fund or its portfolio company, such as seeking to increase market share, withdrawing business in favor of a competitor, or commencing litigation. A Denham fund could obtain information while investigating investment opportunities or dealing with existing portfolio companies that it is prohibited from acting on or disclosing to anyone, including another Denham fund or portfolio company, as a result of confidentiality requirements or applicable law, regardless of whether acting on or disclosing such information would be in the interest of a Denham fund or portfolio company.

#### *Co-Investment Vehicles*

Denham serves as investment adviser to certain co-investment vehicles that invest alongside the funds in certain portfolio companies and also, from time to time, offers certain investors or other persons the opportunity to co-invest directly in a portfolio company. In certain instances, a co-investment vehicle or other co-investor is permitted to evaluate a potential investment alongside a fund. If the potential investment or co-investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment will typically be borne entirely by the fund allocated such investment rather than the co-investors. Generally, Denham in its sole discretion will select which investors or other persons are permitted to co invest based on various factors as disclosed in each fund's offering and governing documents. In addition, Denham grants certain investors the opportunity to evaluate specified amounts of possible co-investments, and reserves the right to give priority to such investors when allocating potential co-investment opportunities. Co-investment opportunities typically will be offered to some and not to other fund investors. Investors that participate in co-investments, whether directly or through a co-investment vehicle, are at times in a position to obtain additional information regarding the applicable portfolio company that would not generally be available to investors in the fund. In addition, co-investors' interests are not always aligned with the funds' interests.

In circumstances where an entire investment could be made by a fund, Denham reserves the right to still allocate a portion of such investment to one or more co-investment vehicles or other co-investors in accordance with such fund's partnership agreement and Denham's allocation policy if, for example, Denham believes in its good faith judgment that the full investment would unreasonably limit the



diversification of the applicable fund or that a particular co-investor would add value to the fund or the investment.

Denham reserves the right to make investments on behalf of the funds with the expectation that co-investors will participate in the investment. In the event that Denham does not successfully offer a co-investment opportunity to potential co-investors, in whole or in part, one or more funds will consequently hold a greater concentration and have a larger exposure in the related investment opportunity than was intended, which could make such funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by the fund which is not syndicated to co-investors as anticipated could significantly impact the fund's overall investment returns.

#### *Secondary Transactions*

Denham could propose to a Denham fund's advisory committee or investors one or more transactions that would enable such investors to monetize or restructure all or a portion of their interests in a Denham fund, including through the use of a continuation vehicle (each such transaction, a "Secondary Transaction"). The sale of an investment to a continuation vehicle could result in certain investors, the Denham fund's general partner and/or members of Denham (including employees and affiliates) disposing of their investments in the underlying assets at a different time than some or all investors of such Denham fund and otherwise taking actions with respect to such investments that are different than the actions taken by other investors. Denham could be subject to other conflicts of interests in connection with a Secondary Transaction, including with respect to investment valuations, allocation of fees and expenses and the offering of investment opportunities to the funds and co-investors.

#### *Allocation of Shared Expenses*

Denham and its affiliates expect from time to time to incur fees, costs and expenses on behalf of more than one Denham fund and/or Denham or its affiliates. In that event, expenses will typically be allocated among all relevant funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made in Denham's discretion with a view to being fair and reasonable and having regard to all relevant and available information, including the extent to which the relevant entity(ies) or group(s) required or benefitted from the good or service giving rise to the expense and whether all or a portion of a multiple-purpose expense should be viewed as overhead and absorbed by Denham. The allocations of such expenses will not always be proportional, and any such determinations involve inherent matters of discretion (e.g., in determining whether to allocate *pro rata* based on the number of funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Denham fund or Denham).

The Denham funds generally have different expense reimbursement terms, including with respect to management fee offsets, which is expected from time to time to result in the Denham funds bearing different levels of expenses with respect to the same investment. Additionally, a Denham fund could be required to bear all costs, expenses, liabilities and obligations relating to any unconsummated investment that might have been allocated to one or more persons co-investing in such proposed investment had the proposed investment been consummated, irrespective of whether any such co-investor or potential co-investor had been identified prior to such time that such proposed investment was not consummated or

any determination had been made by Denham regarding any co-investment opportunities with respect to such proposed investment.

The use of any particular expense allocation methodology will in certain cases lead the Denham fund to bear relatively more expense in certain instances and relatively less in other instances compared to what the Denham fund would have borne if a different methodology had been used. Denham, in its discretion, is permitted to revise or change previously determined allocation methodologies in an effort to ensure that such expenses remain fairly and reasonably allocated among the Denham fund and other funds, Denham and its respective affiliates (as applicable).

#### *Allocation of Personnel*

Denham, its related entities and their personnel engage in a broad range of advisory and non-advisory activities, including investment activities for their own accounts and for the accounts of other funds, and providing transaction-related, legal, management and other services to funds, portfolio companies and other outside businesses. In connection with such activities, Denham will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Denham funds in an appropriate manner, as required by the relevant partnership agreement, although the Denham funds and their respective investments will require varying levels of demand on these over time. As a general matter, Denham will determine all matters relating to structuring transactions and fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory boards of the participating funds. In addition, Denham and its affiliates expect to engage and be involved in other permitted investment activities. In connection with these other permitted activities, including matters external to the business of Denham, such personnel are permitted to receive compensation, none of which will offset or otherwise reduce management fees. Conflicts will arise in the allocation of time, services, resources and function among the Denham fund and such other persons to which Denham or its affiliates provide services.

#### *Possible Future Activities*

Denham and its affiliates in certain cases could expand the range of services it provides over time. Except as provided herein and in a fund's private placement memorandum or partnership agreement, Denham and its affiliates will not be restricted in the scope of their business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether such conflicts are described herein. To the extent a former Denham employee becomes employed by a portfolio company, no compensation earned by such former Denham employee from such portfolio company will offset the management fee notwithstanding that such former employee has a remaining interest in the relevant fund's general partner or affiliated entity.

#### *Side Letters*

Denham and/or its respective affiliates will enter into a side letters or other similar agreements with certain investors in connection with their investments without the approval of any other investor. Side letters subject Denham to conflicts of interest. This will generally have the effect of establishing rights under or supplementing the terms of the relevant partnership agreement with respect to such investor in a manner beneficial to such investor and more favorable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement can include, without limitation, (i) rights to designate a member of the advisory committee; (ii) excuse or exclusion rights applicable to particular investments (which would increase the percentage interest of other investors in,

and contribution obligations of other investors with respect to, such investments); (iii) reporting obligations of Denham; (iv) waiver of certain confidentiality obligations; (v) consent of Denham to certain transfers by such investor; (vi) rights or terms necessary in light of particular legal, regulatory, or public policy characteristics of an investor; (vii) adjustments to fees or other economics (including, without limitation, the management fee, carried interest, or distributions); (viii) access to certain information; (ix) consent rights of the investor; (x) co-investment rights; (xi) tax and structuring matters; and (xii) other representations, warranties or diligence confirmations. Certain side letter rights are likely to confer benefits on the relevant investor at the expense of the relevant Denham fund or of investors as a whole, including in the event that a side letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Denham fund. Denham and/or its respective affiliates will enter into such side letters with any party as Denham determines, in its sole and absolute discretion, at any time. Except where required by the relevant partnership agreement, Denham will generally not be required to disclose to or otherwise notify the other investors of any such side letters or of any of the rights or terms or provisions thereof, and some or all of the other investors will generally not be entitled to receive such additional benefits or other rights. In addition, Denham will not be required to offer such additional or different rights or terms to any or all of the other investors, and investors will not necessarily have most-favored-nation rights in respect of all or any of the more favorable terms provided to others. Investors will have no recourse against the Denham fund, Denham or Denham or any of its respective affiliates in the event that certain investors receive additional benefits or other rights pursuant to side letters that are more favorable than the terms received by other investors.

As a result of certain side letters, investors holding the same interests will have different returns, or receive different information, depending on any arrangements applicable to a given investor's interest in the Denham fund. In addition, if Denham enters into a side letter entitling an investor to be excused or excluded from a particular investment or withdraw from the Denham fund, (a) any election to be excused or excluded or to withdraw by such investor will increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, future investments, and reduce the overall size of the Denham fund and/or (b) the Denham fund's ability to consummate certain investments could be inhibited. Co-investment rights granted to an investor in a side letter or other similar agreement will, in certain cases, result in fewer co-investment opportunities (or reduced or no allocations) being made available to other investors.

It is also expected that Denham will from time to time confirm factual matters to incoming investors, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to the Denham fund and/or Denham's activities pertaining thereto in one or more respects. As a result, side letters or other similar agreements could enable such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Any such statements, confirmations agreements or acknowledgements will not involve the granting of any legal right or benefit, and therefore generally will not be subject to any "most-favored-nations" process or election by the investors, and as a result investors will not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on the Denham fund or that such arrangements will not influence Denham's activities or the operation of the Denham fund.

In addition, Denham and its affiliates are permitted to enter into agreements with investor's involving an investor's (or its affiliates') overall relationship with Denham and its respective affiliates, including one or more strategies in addition to the Denham fund's strategy, with terms and conditions applicable solely to such investor and its investment in the Denham fund and other funds. Such an agreement will generally

involve an investor agreeing to make a capital commitment to multiple vehicles or strategies sponsored by Denham and/or its respective affiliates, one or more of which could include the Denham fund or a separate account pursuant to an overall integrated arrangement. Investors will be unable to elect any rights or benefits granted to such multi-strategy investor. Specific examples of such additional rights and benefits could include specialized reporting, more favorable or different economic arrangements, secondment of personnel from the investor to Denham or its affiliates (or vice versa), rights to participate in the investment process, as well as priority rights or targeted amounts for co-investments alongside the Denham fund or other vehicles or strategies sponsored by Denham and/or its affiliates.

#### *Conflicts Related to the Provision of Certain Information*

The operating documents of certain Denham funds generally permit Denham to withhold information from certain investors in such funds in certain circumstances. For example, information could at times be withheld from limited partners that are subject to FOIA or similar requirements. Denham will also from time to time elect to withhold certain information for reasons relating to overall business strategy, despite the potential benefits to limited partners of receiving such information.

Additionally, due in part to the fact that actual and/or potential investors in a Denham fund often ask different questions and request different information, Denham has in the past and expects in the future to provide certain information to one or more actual and/or prospective investors that is not necessarily provided to all prospective investors or limited partners in a Denham fund.

#### *Difficulty in Valuing Investment Portfolio*

The valuation of fund investments, which will affect the performance results of a Denham fund, involves uncertainties and subjective determinations. Denham reserves the right to cause a client to engage qualified valuation experts to assist in these determinations, however, it is not required to do so. Given that the assets of a client could at any time include investments that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws or regulations, a client's investments could be extremely difficult to value accurately. Furthermore, because of overall size or concentration in the energy and commodities sector, the value at which a client's investments can be liquidated could differ, sometimes significantly, from the assigned valuation of such investments. There could be a relative scarcity of market comparables on which to base the value of a client's investments. Accordingly, there is no assurance that the carrying value of an investment will reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material.

Because Denham determines in its discretion the value of fund investments, conflicts of interest arise in making valuation determinations given the potential impact of such valuations on a fund's performance, particularly with respect to payment of performance fees. There can be no assurance that any Denham fund will be able to realize their investments at prices that are commensurate with the value at which such investments have been carried on the fund's books and the difference between carrying value and the ultimate sale price could be material. The fair value of all investments or of property received in exchange for any investments will be determined by Denham in accordance with the applicable fund's partnership agreement and Denham's valuation policies. The exercise of discretion in valuation by Denham presents a conflict of interest, including in connection with determining the amount and timing of distributions in respect of any carried interest and the calculation of any management fees after the end of an applicable fund's investment period. Notwithstanding the terms of the applicable fund

governing documents, Denham could have an incentive to adjust valuation determinations upward (or to avoid reductions) in order to enhance performance reporting with the effect of receiving higher management fees where applicable. Further, in connection with Denham's discretion in valuing certain assets, Denham maintains discretion to determine whether certain assets have experienced a permanent and significant decline in value. A permanent and significant decline in the value of an investment would generally reduce the basis from which management fees are calculated where applicable. Denham therefore could have an incentive with respect to certain funds to hold onto assets or other investments that have poor prospects for improvement or to avoid or otherwise delay determining that an investment has been subject to a permanent and significant decline in value. Fund investors will generally not have access to detailed valuation calculations and methodologies or to the underlying information utilized for a particular valuation or investment.

In addition, Denham could cause a client to make a distribution in-kind of investments and Denham could be entitled to carried interest distributions in connection with such in-kind distribution based on a valuation determined by Denham. The valuation of investments will affect the amount and timing of Denham's carried interest and, under certain circumstances, the amount of management fees payable to Denham. The valuation of investments could also affect the ability of Denham to raise a successor account to a client. As a result, there could be circumstances where Denham is incentivized to determine valuations that could be higher than the actual fair value of investments.

## **Item 12. Brokerage Practices**

### **A. Broker-Dealer Recommendations**

Due to the nature of investments made by Denham's clients (mostly negotiated equity investments in private companies), Denham rarely executes trades on behalf of its clients through broker-dealers. When Denham does execute a trade on behalf of its clients through a broker-dealer, Denham will seek to obtain best execution. Denham considers a variety of factors in seeking to obtain best execution, including, among other things:

- available price and compensation to broker;
- financial standing of broker;
- efficiency and documentation needed to execute such trade; and
- past experience with any such broker.

Transactions could involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. As a result, there is no assurance that the client will pay the lowest commission or commission equivalent.

When selling a private company on behalf of an account, Denham is permitted to retain a broker-dealer or investment bank, the costs of which will be borne by the relevant account and/or portfolio company. In doing so, Denham considers a variety of factors, including:

- broker fees to be charged;
- networking ability and relationships of broker;
- financial integrity of broker; and
- past success of broker in similar transactions.

As a result, although Denham generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and there is no assurance that the Denham accounts will pay the lowest commission or fee for such services.

*Research and Soft Dollars.* Denham occasionally receives unsolicited research and information from brokers, often referred to as “soft dollar benefits”, which benefit Denham because we do not produce or pay for the research or related services. Thus, we could have an incentive to select a broker-dealer based on this interest, rather than on our clients’ interest in receiving most favorable execution. However, Denham does not currently participate in any soft dollar arrangements, and soft dollar benefits do not influence Denham’s decisions on brokerage selection.

*Brokerage for Client Referrals.* Denham does not receive referrals for clients from any broker-dealers.

*Directed Brokerage.* As Denham’s clients are all private investment funds and SMAs, Denham selects all broker-dealers. Denham’s clients do not direct brokerage.

B. Aggregation of Securities for various Denham accounts

Denham’s clients are private equity funds and SMAs with differentiated sets of upstream investors, and therefore Denham does not typically aggregate the purchase or sale of securities for various Denham funds or SMAs (with the exception of a parallel or co-investment fund with its main fund). On the occasion when two separate Denham accounts share an investment, trades in connection with such investment would be executed and allocated separately to each account.

**Item 13. Review of Accounts**

- A. Denham’s investment professionals routinely review the accounts of its clients and their underlying portfolio investments. Denham reviews financial performance, exit strategy, operations and management during its routine reviews. Additionally, Denham’s professionals review each quarter the valuation and performance of the client accounts, and a valuation committee approves all final information distributed.
- B. There are no specific triggers to launch a portfolio review on a non-periodic basis.
- C. In accordance with the applicable partnership agreement of each client (other than certain co-investment vehicles), Denham delivers to the investors of each client written quarterly financial statements and annual statements, which annual statements are audited by an independent auditor and prepared in accordance with GAAP. In addition to the information provided to all investors, Denham is permitted to provide certain investors with additional information or more frequent reports that other investors will not receive.

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

- A. Denham does not receive economic benefits from persons who are not clients for providing investment advice or advisory services to our clients. Denham is permitted to, on occasion, receive management fees, monitoring fees or similar fees, or reimbursements of certain expenses, from portfolio companies in which a Denham fund has invested. To address this conflict, a certain portion of the client's *pro rata* share of these fees could offset the management fees otherwise payable by investors in the Denham funds. These potential fee arrangements are disclosed in the private offering materials for each particular private offering and governed by the Denham fund's governing documents. Co-investment vehicles generally do not pay a management fee and therefore do not participate in such offsets or otherwise receive a share of such fees.
- B. Denham or its affiliates are permitted, from time to time, to enter into arrangements in which persons who are not supervised persons (such as placement agents, introducers or financial advisors) assist in the capital raising efforts of one or more of the Denham funds in exchange for a fee. This fee could be a flat fee or based on a percentage of commitments to a particular fund. These relationships will affect the independence of the placement agent in connection with the placement agent's recommendations of a particular Denham fund. These types of arrangements are disclosed to investors of the Denham funds in the funds' private offering materials. These relationships could affect the independence of such person in connection with their recommendations of a particular fund. In the event any placement agent, introducer or other advisor is engaged in respect of a Denham fund, prospective investors should also note that at various times such placement agent, introducer or other advisor will likely act as placement agent, introducer or advisor for other fund sponsors and funds, including fund sponsors and funds that are not affiliated with Denham or its affiliates, including those which offer interests that are similar to Denham funds' interests. Such unaffiliated fund sponsors could pay placement or introducer fees on terms different from the fees placement agents or introducers could receive in respect of a Denham fund, and such differences in fees can influence a placement agent's and/or introducers decision to introduce prospective investors to a Denham fund. Furthermore, a placement agent, introducer or other advisor can seek to do business with and earn fees or commissions from portfolio companies of a Denham fund and Denham affiliates (e.g., in connection with financing or investment banking services, or lending or arranging credit). Accordingly, prospective investors should recognize that each placement agent's participation as a placement agent or an introducer's participation as an introducer for the interests and each other advisor's participation as an advisor to the general partner or Denham can be influenced by its interest in such current or future fees and commissions. Prospective investors should also be aware that affiliates or employees of a placement agent, introducer or other advisor could invest in a fund on their own behalf and/or on behalf of their clients. These types of arrangements are disclosed in the relevant Denham fund offering materials.

#### **Item 15. Custody**

Due to Denham's access to clients' funds and discretion to deduct fees and expenses from the client accounts and services by our affiliates as general partners of the Denham funds, we are deemed to have custody of our clients' funds. Denham generally holds all client assets with a bank or other qualified custodian, unless not otherwise required in accordance with SEC guidance. Denham's professionals review custodial statements regularly to ensure agreement with positions stated therein. Denham's

clients are generally subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounts Oversight Board. Denham distributes audited financial statements to all investors of the audited Denham funds within 120 days of the end of the fiscal year of each such client. For any clients that are not audited, Denham complies with other provisions of the custody rule, such as confirming quarterly account statements are being sent by a qualified custodian and being subject to a surprise custody examination.

#### **Item 16. Investment Discretion**

Denham has discretionary authority to manage accounts on behalf of its clients pursuant to the accounts' governing documents. Such discretion is subject to the investment strategy and guidelines as set forth in the offering document and partnership agreement of the applicable client. As a general matter, Denham does not allow clients to place limits on this discretionary authority. Denham and its affiliates, however, have entered (and could in the future enter) into agreements, or "side letters," with investors whereby such investors are subject to terms and conditions that vary from those applicable to other investors in the Denham funds, including rights to opt out of particular investments.

#### **Item 17. Voting Client Securities**

Pursuant to rule 206(4)-6 of the Advisers Act, investment advisers who exercise authority over client securities are required to implement proxy voting policies and procedures. To the extent Denham exercises or is deemed to be exercising voting authority of client securities, it will vote those securities in accordance with such policies. Notwithstanding the foregoing, a client's ownership of securities could be subject to a voting agreement or shareholders' agreement, in which case, any such voting agreement or shareholders' agreement will control in the event of a conflict between the terms of such voting agreement and the terms of Denham's proxy policies. Denham's policy is to vote proxy proposals, amendments, consents or resolutions relating to its clients as determined by Denham in its discretion and at all times in the best interests of its clients.

Denham's CCO or his or her designee will maintain written or electronic copies of each proxy statement received and of each executed proxy. Investors of the Denham accounts can receive a copy of Denham's proxy policies and procedures at any time upon request to 617-531-7200 or [legalnotices@denhamcapital.com](mailto:legalnotices@denhamcapital.com). Information regarding how Denham voted proxies for specific portfolio companies or investments will be provided to any client or investor in the Denham funds upon request.

#### **Item 18. Financial Information**

Denham does not require or solicit prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure. There is no financial condition that is reasonably likely to impair Denham's ability to continue to meet its contractual commitments and provide services to its clients and we have not been the subject of a bankruptcy petition at any time during the past decade.