

# Naya Capital Management UK Ltd.

## Part 2A of Form ADV

### The Brochure

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This “Brochure” provides information about the qualifications and business practices of Naya Capital Management UK Ltd. (“Naya” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at +44 (0)20-7535-5160. 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. Naya is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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

## Material Changes

This Brochure contains information about Naya and there have been no material changes since it was last filed on March 31, 2023. This Brochure does, however, contain clarifying changes and routine updates to certain information and investors should review this Brochure carefully and in its entirety.

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## Item 4. Advisory Business

Naya Capital Management UK Ltd. is the successor entity to Naya Management LLP, a limited liability partnership incorporated under the laws of England and Wales on September 19, 2011. Naya was reorganized into a Limited Company under the laws of the United Kingdom in December 2015 for tax purposes only. Naya is also authorized and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom.

Masroor Siddiqui and related family entities own all of the controlling shares in the Firm and the economic rights. The remaining principals of the Firm own shadow economic rights. The Firm has also entered into an arrangement with a Special Limited Partner (“SLP”), whereby the SLP provided a significant capital contribution to the Funds (as defined under Item 7) at launch. In exchange, the SLP is entitled to receive a share of the revenue of the Firm and has certain rights to capacity under certain conditions and for a certain period of time but will have no ownership in the Firm or control over the Firm or the Funds.

Naya provides discretionary investment advisory services to private investment funds (each a “Fund”) as outlined in Item 7, non-U.S. separately managed accounts (the “Separate Accounts”) and non-U.S. single-investor private equity vehicles (the “Private Equity Vehicles”), collectively and hereinafter referred to as the “Advisory Clients” unless otherwise noted.

Naya invests on the behalf of the Funds and Separate Accounts in concentrated long/short or long-only portfolios of global, predominantly developed market, equity investment instruments. The investment instruments are primarily in the technology/media/telecom, utilities, industrials, consumer and health care sectors. The Private Equity Vehicles invest in private equity and other private instruments.

Naya is responsible for the investment and trading activities of its Advisory Clients.

This Brochure generally includes information about Naya’s relationships with its Advisory Clients. While much of this Brochure applies to all such Advisory Clients, certain information included herein applies to specific Advisory Clients only.

The Funds are managed in accordance with each Fund’s investment objectives, strategies, fees, risks and restrictions, which are set forth in more detail in the Fund’s respective private offering memoranda and governing documents. Such offering material is available to prospective qualified investors with whom Naya has a pre-existing substantive relationship.

The investment objectives, strategies and fees related to each Separate Account client and Private Equity Vehicle client are set forth more fully in an advisory agreement between Naya and any such account.

The Firm has approximately \$5.2 billion of regulatory assets under management as of December 31, 2023 on a discretionary basis.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated

under the Securities Act of 1933 (the “Securities Act”) and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non-“U.S. Persons” as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

## Item 5. Fees and Compensation

### Management Fee

Each investor in the Funds will pay a management fee ranging from .5% - 2% depending on the particular share class selected for investment. As described below in Item 11, certain of Naya's employees invest in the Funds. Employees are not subject to management fees. Management fees are generally paid monthly in arrears and are calculated based on the net asset value of the Fund as of the end of such month. Naya may waive, reduce or calculate differently the management fee with respect to any share class or any investor in its sole discretion. The specific terms of the management fee and share classes are outlined in the relevant Fund's offering memorandum.

### Incentive Fee

Naya receives an incentive fee ranging between 15% to 20% (depending on the class of equity interest in the relevant Fund and subject to a hurdle that is based on a reference benchmark) of the net realized and unrealized appreciation in the net asset value of the Fund at the end of each year. As described below in Item 11, certain of Naya's employees invest in the Funds. Employees are not subject to performance-based fees. Naya may waive, reduce or calculate differently the incentive fee with respect to any share class or any investor in its sole discretion. The specific terms of the incentive fee and share classes are outlined in the relevant Fund's offering memorandum.

Investors in the Private Equity Vehicles and Separate Accounts pay a negotiated management and incentive fees which is outlined in the relevant client's agreements with Naya.

### Expenses

In addition to the management fee and the incentive fees outlined above, investors in the Funds will also pay their pro rata portion of investment expenses (e.g., expenses that, in Naya's discretion, are related to the investment of the Advisory Clients' assets, whether or not such investments are consummated, such as brokerage commissions, expenses relating to clearing and settlement charges, custodial and depository fees, bank service fees and interest expenses); investment-related travel expenses (which are travel expenses related to the purchase, sale or transmittal of the Funds' investments incurred by Naya); professional fees (including expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments, taxes, fees and expenses relating to software tools, programs or other technology utilized in managing the Funds' investments (including third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data software or data feeds; administrative expenses (including fees and expenses of the administrator); legal expenses; external accounting and valuation expenses (including the cost of accounting software packages); audit and tax preparation expenses; costs related to errors and omissions insurance for the directors of the Fund; fees of the directors of the general partner; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing regulatory expenses (including filing fees); organizational and reorganizational expenses; expenses incurred in connection with the offering and sale of the interests and other similar expenses related to the Funds; indemnification expenses; and extraordinary expenses.

For more specific disclosure regarding the expenses paid by the Funds, investors should consult the relevant offering documents.

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

Naya earns performance fees based on the performance of the Funds. These fees may create an incentive for Naya to make investments on behalf of the Funds that are riskier or more speculative than would be the case in the absence of such an arrangement. All Advisory Clients of Naya are charged a performance-based fee and therefore the Firm does not have an incentive to favor any client over others in allocating investment opportunities. Additionally, Naya and its affiliates may receive management fees and performance-based compensation from one Fund that is higher or lower than the management fees and performance-based compensation borne by investors in other Funds. As a result, Naya and its affiliates could be incentivized to favor a client from which it collects higher management fees and performance-based compensation over other clients from which it collects lower management fees and performance-based compensation. Naya and its affiliates could favor higher fee-paying clients by allocating a large share of more attractive investment opportunities to such clients or spending more time and resources managing investments for such clients. To mitigate these conflicts, Naya seeks to allocate investments in accordance with its trade allocation policy.

The fact that Naya is in part compensated based on the performance of Advisory Clients may create an incentive for Naya to make investments on behalf of Advisory Clients that are riskier or more speculative than would be the case in the absence of the performance-based compensation arrangement. To mitigate this conflict, Naya manages Advisory Client accounts in accordance with the investment strategies and risk parameters disclosed in the governing documents or investment management agreements, as applicable.

## Item 7. Types of Clients

At the date of this Brochure, Naya provides investment advice to the Naya Master Fund L.P. which is organized in a Cayman Islands master-feeder structure with two feeder funds, Naya Fund L.P., a Delaware LP (“Naya Onshore Feeder”) and Naya Fund (“Naya Offshore Feeder”) (collectively “Naya Feeder Funds”, and together with the Naya Fund L.P., “Naya Fund”). The Naya Fund is registered as a mutual fund with the Cayman Islands Monetary Authority.

In addition to the Naya Fund, the Firm also provides investment management services to the Naya 1740 Fund Ltd., which is a fund of one organized in the Cayman Islands, Nayawood LP, a Cayman Limited Partnership and a long-only Fund; Naya Coldwater Master Fund Limited, a Cayman Limited Company. All funds are collectively referred to herein as “the Funds.”

Investors in Funds must be (i) “accredited investors” as defined in Regulation D under the Securities Act, and (ii) “qualified purchasers” as defined under the Investment Company Act of 1940 (the “Company Act”) or “knowledgeable employees”, as defined under Rule 3c-5 of the Company Act, and must meet other suitability requirements. Investors in the Funds are generally U.S. and foreign-based high net worth individuals, corporations, trusts, institutions, financial institutions, and government entities. The minimum initial capital contribution is \$1,000,000, subject to the discretion of the general partner of the Fund to accept capital contributions of a lesser amount or establish different minimums in the future.

The Firm has the ability to offer customized structures for investors which will be considered on a case-by-case basis. Certain of the Funds and the Firm are party to a number of side letters. These principally record fee and transparency terms agreed with the investor. Beyond this, the side letters often contain clarifying language that relates to the Fund governing documents and also records other pertinent terms related to the personal situation of the investor such as ERISA status or Bank Holding Company Act implications. No side letter contains any preferential fee or transparency structure that is not disclosed in this document.

As described above in Item 4, in addition to the Funds, Naya also provides investment advice to one Separate Account, which is a non-U.S. client, and also two single-investor Private Equity Vehicles, both of which are a non-U.S. client.

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

**Please refer to the Funds' offering documents for a more detailed discussion of our investment strategies and related risks.**

The descriptions set forth in this Brochure of specific advisory services that Naya offers to its Advisory Clients, and investment strategies pursued and investments made by Naya on behalf of its Advisory Clients, should not be understood to limit in any way Naya's investment activities. Naya may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Naya may consider appropriate, subject to each Advisory Clients' investment objectives and guidelines. The investment strategies Naya pursues are speculative and entail substantial risks. Advisory Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

### Investment Strategies

The Funds and Separate Accounts employ a global long/short equity strategy, using a bottom-up fundamental, value oriented investment approach. Naya Coldwater Master Fund Limited is a long-only fund which follows only the long strategy of the other Funds. The Funds operate within a global universe, and through the investment team's previous experience, will have a concentration in areas of expertise such as technology/media/telecom, utilities, industrials, consumer, energy and health care. The Private Equity Vehicles invest in private equity and other private instruments. Naya utilizes a fundamental, value oriented approach to equity investing where priority is given to opportunities which exhibit identifiable catalysts over the medium term. The Firm expects to carry out extensive industry and company research to identify these situations and also conduct rigorous financial analysis to quantify the valuation case for each opportunity. This process will draw on a wide range of valuation techniques, but at the core is an analysis of the normalized earnings and free cashflow generation of a company or industry on an un-levered basis. This technique seeks to account and adjust for any short term and non-recurring returns within a company or industry, and where a sustainable growth rate for the company or industry can be accurately assessed. Further due diligence will include a deep evaluation of management to understand the quality of their leadership and whether they are aligned with shareholders in creating long-term value.

Whilst the primary focus of the Funds is expected to be on listed equity opportunities, the Funds may also invest in credit-based investment opportunities. These will most commonly be positions in corporate bonds and loans, where the risk/reward embedded in these securities make them an attractive investment alternative to the company's equity. Credit default swaps may be used to either implement an investment position where it is more efficient to do so than using the corporate bond or for outright portfolio and position hedging purposes.

The Funds have a global market focus though they will concentrate the portfolio primarily in the U.S., Europe and Developed Emerging Markets given the current opportunity set. The approximate geographic split is currently 40% North America and 60% Europe, though this can change materially through time.



## Methods of Analysis

Naya operates within an investment process consisting of screening, idea generation, researching publicly available information, commissioning company and industry studies, conducting company meetings, undertaking a detailed financial valuation of a company's capital structure and ultimately forming an investment view and an understanding of the IRR embedded in the current stock price. The majority of research is generated internally by the Investment Team; any external research is used as a complement to this. Naya may use research provided by brokers, expert networks, analyst conferences and independent research houses.

### **Investment Universe**

Naya operates globally and will have a portfolio concentration in areas of expertise including technology/media/telecom, utilities, industrials, consumer, energy and health care sectors.

### **Screening Process**

- Valuation digression across multiple valuation metrics
- Credit spread moves versus equity performance
- Embedded book value

### **Idea Generation**

- Identify opportunities where the Investment Team has a divergent view of business fundamentals from consensus
- Areas of focus include special situations, poorly covered businesses or company sectors and overall market volatility

### **Research**

- Exhaustive fundamental research to understand industry dynamics and company specific operational levers
- Translate research into insightful financial models: normalize earnings and cash generation, adjust for excessive or depressed returns and establish a sustainable growth rate for the industry and business

### **Further Diligence**

- Regular meetings with management teams to gain insight into industry structure and changes, customers, suppliers and competitors
- Management teams serve as an outstanding source of investment ideas

### **Valuation Analysis**

- Wide range of models updated on a quarterly basis automatically
- Extensive in-house modelling and financial stress testing

### **Investment Review**

- A combination of an attractive short-term free cash flow yield ("entry yield") and long-term sustainable organic growth makes up IRR
- Management must exhibit intentions to use their resources for value creation

- Shareholder value-oriented management teams are prioritized; superior cash generation that may be wasted by profligate management is discounted substantially in the investment process

### **General Investment and Trading Risks; Risk of Loss**

All investments present a risk of loss of capital. Supply and demand for securities and other financial instruments change rapidly and are affected by a variety of factors. Such factors include investment-specific price fluctuations as well as macro- economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments (such as the results of operations, financial condition, sales and product lines of corporate issuers), national and international politics, governmental events and changes in interest rates and income tax laws. In addition, events such as political instability, terrorism, natural disasters, and regional and global health epidemics (including viral outbreaks such as COVID-19) may occur. The Firm may have only limited ability to vary its investment portfolio in response to changing economic, financial, investment and other conditions. No guarantee or representation can be made that the Firm's investment program will be successful. The market price of securities and other financial instruments owned by the Advisory Clients may go up or down, sometimes unpredictably, and investment results may vary substantially.

**An investment in the Funds involves a high degree of risk, including the risk that the entire amount invested may be lost.** No guarantee or representation is made that the Funds' investment program will be successful, or that the Funds' returns will exhibit low correlation with an investor's traditional securities portfolio. The Funds may utilise investment techniques such as option transactions, short sales, derivatives trading and futures and forward contracts, which practices can involve substantial volatility and can, in certain circumstances, substantially increase any potential adverse impact to which the Funds' investment portfolio may be subject. A description of the risks that an investor in any of the Funds is likely to face is outlined below. However, investors should consult the offering memorandum for a full discussion of the risk factors.

Long Strategy. The success of the Funds' long investment strategies depends upon Naya's ability to identify and purchase securities that are undervalued. The identification of investment opportunities in the implementation of the Funds' long investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Funds' positions were to fail to converge toward, or were to diverge further from values expected by Naya, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Funds to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Naya's long strategies may become outdated and inaccurate as market conditions change.

Long-Term. The success of Funds' long-term investment strategies depends upon Naya's ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the Funds may forego value in the short-term or temporary investments in order to be able to avail the Funds of additional and/or longer-term opportunities in the future. Consequently, the Funds may not capture maximum available value in the short-term, which may be disadvantageous, for example, for investors who withdraw all or a portion of their investments before such long-term value may be realized by the Funds.

Short-Term Market Considerations. Naya's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

Lending of Portfolio Securities. The Funds may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Funds will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delays in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Lack of Control. The Funds may invest in debt instruments and equity securities of companies that it does not control, which the Funds may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Funds do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Funds' interests. In addition, the Funds may share control over certain investments with co-investors, which may make it more difficult for the Funds to implement their investment approach or exit the investment when they otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Funds and the investors' investments therein.

Dependence on Key Individuals. Shareholders have no authority to make decisions on behalf of the Funds. The success of the Funds depends upon the ability of key members of Naya's investment team to develop and implement investment strategies that achieve the Funds' investment objective. If the Funds were to lose the services of these members, the consequence to the Funds could be material and adverse and could lead to the premature termination of the Funds.

No Material Limitation on Strategies. While it is Naya's current intention to invest a substantial portion of the Funds' assets in the strategies described above, the Funds will be permitted to opportunistically implement whatever strategies or discretionary approaches Naya believes from time to time may be best suited to prevailing market conditions. There can be no assurance that Naya will be successful in applying any strategy or discretionary approach to the Funds' trading.

Discretion of Naya; New Strategies and Techniques. Naya has considerable discretion in the types of securities which the Funds may trade and has the right to modify the trading strategies or hedging techniques of the Funds without the consent of the Shareholders. Any of these new trading techniques may not be thoroughly tested in the market before being employed and may have operational shortcomings which could result in unsuccessful trades and, ultimately, losses to the Funds. In addition, any new trading strategies or hedging technique developed by the Funds may be more speculative than earlier techniques and may increase the risk of an investment in the Fund.

General Economic and Market Conditions. The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, national and international political circumstances (including wars, terrorist acts or security operations) and public health crises (such as

pandemics and epidemics). These factors may affect the level and volatility of investments' prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

The economies of countries in which the Funds may invest may differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Banking Relationships. Naya and the Funds will hold cash and other assets in accounts with one or more banks, custodians or depository or credit institutions (collectively, "Banking Institutions"), which may include both U.S. and non-U.S. Banking Institutions from time to time. Funds may also enter into credit facilities and have other relationships with Banking Institutions as contemplated in each Funds' relevant offering documents. The distress, impairment, or failure of, or a lack of investor or customer confidence in, any of such Banking Institutions may limit the ability of Naya and the Funds to access, transfer or otherwise deal with its assets, draw upon a credit facility, or rely upon any of such other relationships, in a timely manner or at all, and may result in other market volatility and disruption, including by affecting other Banking Institutions. All of the foregoing could have a negative impact on the Funds. For example, in such a scenario, the Funds could be forced to delay or forgo an investment or a distribution, including in connection with a redemption, or generate cash to fund such investment or distribution from other sources (including by disposing of other investments or making other borrowings) in a manner that it would not have otherwise considered desirable. Furthermore, in the event of the failure of a Banking Institution, access to a depository account with that institution could be restricted and U.S. Federal Deposit Insurance Corporation ("FDIC") protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to Banking Institutions in other jurisdictions not subject to FDIC protection). In such a case, Naya and the Funds may not recover all or a portion of such excess uninsured amounts and could instead have an unsecured or other type of impaired claim against the Banking Institution (alongside other unsecured or impaired creditors). Naya does not expect to be in a position to reliably identify in advance all potential solvency or stress concerns with respect to its or the Funds' banking relationships, and there can be no assurance that Naya or the Funds will be able to easily establish alternative relationships with and transfer assets to other Banking Institutions in the event a Banking Institution comes under stress or fails.

Systemic Risk. Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by the other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Funds interacts, as well as the Funds themselves, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Funds and on the market for securities in which the Funds seek to invest.

Climate Change-Related Risks. The environmental effects of climate change, including rising temperatures, extreme weather, fires, flooding, erratic weather fluctuations, agricultural failures and displacement and destabilization of human populations, could have materially adverse effects on the securities held by the Funds. Naya believes that such risks may increase over time, although the time period over which these consequences might unfold is difficult to predict.

The values of securities held by a Fund whose performance is linked to assets and revenue streams that are exposed to climate change risk, may readily be affected by both long-term, systemic effects of climate change, as well as severe environmental events whose occurrence is inherently unpredictable.

Assumption of Business, Terrorism and Catastrophe Risks. The Funds may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, hurricanes, earthquakes, and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change factors), terrorism, public health crises (such as pandemics and epidemics), and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Funds and the investors' investments therein. Furthermore, any such event may also adversely impact one or more individual investors' financial condition, which could result in substantial redemption requests by such investors as a result of their individual liquidity situations and irrespective of the Funds' performance.

Limited Liquidity. An investment in the Funds have limited liquidity because investors will generally have only limited rights to redeem shares from the Funds or transfer their shares, and the Funds have the right to suspend redemptions, as described further in the Funds' offering documents. Investors must be prepared to bear the financial risks of an investment in the Funds for an indefinite period of time.

Increased Regulatory Oversight. Increased regulation and regulatory oversight of private investment funds and their managers may impose administrative burdens on Naya, including, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert Naya's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

Counterparty Risk. The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

The Funds may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. If there is a default by a counterparty, the Funds under most normal

circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds' securities from such counterparty or the payment of claims therefor may be significantly delayed and the Funds may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceedings and may impact whether the Funds may terminate its agreement with an insolvent counterparty.

Collateral that the Funds posts to their counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Funds may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

Counterparty Default. The stability and liquidity of over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that the Funds will monitor on an ongoing basis the creditworthiness of firms with which it will enter into over-the-counter derivative transactions. If there is a default by the counterparty to such a transaction, the Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the Net Asset Value of the Funds being less than if the Funds had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Funds' counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. Investors should assume that the insolvency of any counterparty would result in a loss to the Funds, which could be material.

Illiquid Portfolio Instruments. Investments that lack liquidity and/or a readily assessable market value will generally be carried on the books of the Funds at fair value (which may be approximated by cost) as reasonably determined by Naya. There is no guarantee that fair value will represent the value that will be realised by the Funds on the eventual disposition of the investment or that would, in fact, be realised upon an immediate disposition of the investment.

Competition; Availability of Investments. Certain markets in which the Funds may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Naya will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk. The Funds' investment programs may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by the Funds.

Credit Ratings. In general, the credit rating assigned by a nationally recognised rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are

not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Funds may incur losses if they make investments based on credit ratings that subsequently change in a way not favourable to the Funds' investment objectives.

Co-Investments with Third Parties. The Funds may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Funds or is in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

Significant Positions in Securities; Regulatory Requirements. In the event the Funds acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Funds may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Funds and Naya. Any such requirements may impose additional costs on the Funds and may delay the acquisition or disposition of the securities or the Funds' ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on its investment activities may be significant. If at any time positions managed by Naya were to exceed applicable position limits, Naya would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Funds might have to forego or modify certain of its contemplated trades.

Exposure to Material Non-Public Information. From time to time, Naya may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Currency Exchange Exposure. The Funds may invest in securities denominated in currencies other than the U.S. Dollar. The Funds, however, values its securities in U.S. Dollars. The Funds may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There

can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than the U.S. Dollar will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

**Leverage; Borrowing for Investment Purposes.** The Funds may use "leverage" as part of the investment program. Leverage may take the form of, among other things, any of the securities described herein, including, derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. The use of leverage will allow the Funds to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Funds' portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged. In addition, the Funds will have the authority to borrow money for cash management purposes and to meet redemptions that would otherwise result in the premature liquidation of its investments. The level of interest rates generally, and the rates at which the Funds can borrow particularly will affect the operating results of the Funds. The amount of borrowings and leverage which the Funds may have outstanding at any time may be substantial in relation to its capital. The instruments and borrowings utilised by the Funds to leverage investments may be collateralised by the Funds' portfolio. Accordingly, the Funds may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call", pursuant to which the Funds must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds may have similar rights. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

**Short Selling.** The Funds may from time to time acquire short positions in particular securities where Naya determines that this is prudent and necessary in order to reduce a Fund's overall long exposure to a particular issuer when seeking to implement a long-strategy in relation to only part and not all of a particular company's business, operations or assets. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short sales can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to



cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short sales can also be implemented on a leveraged basis. Lastly, even though the Funds secures a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

Diversification and Concentration. Naya may select investments that are concentrated in a limited number or types of securities. In addition, the Funds’ portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Securities.

Hedging Transactions. The Funds may utilise securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds’ investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds’ unrealised gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds’ portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds’ securities; (vii) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (viii) act for any other reason that Naya deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Naya may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such financial instruments may have a material adverse effect on the Funds. In addition, the Funds may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such financial instruments may have a material adverse effect on the Funds.

Call Options. The Funds may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option, if

applicable, may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The Funds may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Funds is subject to Naya's ability to correctly predict movements in the direction of the market.

Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearinghouses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a

disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts. The Funds may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearing houses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which Naya would otherwise recommend, to the possible detriment of the Funds. In its forward trading, the Funds will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds trade. The Funds' assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. Naya may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Contracts for Differences. Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Funds' obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds' financial risk.

Credit Default Swaps. Credit default swaps can be used to implement Naya's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds may also buy credit default protection with respect to a referenced entity if, in Naya's judgment, there is a high

likelihood of credit deterioration. In such instance, the Funds will pay a premium regardless of whether there is a credit event.

Swap Agreements Generally. The Funds may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Funds, for instance, may enter into total return swaps, swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease the Funds’ exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement.

Whether the Funds’ use of swap agreements or swaptions will be successful will depend on Naya’s ability to select appropriate transactions for the Funds. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds’ portfolios. Moreover, the Funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds’ ability to terminate swap transactions or to realize the amounts to be received under such transactions.

Swap Agreements and Synthetic Assets. The Funds may acquire exposure to indices, debt securities, structured finance securities, loans and other types of assets synthetically through derivative products such as credit default swaps (including CDS and CDX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a “Synthetic Asset”). A Synthetic Asset could take many forms, including a credit derivative transaction that references a structured finance security, debt security or loan, a credit derivative transaction that references a portfolio or index of corporate reference entities or a portfolio or index of reference obligations consisting of structured finance securities, total return swap transaction that references both income and any capital gains of an underlying asset, debt securities, bonds, or other financial instruments (each, a “Reference Obligation”).

Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. These include that: (i) the Funds generally will have a contractual relationship only with the Synthetic Asset counterparty and not with the issuer of the Reference Obligation and will, therefore, have no right directly to enforce compliance by the issuer(s) with the terms of any such Reference Obligation and the Funds will not have any rights of set-off against the issuer(s); and (ii) the Funds generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. Additionally, the Funds will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the issuer, as well as the documentation risk associated with these instruments. Further, in the event of insolvency of the Synthetic Asset counterparty, the Fund will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. As a result of the terms of the Synthetic Asset and the assumption of the credit risk of the Synthetic Asset counterparty, a Synthetic Asset may have

a different expected return, a different (and potentially greater) probability of default and different expected loss and recovery characteristics.

Repurchase or Reverse Repurchase Transactions, Buy-Sell Back or Sell-Buy Back Transactions. The Funds may enter into repurchase and reverse repurchase transactions or buy-sell back or sell-buy back transactions. When the Funds enter into a repurchase agreement or a sell-buy back transaction, they effectively “sell” the securities to a counterparty (such as a financial institution), and agree to repurchase such securities on a mutually agreed date for the price paid by the counterparty, plus interest at a negotiated rate. In a reverse repurchase or a buy-sell back transaction, the Funds “buy” securities from a counterparty, subject to the obligation of the counterparty to repurchase such securities at the price paid by the Funds, plus interest at a negotiated rate. Repurchase, reverse repurchase and sell-buy back or buy-sell back transactions by the Funds involve certain risks. For example, if the seller of securities to the Funds under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Funds will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Funds’ ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Funds may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Funds may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if it invests in equity instruments of issuers whose performance diverges from Naya’s expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Exchange-Traded Funds. Exchange-traded funds (“ETFs”) are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF’s expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds’ expenses (e.g., management fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

Illiquid Securities. Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities

may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Funds may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Funds may be required to hold such securities despite adverse price movements. Even those markets which Naya expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Initial Public Offerings. Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Funds' investments.

Preferred Stock. Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Structured Notes. Structured notes, variable rate mortgage-backed and asset-backed securities each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

Undervalued Securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed.

Unlisted Securities. Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Micro-, Small- and Medium-Capitalization Companies. Investments in securities of micro- and small-capitalization companies involve higher risks in some respects than do investments in securities of larger “blue-chip” companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, “blue-chip” companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Naya. Prospective investors in the Funds should read the entire applicable offering materials and consult with their own advisers before deciding whether to invest. In addition, as the investment program develops and changes over time, an investment managed by Naya may be subject to additional and different risk factors.**

## **Item 9.     Disciplinary Information**

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



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

Naya (GP) Limited, an exempted company incorporated on February 23, 2012, serves as the general partner of the Naya Fund and also to Nayawood LP. The general partner has ultimate responsibility for the management, operations and the investment decisions made on behalf of the Naya Fund and Nayawood LP.

Naya and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

Naya and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

Naya does not recommend or select other investment advisers for its Advisory Clients nor does it have any other relationships or arrangements with related persons that are material to its advisory business or to its Advisory Clients.

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

### **Code of Ethics**

Naya has adopted a code of ethics that sets forth the standards of conduct expected of all employees and requires compliance with applicable securities laws (“Code of Ethics”). The Code of Ethics states that employees: must be loyal to clients and place the interests of clients above their own; may not, directly or indirectly, use client opportunities for personal gain; must refrain from entering into transactions, including personal securities transactions, that are inconsistent with the interests of clients; must always observe the highest standards of integrity and fair dealing; and conduct their personal and business dealings in accordance with the letter, spirit and intent of all relevant laws and regulations.

The Code of Ethics also contains written policies reasonably designed to prevent the unlawful use of material non-public information by Naya or any of its employees. Employees are required to acknowledge that they have received, read and understand the Code of Ethics, and will abide by their responsibilities under it. Naya appointed an individual to serve as Chief Compliance Officer who, together with senior management, will be responsible for monitoring and enforcing the Code of Ethics.

Prospective clients and Advisory Clients may contact Naya at the telephone number or email listed on the cover of this Brochure to request a copy of the Code of Ethics.

### **Personal Trading**

The Code of Ethics requires employees to report the transactions and holdings in their personal securities accounts and prohibits employees from directly or indirectly engaging in certain securities transactions without first obtaining approval. The Firm generally does not permit employees to transact in publicly traded securities (other than mutual funds, exchange traded funds, and certain others) in their personal securities accounts after joining Naya. Individuals may be permitted to passively hold onto existing positions in such securities and will be required to gain prior permission in order to sell or liquidate them. Individuals may be permitted to purchase privately traded securities and will be required to gain prior permission for such purchases.

### **Participation or Interest in Client Transactions**

Certain of Naya’s employees invest in the Funds. Employees are not subject to the management or performance-based fees applicable to the Funds described in Item 5 above. The fact that employees have financial ownership interests in the Funds creates a potential conflict in that it could cause Naya to make different investment decisions in the Funds than if employees did not have such financial ownership interests.

Certain employees have in the past and may again in the future invest in one or more privately offered security that is also held in one or more Advisory Client account. The fact that employees have financial ownership interests in securities that are also held in Advisory Client accounts creates a potential conflict between the interests of employees and Advisory Clients in that an employee may make decisions regarding such securities that may be contrary to the interests of Advisory Clients.

Naya seeks to address such potential conflicts of interest through monitoring of employee personal trading and enforcement of the Firm's Code of Ethics. Employees may only purchase an interest in certain investments after obtaining permission from Naya as required by Rule 204(a)-1 of the Investment Advisors Act of 1940. Naya may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict with a client's interests or otherwise appears improper. Additionally, the Firm seeks to address such potential conflicts through regular monitoring of Advisory Client accounts for consistency with their investment objectives, strategies, risks and restrictions.

### **Cross Trades**

Naya may determine that it would be in the best interests of certain Funds from time to time to use a broker to intermediate and match "buy" and "sell" orders from one Fund to another (each such market cross, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If Naya decides to engage in a Cross Trade, Naya will determine that the trade is in the best interests of each Fund involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Funds.

Naya generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Such Cross Trades will entail reduced commissions and will be executed at the mid of the prevailing market price at the time, hence independently set.

### **Principal Transactions**

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a Fund by Naya or its personnel, Naya will comply with the requirements of Section 206(3) of the Investment Advisors Act of 1940 (the "Advisers Act"), including that any such transactions will be prohibited unless Naya discloses the capacity in which it is acting to the client in writing before completion of the transaction, and obtains the participating client's consent prior to the transaction. Cross Trades and principal transactions will only be undertaken where it can be shown that it is likely not to act to the detriment of any relevant clients and is consistent with each client's investment objectives and strategy.

## Item 12. Brokerage Practices

### Best Execution

The Firm will seek the best execution for all trades within the Funds. Best execution will be evaluated on a case by case basis and will be determined by the following trade requirements: cost, size, nature of the transaction, quality of execution and settlement, difficulty of execution given the nature of the asset and/or prevailing market conditions, operational capabilities, facilities of the broker or dealer involved, whether that broker or dealer has risked its own capital in positioning a block of securities or other assets, and the prior experience of the broker or dealer in effecting transactions of the type in which Naya will engage and speed.

### Aggregation and Allocation

The Firm allocates all trades to the relevant funds via Broadridge IMS (formerly known as Paladyne) on a pari-passu basis and in line with the account mandates. This is principally on a pari-passu basis. Where fund mandates lead to differing position sizes, trades are allocated in proportion to differing position sizes on a fair and equivalent basis. The Firm keeps an allocation policy which is available upon request.

### Payment for Research

Under UK FCA rules, the Firm is prohibited from accepting non-monetary benefits from a third-party that relate to the provision of portfolio management to a client unless they are acceptable minor non-monetary benefits or certain third-party research. Research bundled into transaction costs has been identified as amounting to an inducement and is thus prohibited. Third-party research (other than research that has been identified as an acceptable minor non-monetary benefit) is not considered to be an inducement only where it is received in return for direct payments made by the firm out of its own resources, or via payments from a separate research payment account (“RPA”) controlled by the Firm on behalf of its clients.

### Trade Errors

There is an errors and omissions insurance policy of \$30m to deal with potential trade and operational errors. There is also a trading errors compliance log and the Operational Team will actively review the procedures should any errors occur. If the error meets the conditions outlined in the policy, Naya will seek compensation for the error under the policy. Errors which do not meet the conditions required for reimbursement under the policy will be borne by the Funds. Any gains resulting from a trading error will go to the Funds.

### Directed Brokerage

Naya does not recommend, request or require that its Advisory Clients direct Naya to execute transactions through a specified broker-dealer.

### **Item 13. Review of Accounts**

Advisory Client accounts will be monitored closely, and will be informally reviewed on an on-going and contemporaneous basis by the risk management committee, with findings discussed at meetings of this committee. A review of an Advisory Client's account may also be triggered by any unusual activity or special circumstances. Naya employs strict parameters in terms of the instruments that the portfolio manager is allowed to trade in and the structure of the portfolio. There will be a risk management committee meeting monthly with the CIO, CCO and the Operational Team. All issues of portfolio risk and valuation will be discussed in this time. Naya will use its own specific stress test models based on specific portfolio risk. The Funds will also use a number of historic stress test models in order to gain a more comprehensive understanding of the portfolio's risks under a variety of different market conditions.

The Funds will provide the following reporting to investors:

- Official Monthly statements of NAV, performance and portfolio aggregated exposure snapshots
- Annual letter from Naya describing relevant Naya Fund information
- Annual audited financial statements (and K-1 if applicable) within 120 days of the applicable Fund's fiscal year end

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

Neither Naya nor any related person directly or indirectly compensates any person for client referrals, provided however, Naya has entered into a placement agent agreement whereby a placement agent has agreed to introduce potential investors to the Funds. Pursuant to the terms of such placement agent agreement, Naya may pay the placement agent a placement fee equal to a percentage of management fees borne by each investor introduced to a Fund by the placement agent. In the event that a placement agent introduces potential investors to the Funds, a written disclosure document will be provided to referred investors describing, among other things, the material terms of any compensation arrangement between Naya and the placement agent and all material conflicts of interest. In such instances, referred investors should ensure that they receive and read the disclosure document from the placement agent. Naya does not receive any compensation from any third parties for referrals of client or investors, or any other business activities.

## **Item 15. Custody**

Naya does not take or maintain physical custody of any Advisory Clients' cash or securities and conducts all business operations such that Advisory Clients' cash and securities are preserved in the safekeeping of an independent custodian. Advisory Clients receiving statements directly from such custodians should carefully review those statements and should carefully compare such statements to any reports sent by Naya.

As Naya's principal office and place of business is outside the U.S., Rule 206(4)-2 (the "Custody Rule") does not apply to the Naya's non-U.S. Advisory Clients.

Naya is subject to the Custody Rule with respect to its U.S. Funds. To ensure compliance with the Custody Rule, these U.S. Funds are subject to an annual audit in accordance with generally accepted auditing standards and the audit reports are issued in accordance with U.S. GAAP by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board. The relevant audited financial statements are distributed to each investor via the Administrator within 120 days of these U.S. Funds' fiscal year end.

In addition, these U.S. Funds are subject to audit upon liquidation and the liquidation audit is provided to investors promptly after its completion. Investors also receive monthly investor statements directly from the administrator for these U.S. Funds, as described in Item 13.

## **Item 16. Investment Discretion**

As Chief Investment Officer of Naya, Masroor Siddiqui maintains ultimate investment discretion and full discretion over Advisory Client investment portfolios.

Naya's investment decisions and advice with respect to each Advisory Client is subject to each Advisory Clients' investment objectives and guidelines, as set forth in its offering documents or investment management agreement (as applicable).

Naya or an affiliate has entered into an investment management agreement, or similar agreement, with each Advisory Client, pursuant to which Naya was granted discretionary trading authority.



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

It is the policy of Naya to vote proxies in the interest of maximizing value for its Advisory Clients. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote, including factors such as the impact on the value of investments, associated costs and benefits, and effect on liquidity. The Naya analyst(s) responsible for each security will be contacted whenever there is a proxy vote, to determine the appropriate vote to be cast. At times, Naya may determine it is in its clients' best interests to abstain from voting. Notwithstanding the foregoing, Naya generally votes in favor of the management of companies for which the proxies are being voted. Whenever Naya does not vote in favor of management, or abstains from voting, the rationale for such decision will be documented.

Conflicts of interest may arise between the Advisory Clients' interests and Naya's interests. If Naya determines it may have a conflict when voting proxies, Naya will vote in accordance with its proxy voting policy. A copy of Naya's proxy voting policy is available upon request.

## **Item 18. Financial Information**

Naya is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.