

**Item 1 – Cover Page**

**Hanwha Asset Management (USA) Ltd.**

**300 Grant Avenue, 4th Floor,  
San Francisco, California 94108**

**(415) 534-1190**

**March 19, 2024**

This Brochure provides information about the qualifications and business practices of Hanwha Asset Management (USA) Ltd. (“Hanwha,” “we,” or “us”). If you have any questions about the content of this Brochure, please contact us at 415-534-1195 or [minshu.liu@hanwha.nyc](mailto:minshu.liu@hanwha.nyc). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Hanwha’s registration of an investment adviser does not imply any level of skill or training. Additional information about Hanwha is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 – Material Changes**

Since Hanwha filed its last Annual Amendment to Form ADV 2A on March 30, 2023, there have been no material changes made to this Brochure.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may be requested by contacting us at 415-534-1195 or [minshu.liu@hanwha.nyc](mailto:minshu.liu@hanwha.nyc).

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

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## **Item 4 – Advisory Business**

### **A. Firm Description and Principal Owners**

Hanwha has been registered with the SEC as an investment adviser since 2017 and has been in business since June 2005.

Hanwha is a wholly-owned subsidiary of Hanwha Asset Management Co., Ltd., which in turn is a wholly-owned subsidiary of Hanwha Life Insurance Co., Ltd., which is partially-owned by Hanwha Corporation, a Korean publicly-traded company.

Hanwha’s Chief Executive Officer, Chief Investment Officer, and Managing Director is Dong Jun Im.

### **B. Types of Advisory Services Offered**

Hanwha provides investment advisory and/or investment management services to institutional clients, including other investment managers. Services provided are subject to the terms of the relevant investment management/entrustment agreement or investment advisory agreement entered into with clients. Hanwha generally invests in and/or advises on fixed-income securities and private equity securities of companies in various sectors, usually in the early- or mid-stage of development (or private funds that primarily invest in such securities).

Hanwha also serves as an investment manager to private investment funds (each a “Private Fund”) that are exempt from registration under the Investment Company Act of 1940 and whose securities are not registered under the Securities Act of 1933, as amended. Investment management is provided directly to such Private Funds, subject to the discretion and control of the applicable Private Fund’s general partner, and not individually to the investors in a Private Fund. Services are provided to a Private Fund in accordance with the investment management agreement and/or the organizational or offering documents of a Private Fund (such documents collectively referred to herein as “Organizational Documents”). Investment restrictions, if any, are set forth in the Organizational Documents. For its Private Funds, Hanwha primarily invests in private equity securities of companies in various sectors, usually in the early- or mid-stage of development (or private funds that primarily invest in such private equity securities).

Hanwha also provides administrative services to other institutional clients, and investment advisory services relating to real estate and infrastructure. These activities are legacy activities of Hanwha and are not currently offered, marketed to, or made available to new clients or investors. As such, these legacy activities are not discussed in any further detail herein.

As used in this Brochure, for the avoidance of doubt, the term “private equity” currently refers primarily to equities of early- and mid-stage companies, i.e. venture capital.

### **C. Client Tailored Services & Client Imposed Restrictions**

Hanwha provides its investment advisory or investment management services specifically tailored to the investment objectives and risk tolerance of its clients. The specific investment advisory or investment management services we provide are set forth in the investment advisory agreements or investment

management/entrustments agreement between Hanwha and each of its clients. When establishing an investment program, clients may impose restrictions on investing in certain securities or types of securities. Hanwha will work closely with its clients to tailor the services to be provided and/or accommodate a client's restrictions, if any.

With respect to the Private Funds, Hanwha formulates investment objectives and manages the investment program of such Private Funds. The investment objectives and guidelines for the Private Funds are contained in the Organizational Documents of the Private Funds. Generally, it is not possible for investors in Private Funds to tailor the investment program of the Private Funds due to the commingled nature of an investment fund.

#### **D. Wrap Fee Programs**

Hanwha does not sponsor or participate in wrap fee programs.

#### **E. Assets Under Management**

As of December 31, 2023, Hanwha had approximately \$2,329,080,912 in assets under management. As of such date, Hanwha also had approximately \$699,486,889 in assets under advisement.

### **Item 5 – Fees and Compensation**

#### **A. Compensation for Advisory Services**

Fees for Hanwha's investment management or investment advisory services are negotiated on an account-by-account basis and are set forth in the applicable investment management agreement/entrustment agreement, investment advisory agreement, or other agreement.

As compensation for investment management services provided to its Private Funds, Hanwha receives a quarterly management fee from each Private Fund based on (i) the aggregate capital commitments of the investors of the Private Fund (during the investment period) and (ii) the amount of invested capital contributions of investors used to make portfolio investments that have not been disposed of or written off (after the investment period). The precise amount of, and the manner and calculation of, the management fees for each Private Fund are set forth in each Private Fund's Organizational Documents, which are received by each investor prior to investment in a Private Fund. Hanwha may under certain conditions specified in the Organizational Documents of a Private Fund reduce (even up to 100% of) its management fee with respect to one or more investors.

In addition, the general partner of a Private Fund (which is an affiliate of Hanwha) may receive certain allocations and distributions calculated and charged based on a share of capital gains on or capital appreciation of the assets of the Private Fund, as negotiated and determined at the time such Private Fund is established and as set forth in its Organizational Documents. These allocations and distributions are commonly known as "carried interest".

#### **B. Billing**

Hanwha receives an annual investment management fee or investment advisory fee for each account, which is payable quarterly in arrears within 30 days after receipt of the invoice for the services. Fees are not directly deducted from account assets. Generally, such fees are based on the average daily market value of the assets in an account or value of investments advised during the respective quarter.

Fees will be prorated if the relevant quarterly period for payment is less than a full quarter.

Private Fund annual management fees payable are deducted from an investor's capital account and paid to Hanwha quarterly in advance.

### **C. Other Fees and Expenses**

Hanwha's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, if any, which shall be borne by clients. Clients also incur charges imposed by custodians, brokers, and other third-parties. Such costs, expenses, or charges are exclusive of and in addition to Hanwha's management and advisory fees, but Hanwha does not receive any portion of such amounts. In addition to the foregoing amounts, clients also incur the cost of the bid-ask spread charged by broker-dealers on fixed-income transactions. The "bid-ask spread" is the difference between the ask price and the bid price for a particular security. This is essentially the difference in price between the highest price that a buyer is willing to pay for a security and the lowest price at which a seller is willing to sell the security. Please see Item 12 below for more information regarding brokerage.

As described in the Organizational Documents of a Private Fund, Hanwha (and/or the general partner of the Private Fund) will bear their own general overhead and administrative costs and expenses, including employee salaries and benefits. However, each Private Fund will bear all expenses, costs, and liabilities incurred with or related to the conduct of the business of the Private Fund (except for the expenses borne by Hanwha or the general partner of the Private Fund as previously described).

**Investors should refer to the Organizational Documents of a specific Private Fund for a complete understanding of costs and expenses associated with such Private Fund. The information contained above is a summary only, is generalized, and is qualified in its entirety by such Organizational Documents.**

### **D. Advance Payment of Fees, Termination of Agreements, and Refunds**

For its investment management and/or investment advisory accounts, Hanwha does not require its clients to pay management fees in advance. The termination provisions of agreements between clients and Hanwha are negotiable. In the event of a termination with an effective date other than a quarter end, fees payable will be pro-rated to the effective date of termination.

For its Private Funds, management fees are payable quarterly in advance. Due to the investment strategy of our Private Funds, which hold private securities that are illiquid and/or subject to transfer restrictions, investors generally may not withdraw any capital.

### **E. Compensation for the Sale of Securities or Other Investment Products**

Hanwha and its supervised persons do not receive any compensation for the sale of securities or other investment products.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

For its investment advisory accounts advising on private equities, Hanwha is entitled to (i) an advisory fee and (ii) a portion of carried interest earned by its client, if any, for transactions advised on by Hanwha.

For most of its other investment management or investment advisory accounts, Hanwha does not charge performance-based fees or fees based on capital gains on assets managed or advised by it.

However, as described above, Hanwha or a general partner affiliated with Hanwha may receive carried interest in relation to the services provided to certain clients and Private Funds. The specific terms applicable to any carried interest are described in the investment advisory agreement with a relevant client and/or the Organizational Documents of our Private Funds.

The potential receipt of carried interest provides Hanwha with an incentive to engage in more speculative investments or greater risk in an effort to maximize an account's or Private Funds' profits and receive greater compensation than if Hanwha were not potentially receiving carried interest.

Carried interest is separate and distinct from any management fees payable to Hanwha but may create an incentive for Hanwha to disproportionately allocate time and resources to an account or Private Funds where carried interest is potentially payable.

Additionally, Hanwha may have an incentive to favor an account where carried interest is applicable (or its Private Funds that have a carried interest feature) by recommending or allocating more potentially profitable investments to such accounts or Private Funds, or devoting more time and resources thereof.

Hanwha has designed policies and procedures that aim to allocate investment opportunities between its accounts or Private Funds with overlapping investment universes in a transparent and reasonable manner. In addition, and most importantly, the investment programs for accounts or Private Funds with potential carried interest differ significantly in investment strategy from other accounts that do not, including having separate investment personnel dedicated to managing or advising on such investment strategies, helping to minimize potential conflicts. Finally, with respect to the investment advisory accounts for which Hanwha may receive carried interest, ultimate investment discretion is maintained by the applicable client and not Hanwha, so Hanwha's incentive to engage in speculative investments and allocate potentially more profitable investments to such accounts is mitigated as a result thereof.

### **Item 7 – Types of Clients**

Hanwha generally provides investment management and investment advisory services to companies, institutional clients, other investment managers, and Private Funds.

There is no minimum account size for opening or maintaining an account with Hanwha, however, Hanwha retains sole discretion over whether to accept a prospective client's account.

For Private Funds, the minimum initial capital commitment required for an investor is \$10,000,000, subject to the applicable general partner's discretion to accept a lesser amount. Criteria for investment in the Private Funds are set out in each of the Private Funds' Organizational Documents. Limited partner interests in the Private Funds may be purchased only by investors that are "accredited investors," as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and "qualified purchasers" for purposes of section 3(c)(7) of the Investment Company Act of 1940. Persons reviewing this Brochure should not construe the information contained herein as an offer to sell or solicitation of an offer to purchase the securities of any of the Private Funds described herein. Any such offer or solicitation will be made only pursuant to and subject to the applicable Private Fund's Organizational Documents.

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

### **A. Methods of Analysis and Investment Strategies**

#### **Investment Strategies**

The primary objective for Hanwha's fixed income strategy is to construct a portfolio with stable income and attractive risk-adjusted returns. Hanwha's processes combine bottom-up analysis with a top-down macroeconomic view. By comparing risk adjusted opportunities across fixed income assets and all market sectors, we aim to find the best relative value opportunities, which include assets, sectors, credits, and securities. We aim to minimize trading and portfolio rebalancing costs, as we seek to invest in those issuers that will likely maintain solid balance sheets throughout an entire economic cycle.

Hanwha also provides investment advisory services with regards to fund commitments and direct investments in private equities, in particular, venture capital investments.

The investment strategy of each Private Fund is specified in its Organizational Documents. Currently, Hanwha's Private Funds generally invest in the private equity securities of early- and mid-stage private companies and/or private funds investing in such securities. While not a focus, the Private Funds are also permitted to invest in the private debt of early- and mid-stage private companies.

#### **Methods of Analysis**

For Hanwha's fixed-income strategy, the methods of analysis include top-down analysis and bottom-up analysis:

**Top-Down Analysis:** Hanwha's top-down analysis includes macroeconomic research to assess the overall risk environment, and determine broad portfolio themes, industry emphasis and overall portfolio quality. Research includes, but is not limited to, such elements as economic forecasts for GDP growth, inflation, and corporate profits, quantitative analysis of market volatility and yield curve shape, and qualitative assessments of supply and demand trends.

**Bottom-Up Analysis:** Hanwha assesses the credit characteristics of each issuer to identify stable and improving credits while avoiding credit rating downgrades and default-related losses. We analyze key variables as they relate to a firm and conduct a historical analysis of company operations and financials.



We focus on indicators and measures of profitability, including but not limited to, management quality, free cash flow, financial flexibility, market share, and revenue growth.

For investment advisory services provided with regards to private equity fund investments, Hanwha supports its client in identifying, researching, selecting and monitoring third party investment managers that we determine fit well with our client's investment objectives and guidelines. The third-party investment managers execute various types of investment strategies. Hanwha advises in the selection of and then assists in the post-commitment monitoring of such managers based on certain criteria, which include, but are not limited to, the experience and quality of the investment team, the investment performance track record, risk management, liquidity of the investment, investment philosophy, and the strategic direction of the third-party investment manager. While Hanwha may assist in the execution of transactions thereof, the decision to invest in or select a particular third-party investment manager and the execution of any specific transaction relating thereto, however, lies with the client's investment committee and not Hanwha.

For investment advisory services provided with regards to direct investments in private equity, Hanwha researches the financial profile of the investment opportunity to determine whether the opportunity fits with our client's investment objectives and guidelines. For private equity investments, the investment opportunities are typically sourced through third party investment managers or financial advisors that we have a relationship with; however, we may also source investment opportunities ourselves. Thus, for private equity investments, we may have access to the underlying third party's investment memorandum as well as various third-party reports which we assess, usually on a non-reliance basis. Hanwha and/or the client may also hire third-party consultants to further assess the risk profile of the investment opportunity, especially with regards to the legal, commercial, technical, financial, and tax aspects of an investment. Hanwha advises in the selection of and monitors the investment opportunities based on certain criteria, which include, but are not limited to, the company's financial statements, current industry trends, the products and services being offered, counterparty, and deal-specific information. While Hanwha may assist in the execution of transactions thereof, the decision to invest in or select a particular investment ultimately lies with the client's investment committee and not Hanwha.

For Hanwha's Private Funds investing in private equity securities, Hanwha draws upon its knowledge of the relevant industries/sectors and, as appropriate, the company's and its employee's knowledge and network. Hanwha bases its investment decisions on *inter alia*, the potential investment's market position and its ability to attract management talent, to identify strategic objectives, and to implement business improvements or growth strategies. During the investment process, Hanwha reviews the investment opportunity to comprehend a target's market position, competition, customer dynamics, and management in addition to the financial due diligence of analyzing cash flows and financial models under various scenarios where relevant. In addition, potential investments are canvassed and preliminarily discussed at meetings of investment professionals and ultimately for investments that have passed screening, the relevant investment committee. We may on occasion have access to third party investment memoranda as well as various third-party reports which we assess, usually on a non-reliance basis. For those investments that have passed screening, Hanwha's investment professionals responsible for identifying and conducting due diligence on each investment will present the investment to the relevant investment committee, which will make the final investment decision with respect to the investment

opportunity. Hanwha may, but is not required to, also utilize the expertise of third-party consultants, as needed, especially with regards to legal, commercial, technical, financial, and tax matters.

## **B. Material Risks**

### **General Risks**

**General Economic and Market Conditions.** Market conditions such as interest rates, credit defaults, economic uncertainty, changes in laws, trade barriers, currency exchange controls, inflation, asset reinvestment, and availability of credit can materially affect a client's account. Even an instrument that generally is, or recently was, liquid may unexpectedly and suddenly become illiquid. Such volatility or illiquidity could result in substantial losses.

**Reliance on Management.** All decisions regarding the management and advice given with respect to the Private Funds and discretionary accounts will be given or made by Hanwha and its investment personnel. Accordingly, no investor should purchase interests in Private Funds managed by Hanwha or open a discretionary account with Hanwha, unless such investor is willing to entrust all aspects of the management and advice given by Hanwha and its investment personnel.

**Cybersecurity.** There can be no guarantee that the cybersecurity measures employed by Hanwha and its service providers will always succeed in fending off cybersecurity attacks from viruses, malware, computer hackers or other malicious corruption of their information technology systems. Cybersecurity breaches may cause disruptions to business operations, cause losses due to theft or other reasons, impede trading, lead to violations of applicable privacy and other laws, regulatory fines and penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Hanwha cannot control the cybersecurity plans and systems put in place by its service providers or the issuers in which they invest. Any cybersecurity breach could materially and adversely affect clients or the Private Funds.

**Failure of Counterparties to Perform Obligations.** In its ordinary course of business, Hanwha relies on and/or works with various counterparties, which include, but is not limited to, brokers, dealers, banks, custodians, and administrators ("Counterparties"). These Counterparties, with which Hanwha does business on behalf of clients, may, from time to time, default on their obligations with or without notice. Such defaults include, but are not limited to, a Counterparty's bankruptcy, insolvency, or other failure. A Counterparty's default on their obligations may impact Hanwha's ability to conduct its business in the ordinary course. There is a risk of loss of assets on deposit at the Counterparty. Although government agencies or other organizations provide insurance coverage to depositors or customers in the event of a Counterparty failure, coverage is limited to a specified amount and subject to rules and regulations. Prior events where a government agency or other organization stepped in to make depositors whole over their excess deposits at select Counterparties, which may or may not have a current or prior relationship with Hanwha, should not be construed as a guarantee that such action will be taken in the future. There is no guarantee that any excess deposits are recoverable. In the event of a Counterparty's default, Hanwha will work diligently to access its capital and take actions it deems appropriate while acting in the best interest of clients. However, Hanwha's access to capital is subject to a variety of external factors that are outside of Hanwha's control, including the timing of default, a government agency's or other organization's actions, including the timing of the Counterparty's closure, ability to liquidate the Counterparty's assets,

or to effect the Counterparty's sale or dissolution, unforeseeable economic factors or market conditions, and the Counterparty's technology infrastructure operating as intended to facilitate access. Furthermore, Hanwha's ability to access capital may have an impact on Hanwha's ability to conduct operations in the normal course. Deposits concentrated at one or a limited number of Counterparties may amplify these risks.

**Inflation Risk.** Hanwha's investment selections are also subject to inflation risk. Inflation risk is the risk that the present value of assets or income from investments will be less in the future as inflation decreases the value of money. The present value of an account or Private Fund's assets and distributions can decline as inflation increases.

**Coronavirus and Public Health Emergencies and Other Geopolitical Risks.** An unstable geopolitical climate and continued threats of war and terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption. In addition, COVID-19 and any other future serious pandemic, natural disaster or other global emergencies could severely disrupt global, national and/or regional economies and have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to clients.

Without limiting the foregoing, as of the date of this Brochure, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization formally declared in March 2020 to constitute a global "pandemic." This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, retail stores and other public venues. Many business that are not required to close have implemented similar precautionary measures. As a result of these measures as well as the general uncertainty surrounding the dangers and impact of COVID-19, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports, entertainment and other industries.

The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across several of the world's largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or

regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency, including any other existing or new epidemic or pandemic diseases or the threat thereof, could have a significant adverse impact on Hanwha and its investments and could adversely affect Hanwha's ability to fulfill its investment objectives. The extent of the impact of any public health emergency on Hanwha's operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact (a) the value and performance of investments, or (b) Hanwha's ability to manage and divest investments and Hanwha's ability to achieve its investment objectives, all of which could result in significant losses to clients. These types of situations may also hinder Hanwha's ability to conduct their affairs and activities as it normally would, including by impairing usual communication channels and methods.

**Lack of Diversification.** Client accounts and the Private Funds are not necessarily diversified among a wide range of financial instruments, industries, or asset classes. Non-diversified accounts will likely be exposed to wider fluctuations in value than otherwise would be the case if the accounts were required to maintain a high degree of diversification among their investments.

**Cash Management Risk.** Generally, the Private Funds and client accounts that invest in private equity securities call capital to make investments only when an investment opportunity is identified and therefore, do not maintain significant cash or cash equivalent positions. However, the Private Funds or client accounts may maintain cash and cash equivalent positions as part of the applicable strategy in order to take advantage of investment opportunities as they arise, to manage overall market exposure and for other asset management purposes. As such, the Private Funds and/or client accounts may maintain cash balances which may be significant, with counterparties. Maintaining larger cash and cash equivalent positions could negatively affect performance due to missed investment opportunities and may also subject the Private Funds and/or client accounts to additional risks, such as increased credit risk with respect to the custodian bank holding the assets and the risk that a counterparty may be unable or unwilling to honor its obligations.

**General Investment Risk.** All investments made by or advised to be made by Hanwha and its clients risk the loss of invested capital. No guarantee or representation is made that Hanwha's or any third-party investment manager's investment program will be successful, and investment results may vary substantially over time. Hanwha and its clients are subject to the risk of substantial losses. Hanwha does

not have any responsibility for, involvement with, or control over third party investment managers' investments or other activities.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. Hanwha does not guarantee or assure that your investment objectives will be achieved or the future performance of any account or Private Fund, or any specific level of performance.**

#### *Fixed Income*

**Value of Bonds.** Investing in the bond market is subject to market risk, interest rate risk, credit risk, and liquidity risk. The value of bonds and any income from those bonds will fluctuate and are impacted by changes in interest rates. Bonds with longer durations are more sensitive and volatile than those with shorter durations. When it comes to credit, there is no assurance that issuers or guarantors will meet their obligations. Some bonds are offered by a small number of counterparties, which may contribute to decreased market liquidity and increased price volatility. Bond investors may not get back the amount invested. Investing in foreign currency denominated securities involves risks that may be exacerbated further by foreign currency values.

**Risks Associated with Credit Ratings.** Credit ratings of debt securities that Hanwha may rely on in making investment decisions or providing advice are not a guarantee of quality. A credit rating represents only the applicable rating agency's opinion regarding credit quality based on the rating agency's evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating likely does not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

**Risks Associated with U.S. Government/Foreign Government Securities.** U.S. government securities include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by: (1) the full faith and credit of the United States (e.g., certificates of the Government National Mortgage Association); (2) the right of the issuer to borrow from the U.S. Treasury (e.g., Federal Home Loan Bank securities); (3) the discretionary authority of the U.S. Treasury to lend to the issuer (e.g., Fannie Mae securities); and (4) solely the creditworthiness of the issuer (e.g., Freddie Mac securities). Neither the U.S. government nor any of its agencies or instrumentalities guarantees the market value of the securities they issue. The same risks apply to securities issued by foreign governments or any of their agencies or instrumentalities. Therefore, the market value of such securities can be expected to fluctuate in response to changes in interest rates.

**Risks Associated with Competition and Supply for Fixed-Income Securities.** The potential for capital appreciation and interest will depend, in large part, on Hanwha's ability to acquire investments for its client accounts on advantageous terms. In acquiring fixed income securities for its client accounts, Hanwha will compete with a broad spectrum of institutional investors, many of which have greater financial resources than the client accounts. Increased competition for, or a reduction in the available

supply of, qualifying investments could result in higher prices for, and thus lower yields on, such investments, which could further narrow the yield spread over borrowing costs.

**Systemic Risk.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by other institutions.

**Mortgage-Backed Securities Risk.** The value of mortgage-backed securities is largely determined by the market's perception of the real estate assets backing the securities, the credit quality of the underlying mortgage loans, whether the mortgage loans are bankruptcy-remote from the originators and other affiliated entities, and the amount and quality of any credit enhancement of the securities, such as overcollateralization, letters of credit, reserve funds and guarantees. Mortgage-backed securities are subject to the general risks associated with investing in real estate securities (i.e., they may lose value if the value of the underlying real estate to which a pool of mortgages relates declines). Additionally, although mortgages and mortgage-related securities may be supported by some form of guarantee and/or insurance, there can be no assurance that private guarantors or insurers will meet their obligations. Mortgage-backed securities are sensitive to changes in interest rates and are especially susceptible to prepayment and extension risks.

**Idiosyncratic Investment Risk.** This is the risk that deterioration in an issuer's credit trends causes investors to demand a higher level of income to support investment in the credit relative to the initial investment level.

#### *Private Equity/Venture Capital*

**Venture Capital Investment Risk.** Venture capital investments involve a high degree of risk, including significant financial and operating risks. The timing of profit realization is highly uncertain. Losses are likely to occur early with a venture capital investment and successes often require a longer time frame.

Specific risks of venture capital investments include, but are not limited to:

- **Competition for Investments.** The marketplace for venture capital investing has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at historically high levels. Some of our Private Fund's potential competitors may have more relevant experience, greater financial resources, and more personnel than the General Partner or Hanwha. There can be no assurances that the General Partner or Hanwha will locate an adequate number of attractive investment opportunities. To the extent that a Private Fund or a client encounters competition for investments, returns to the investors may vary.
- **Reliance on Hanwha, General Partners, and Personnel.** Investors do not have the right or power to participate in the management of the Private Funds and must rely on Hanwha and its affiliated general partners' decisions. Such parties rely on their respective personnel to provide services to the Private Funds. Loss of key personnel would impede such parties' ability to provide



management services. In addition, such parties' may be unable to retain and integrate additional necessary personnel and systems in the future which may impede each's ability to provide services to the Private Funds.

- **Limited Portfolio Diversification.** As is typical of venture capital firms, the portfolio holdings of the Private Funds will not be broadly diversified. In addition, if the General Partner is unable to raise sufficient capital commitments to a Private Fund and/or source an adequate amount of appropriate investments, the diversification of the portfolio holdings of the Private Funds will be further limited. A downturn of the economy or in the business of any one company could impact the aggregate returns delivered to investors by the Private Funds.
- **Investments in Less Established Companies.** The Private Funds or a client account may invest their assets in privately-held, early- or growth- stage companies without histories of profit and stability. These companies typically have no reserves and may require considerable additional capital to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Portfolio companies will be managed on a day-to-day basis by their officers (who generally will not be affiliated with the Private Funds, Hanwha, or the affiliated general partners). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.
- **Limitations on Ability to Exit Investments.** The Private Funds or client accounts expect to exit from their investments in two principal ways: (i) private sales (including acquisitions of its portfolio companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time. If the Private Funds fail to execute an exit strategy successfully prior to the liquidation of the Private Funds, the Private Funds may be forced to liquidate their assets on terms less favorable than anticipated and the proceeds from these investments and the remaining investments may be materially and adversely affected.
- **Minority Investments.** The Private Funds' investments will generally represent minority stakes in privately held companies and therefore, Hanwha's ability to negotiate terms will be limited. During the process of exiting investments, the Private Funds are likely to hold minority equity stakes if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that the Private Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded to majority or controlling stakes. The Private Funds may also invest in companies for which the Private Funds have no right to appoint a director or otherwise exert significant influence. In such cases, the Private Funds will be reliant on the existing management and board of directors of such companies, which may include

representatives of other financial investors with whom the Private Funds are not affiliated with and whose interests may conflict with the interests of the Private Funds.

- **Expedited Transactions.** Investment analyses and decisions by Hanwha may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Hanwha at the time of making an investment decision may be limited, and Hanwha may not have access to detailed information regarding the investments and/or the time required to perform adequate due diligence may be limited. Therefore, no assurance can be given that Hanwha will have knowledge of all circumstances that may adversely affect an investment, and the Private Funds may make investments that they would not have otherwise made if more extensive due diligence had been undertaken. In addition, Hanwha expects to rely upon independent consultants and advisers, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or advisers, or to the Private Funds' right of recourse against them in the event errors or omissions do occur.
- **Difficulty in Valuing Portfolio Investments.** Generally, there will be no readily available market for a substantial number of the Private Funds' or client accounts' investments and hence, most of such investments will be difficult to value. When estimating fair value, the General Partner and/or Hanwha will apply a methodology they determine to be appropriate based on accounting guidelines and the applicable nature, facts, and circumstances of the respective investments. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the General Partner or Hanwha may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions. For more information about the valuation policy of the Private Funds, please contact Hanwha's Chief Compliance Officer.
- **Possible Misconduct by Underlying Managers.** Because the Private Funds may invest in third-party investment managers or private funds unaffiliated with Hanwha and over which Hanwha does not have physical custody or control of assets, an underlying manager could inter alia, divert or abscond with those assets, fail to follow its stated investment strategies, issue false reports, or engage in other misconduct.
- **Investments with Third Parties.** The Private Funds will generally (but are not required to) co-invest with third parties, thereby acquiring non-controlling interests in certain portfolio companies. The Private Funds will not have control over these companies and, therefore, may have a limited ability to protect a position therein. Such investments may involve risks not present in portfolio investments where a third party is not involved, including the possibility that a third-party partner or co-investor may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Private Funds, or may be in a position to take action contrary to a Private Fund's investment objectives. Often, Hanwha and its investment committee and personnel will not have the resources or timing to undertake extensive due diligence with respect to investments and will be



relying upon information provided by portfolio companies or other third parties with respect to direct investments or the judgment of third parties in which the Private Funds may invest in (or alongside with) in terms of indirect investments or co-investments. No assurance can be given that information provided by third parties will be accurate or that the Private Funds' investment strategy will be successfully implemented.

- **CFIUS Risk.** Certain proposed investments for the Private Funds or client accounts may be subject to review and approval by the Committee on Foreign Investment in the United States ("CFIUS"). CFIUS is an interagency committee that reviews certain foreign investments in U.S. businesses for potential national security concerns. Due to the uncertain nature of CFIUS review and approval, there is no guarantee that CFIUS approval will be obtained for any particular investment. Any delays, modifications, or denials of CFIUS approval could have significant adverse effects on the transaction and may impact a Private Fund's or client account's ability to proceed with the planned transaction on the agreed-upon terms or at all. Under extreme circumstances, due to national security concerns, a proposed transaction could be blocked or modified, or for transactions that have already closed, be unwound.
- The above risks are not in any comprehensive. A prospective investor in a Private Fund should carefully review the applicable Private Placement Memoranda and/or other Organizational Documents for a more detailed and complete description of the risks associated with investing in the Private Fund and its investment strategy.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events involving Hanwha that would be material to a client's or prospective client's evaluation of us or the integrity of our management.

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

### **A. Applications to Register as a Broker-Dealer or Registered Representative**

Hanwha and its management persons are not registered and do not have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### **B. Applications to Register as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person**

Hanwha and its management persons are not registered and do not have an application pending to register as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person of any of the foregoing.

### **C. Material Relationships or Arrangements**

Hanwha is also registered with the Financial Supervisory Service in South Korea in order to provide services to Korean-domiciled investors. We do not believe this registration creates a conflict of interest or otherwise prevents Hanwha from servicing clients in their best interests.

Hanwha has material or arguably material relationships or arrangements with certain of its financial industry affiliates, as described below:

Hanwha manages assets or provides investment advisory services for institutional clients which include affiliates, including its direct controlling parent company, Hanwha Asset Management Co., Ltd., which in turn manages assets or provides investment advisory services for its affiliates such as Hanwha General Insurance Co., Ltd. and its direct parent company, Hanwha Life Insurance Co., Ltd., who is also the indirect parent company of Hanwha.

Hanwha also has affiliated companies that serve as general partners of the Private Funds who may receive carried interest as described in Items 5 and 6 above. Hanwha affiliates, including funds sponsored by Hanwha affiliates, are also limited partners of the Private Funds or investment advisory clients of Hanwha in investment strategies that could have some degree of potential overlap with investment strategies of the Private Funds. Such relationships create a conflict of interest for Hanwha as there is an incentive for Hanwha to allocate investment opportunities within the potential investment universe of the Private Funds to the Private Funds at the expense of other accounts, or vice versa. To mitigate the potential conflicts of interest noted above, Hanwha's investment opportunity allocation policies and procedures will govern such activities. For more information about Hanwha's Allocation of Investment Opportunities policy, please contact Hanwha's Chief Compliance Officer.

For more information about conflicts of interest relating to the Private Funds, a prospective investor in a Private Fund should carefully review the applicable Private Placement Memoranda and/or other Organizational Documents for a more detailed and complete description of the conflicts of interests associated with investing in the Private Fund.

Hanwha is indirectly controlled by Hanwha Corporation, a foreign public company based in South Korea, with numerous US and non-US subsidiaries and affiliates engaged in a variety of financial industry activities. As such, Hanwha may be deemed to be related to other financial industry participants not specifically mentioned above, including but not limited to, foreign investment advisory affiliates and a foreign broker-dealer not listed herein. These related persons are not listed herein because (1) Hanwha has no business dealings with these related persons, (2) Hanwha does not conduct joint operations with the related persons, (3) Hanwha does not refer clients or business, in whole or in part, to the related persons, and the related persons do not refer prospective clients or business, in whole or in part, to Hanwha, (4) Hanwha does not share supervised persons or premises with the related persons, and (5) Hanwha has no reason to believe that its relationship with the related persons presents any potential for conflict of interest with the registrant's clients. A complete list of related persons is available upon request.

#### **D. Recommendation/Selection of Other Investment Advisers**

Hanwha does not generally recommend or select other investment advisers for most of its clients. However, for certain investment advisory accounts, Hanwha supports its client in identifying, researching, selecting and monitoring non-affiliated third-party investment managers executing various types of investment strategies. However, while Hanwha may assist in the execution of any transaction thereof, it is the client's ultimate decision and discretion as to the eventual selection and appointment of such third parties. In such situations where Hanwha advises in the selection of a third-party investment manager for

its clients, Hanwha does not receive compensation directly or indirectly from such third-party investment managers for such selection or appointment.

For its Private Funds, Hanwha may, in accordance with the Organizational Documents of the Private Fund, choose to invest a portion of the assets of a Private Fund into other private funds managed by non-affiliated investment managers, but Hanwha does not receive compensation directly or indirectly from such third-party investment managers.

Notwithstanding the foregoing, it should be noted that in the process of assisting its clients with investment advisory services in private equity strategies, Hanwha and its investment personnel may develop long-term relationships with third party investment managers that eventually assists Hanwha with securing future deal flow/investment opportunities for its Private Funds and/or other accounts from such third parties. While not compensation received by a third-party investment manager, this is a collateral benefit to Hanwha arising from the relationships developed between Hanwha and such third parties.

### **Item 11 – Code of Ethics**

Hanwha has adopted a Code of Ethics for all supervised persons of Hanwha describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client affairs, restrictions relating to the improper use of material, nonpublic information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Hanwha must acknowledge the terms of the Code of Ethics annually, or as amended.

Hanwha's clients or prospective clients may request a copy of Hanwha's Code of Ethics by contacting us at the phone number or e-mail address on the cover page. Employees of Hanwha may buy or sell securities that are recommended to clients. In doing so however, Hanwha's employees and persons associated with Hanwha are required to follow the Code of Ethics. Subject to satisfying the Code of Ethics and applicable laws, officers, directors and employees of Hanwha and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Hanwha's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Hanwha will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that transactions in such classes of securities would not materially interfere with the best interest of Hanwha's clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is monitored quarterly under the Code of Ethics to reasonably prevent conflicts of interest between Hanwha and its clients.

Employees may recommend and trade in the same securities as clients and/or related accounts at or around the same time. Generally, this would pose a conflict if the advisor or related account were given a better price than the client. Hanwha's Code of Ethics restricts employees from (i) knowingly purchasing or selling securities, directly or indirectly, in a way as to adversely affect client portfolio transactions and

(ii) using their knowledge of portfolio transactions to cause their personal accounts to profit from the market effect of such transactions. In the case of private placements (including transactions in private company securities and private funds) and IPOs, employee investments/trades are subject to pre-clearance.

Hanwha and certain affiliates of Hanwha may (and is sometimes required to under the terms of a Private Fund's Organizational Documents) from time to time invest in and alongside a Private Fund, either through the general partner, as direct investors in a Private Fund, or otherwise. A Private Fund or its general partner, as applicable, may reduce or eliminate all or a portion of the management fee and carried interest related to investments held by such persons. In the case of all conflicts of interest, Hanwha's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Hanwha's best judgment, but in its sole discretion. In resolving conflicts, Hanwha considers various factors, including the interests of the applicable Private Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Where appropriate, the limited partner advisory committee of a Private Fund may be used to help resolve conflicts.

## **Item 12 – Brokerage Practices**

Hanwha does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions.

Hanwha does not receive client referrals from broker/dealers. Hanwha may recommend that clients establish brokerage accounts with certain broker/dealers to maintain custody of clients' assets and to effect trades for their accounts. It is expected that some clients may request to direct brokerage to a broker/dealer selected by the client. In such cases, clients may pay additional fees and should be aware that the client may not receive best execution and/or the most competitive commission rates and transaction costs possible. Clients directing broker/dealer transactions may end up paying higher brokerage commissions because Hanwha may be unable to aggregate their orders with our other clients' orders in an effort to reduce transaction costs.

Hanwha's objective in selecting broker/dealers to effect client transactions is to seek the best combination of price and execution, as well as overall service. The best price, taking into account brokerage commissions, if any, is an important factor in this decision. However, a number of other judgmental factors also may enter into the decision. These factors include, but are not necessarily limited to, Hanwha's knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the security being purchased or sold; the size of the transaction; confidentiality; the execution, clearance and settlement capabilities of the broker/dealer selected; Hanwha's knowledge of the financial condition of the broker/dealer selected; and Hanwha's knowledge of actual or apparent operational capabilities or problems of any broker/dealer, and reporting abilities.

Hanwha is independently owned and operated from and not affiliated with any broker/dealer with which it conducts business. That said, Hanwha is affiliated by common ownership and control with Hanwha Investment & Securities Co., Ltd., a Korean broker/dealer. Hanwha does not, nor is it foreseen that it will, conduct business with Hanwha Investment & Securities Co., Ltd.

Hanwha may aggregate (“bunch”) transactions in the same security on behalf of more than one client or account in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders may not reduce the transaction costs to participating clients. Hanwha conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated pro-rata to the participating client accounts in proportion to the size of the orders placed for each account. Under certain circumstances, the amount of securities allocation to a certain client or account may be increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

Given the nature of private equity securities, “best execution” and brokerage practices are not applicable to such investments in such securities made by Hanwha on behalf of the Private Funds or any client accounts for which it assists with execution thereof.

## **Item 13 – Review of Accounts**

### **A. Frequency & Nature of Periodic Reviews**

Fixed income accounts are generally reviewed on daily, weekly, and monthly basis depending on matter by portfolio managers or another member of Hanwha’s investment team to ensure consistency with Hanwha’s investment processes and conformity with client objectives and guidelines. In addition, Hanwha’s analysts frequently monitor the risk profile of client accounts in view of market developments. Some reviews by include an evaluation of account performance relative to certain agreed upon benchmarks or objectives, while others may include an analysis of current positions and/or asset mix. Account reviews may result in adjustments to a portfolio.

Direct investments held in private equity advisory accounts undergo a formal quarterly review. For companies that provide monthly financials, if any, monthly performance is also informally tracked. Watchlist investments are monitored closely and more frequently. Private equity fund investments held in such accounts are generally reviewed quarterly as such funds generally issue updates on a quarterly basis.

The portfolio companies of our Private Funds are generally private, illiquid, and long-term in nature, and accordingly, it should be noted that our review of such companies is not directed toward a short-term decision to dispose of securities. However, our investment professionals generally maintain an ongoing oversight role over such portfolio companies, and exit opportunities, if any, are generally reviewed quarterly.

Portfolio reviews with investment management or investment advisory account clients are generally conducted with clients not less than annually, but is conducted at such frequency as agreed with each client. Reviews are conducted by a portfolio manager and/or a member of Hanwha’s investment team.

### **B. Factors That Trigger a Non-Periodic Review of Client Accounts**

In addition, clients may in its investment management agreement/entrustment agreement or investment advisory agreement with Hanwha specify or set certain thresholds for triggering events that would cause a review to take place.

Generally, Hanwha will monitor for changes or shifts in the economy, changes to the management and structure of client investments, and market shifts and corrections. Clients are advised that they should notify Hanwha promptly of any changes to a client's financial goals, objectives or financial situation as such changes may require us to review a client's portfolio and make recommendations for changes.

### **C. Reports to Clients/Investors**

Hanwha provides its clients with reports about the status of their portfolio or account in accordance with any requirements set forth in each client's investment management agreement/entrustment agreement or investment advisory agreement. Generally, these reports are provided in writing either monthly or quarterly and include portfolio holdings, transaction information, and performance information. Such information provided is based on information reasonably available to Hanwha and is subject to change.

The custodian of any discretionary account also provides statements to clients on a periodic basis. Clients are encouraged to compare the reports issued by Hanwha with the statements provided by its custodian as it is the custodian's responsibility to serve as the official book of record of the assets in an account. Clients should notify and engage with its custodian in the event of discrepancies.

Investors in Private Funds generally receive quarterly reports and annual audited financial statements. Investors in each Private Fund will receive tax information in connection with the preparation of their federal income tax returns. Where Hanwha has agreed with an investor in a side letter for custom reporting, subject to applicable law or regulation, Hanwha will provide such reporting in accordance with the terms of such side letter. Other investors in Private Funds should understand that such terms in side letters, if any, may provide an informational advantage to such investors receiving such reporting over those who do not.

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

### **A. Economic Benefits Provided by Third Parties**

We do not receive any economic benefit, directly or indirectly, from any third party who is not a client for advice rendered to our clients.

Notwithstanding the foregoing, it should be noted that in the process of assisting its clients with investment advisory services in private equity strategies, Hanwha and its investment personnel may develop long-term relationships with third party investment managers that eventually assists Hanwha with securing future deal flow/investment opportunities for its Private Funds and/or other accounts from such third parties. While not compensation received by a third-party investment manager, this is a collateral benefit to Hanwha arising from the relationships between Hanwha and such third parties which could have positive long-term economic benefits to Hanwha.

### **B. Compensation to Non-Advisory Personnel for Client Solicitation or Referrals**

Hanwha does not compensate others for client solicitation or referrals. However, Hanwha will comply with the requirements of amended Rule 206(4)-1 of the Advisers Act in the event that cash compensation is made to a third-party solicitor for client solicitations or referrals.



## **Item 15 – Custody**

Hanwha does not take custody of client accounts at any time. Custody of clients' discretionary accounts is held primarily at a client's chosen custodian. Clients should receive statements at least quarterly from the qualified custodian that holds and maintains their investment assets. Hanwha urges clients to review carefully such statements and compare the official custodial records to any account statements that we may provide you. Information we may provide could vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Hanwha is deemed to have custody of each Private Fund's securities and cash for purposes of Rule 206(4)-2 of the Advisers Act. In order to comply with Rule 206(4)-2, each Private Fund utilizes the services of a bank or other qualified custodian(s) to hold all cash and securities of the Private Funds (except on occasion, with respect to private company securities). However, it should be noted that the Private Funds' ownership interests in private companies are usually recorded exclusively on the relevant company's books, as opposed to ownership being vested in a physical or electronic stock certificate itself. Should a Private Fund be issued a physical stock certificate, such stock certificate will be held directly and appropriately safeguarded by Hanwha rather than by a qualified custodian. In such a situation, such physical stock certificates (i) may only be used to effect a transfer or to otherwise facilitate a change in beneficial ownership of the security with the prior consent of the issuer or the holders of the outstanding securities of the issuer, (ii) reflect ownership that is recorded on books of the issuer or its transfer agent in the name of the Private Fund, (iii) contain a legend restricting transfer, and (iv) can be replaced upon loss or destruction. If the foregoing conditions are not true, Hanwha will arrange to have the physical stock certificate held by the relevant Private Fund's custodian.

In accordance with the requirements of Rule 206(4)-2, Hanwha (1) has engaged an independent public auditor to conduct annual audits of the Private Funds and (2) will distribute audited financial statements of the Private Funds that are prepared in accordance with United States generally accepted accounting principles to all investors in the Private Funds within 120 days after the end of the fiscal year (or 180 days after the end of the fiscal year in the event of Private Funds that are fund of funds, if any).

## **Item 16 – Investment Discretion**

Clients may grant Hanwha authorization to manage or advise a client's account on both a discretionary and a non-discretionary basis.

Discretionary authorization provides Hanwha the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Clients must authorize such discretion in the investment management/entrustment agreement. When selecting securities and determining amounts, Hanwha observes the investment objectives, policies, limitations, and restrictions of the clients for which it has investment discretion for. Such investment objectives, policies, limitations, and restrictions must be provided to Hanwha in writing.

It should be noted that as of the date of this Brochure, while Hanwha has fixed-income discretionary accounts wherein discretionary authority to select and trade securities without Client approval is granted to Hanwha, Hanwha does not settle trades and reconcile holdings and cash, activities that are normally

handled by an investment adviser's operations personnel. Currently, clients in fixed income strategies who grant discretionary authority to Hanwha utilize their own operations personnel to settle trades executed by Hanwha and to reconcile account holdings and cash positions.

With respect to accounts where Hanwha is not granted discretionary authority (i.e. investment advisory accounts), the ultimate decision to invest lies in the client or client's investment committee and not Hanwha. For such accounts, while Hanwha may advise with the selection of investments, Hanwha does not generally assist with trading, execution, or disposition of investments unless otherwise agreed with its client. Whenever Hanwha makes an investment recommendation in relation to such accounts, its recommendation will be based upon the specified investment objectives, policies, limitations, and restrictions, if any, that were established in the relevant investment advisory agreement. Any such investment objectives, policies, limitations, and restrictions must be provided to Hanwha in writing.

Hanwha has discretionary authority to manage each Private Fund's investments in accordance with the terms of the Organizational Documents, including but not limited to, which portfolio companies' securities to buy or sell and the duration of the holding period prior to exiting such investments.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Hanwha does not vote proxies on behalf of its clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies, if any, directly from their custodian or transfer agent. Currently, Hanwha engages in or advises on fixed income instruments and private equity securities for which proxies are not typically issued.

With respect to its Private Funds, Hanwha does not vote proxies because the Private Funds invest primarily in the equity securities of private companies, which typically do not issue proxy statements. Nevertheless, as an investor in private companies, while not proxies, Hanwha or its affiliated general partners may at times be called upon to vote on private company shareholder consent matters on a case-by-case basis. Hanwha or its affiliated general partners may also determine not to vote in respect of any shareholder consent matter if it determines it would be in a Private Fund's overall best interest not to vote.

All decisions regarding shareholder consents are initially referred to the investment lead for the particular portfolio company in question for review and consideration. Such individual is generally responsible, absent a conflict of interest, for deciding what is in the best interest of the applicable Private Fund when determining how shareholder consents should be voted based on all the facts and circumstances known at that time. Private Fund investor approval or direction when voting on shareholder consent matters will generally not be sought, absent a potential conflict. For these purposes, what is in the best interest of a Private Fund is defined primarily with reference to the impact that the issue being voted upon may have on the economic value of the relevant Private Fund's holdings, considering the relevant Private Fund's investment horizon, and all other relevant facts and circumstances at the time of the vote. Hanwha and its affiliated general partners believe that individualized review of proposed shareholder consent matters is preferable to the establishment of specific voting guidelines. In connection with each shareholder consent, Hanwha or its affiliated general partners will identify any potential conflicts of interest and inform and seek the guidance of its Chief Compliance Officer. In instances where a conflict of interest



exists and is not able to be resolved, Hanwha or its affiliated general partner may abstain from voting the shareholder consent or it may refer the matter to the Private Fund's limited partner advisory committee for consideration.

Note that, although Hanwha or its affiliated general partners apply the policy described above to both public company proxies and private company shareholder consents, it treats them differently from a record-keeping perspective. Hanwha maintains records regarding the way it (i) administers its Proxy Voting Policy, and (ii) votes public company proxies (if any) but not private company shareholder consents for the Private Funds. An investor in the Private Funds may obtain additional information regarding the Proxy Voting Policy, as well as information regarding how public company proxies (if any) were voted on behalf of a Private Fund by sending a request to: Hanwha Asset Management (USA) Limited, 300 Grant Avenue, 4<sup>th</sup> Floor, San Francisco, CA 94108, Attn: Chief Compliance Officer.

## **Item 18 – Financial Information**

### **A. Balance Sheet**

Hanwha is not required to attach a balance sheet for our most recent fiscal year because it does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance.

### **B. Financial Condition**

Hanwha is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

### **C. Bankruptcy Petitions**

Hanwha has not been subject of a bankruptcy petition in the last ten years.