

Item 1 – Cover Page

DISCLOSURE BROCHURE
FORM ADV PART 2A

Nephila Capital Ltd.

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This Brochure provides information about the qualifications and business practices of Nephila Capital Ltd. (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (441) 296-3626 and/or through our website at www.nephila.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Nephila Capital Ltd. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure dated March 20, 2019 amends our brochure that was last filed on December 24, 2018 whereby we disclosed the fact that on November 14, 2018, Markel Corporation (“Markel”) purchased 100% of Nephila Holdings Ltd. (the “Transaction”). With respect to the Transaction, the following items to this Brochure were updated:

- Item 4.A. has been updated for the purchase of Nephila Holdings by Markel.
- Item 4.E. has been updated for assets under management.
- Item 5.C. has been updated in regard to State National Companies Inc., a wholly-owned subsidiary of Markel and an affiliate of Nephila Capital Ltd. as a result of the Transaction.
- Item 8 has been updated for material risks as a result of the Transaction.
- Item 10.C. has been updated for new relationships as a result of the Transaction.
- Item 11 has been updated for certain transactions with affiliated entities.

Currently, our Brochure may be requested by contacting Investor Relations, at (615) 823-8505 or investor.relations@nephilacapital.com.

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Item 4 – Advisory Business

A. Description of Nephila Capital Ltd. Nephila Capital Ltd. (the “Adviser”), a Bermuda exempted company, is an investment manager specializing in catastrophe risk and weather risk investments for sophisticated institutional and high net worth clients. The Adviser was founded by Frank Majors and Greg Hagood in 1997 (under a predecessor name) as part of Willis Ltd, one of the world’s largest reinsurance brokers. The Adviser relocated to Bermuda in 1999 to establish a local presence in the world’s catastrophe reinsurance centre. The Adviser is registered with the SEC as an investment adviser. The Adviser’s principal owner is Markel (through Nephila Holdings Ltd., (“Nephila Holdings”)).

Previously, KKR Nevada Ventures LLC and Man Group Holdings Ltd. (“Man Holdings”) held minority passive interests in Nephila Holdings, the Adviser’s sole shareholder. On November 14, 2018, Markel purchased 100% of Nephila Holdings Ltd. from KKR Nevada Ventures LLC, Man Holdings and Nephila Partners, L.P. Markel is a holding company for insurance, reinsurance, and investment operations around the world and is a publicly traded company listed on the New York Stock Exchange (NYSE – MKL).

B. Advisory Services Offered. The Adviser provides investment management services regarding catastrophe risk and weather risk strategies to its clients, which are organized as privately offered pooled investment vehicles open for investment by qualified institutional and high net worth investors. The Adviser currently acts as the sponsor and investment manager of offshore private investment funds (each, an “Offshore Feeder Fund”) and general partner and investment manager of U.S. private investment funds (each, an “Onshore Feeder Fund”). The Offshore Feeder Funds and the Onshore Feeder Funds invest through a wholly-owned master trading vehicle whose investment manager also is the Adviser (each, a “Master Fund”). The Adviser also acts as sponsor and investment manager of stand-alone offshore private investment funds (the “Offshore Funds”). The Offshore Feeder Funds, the Onshore Feeder Funds, the Master Funds and the Offshore Funds are referred to collectively as the “Funds” and individually, as a “Fund”, and such Funds also are referred to collectively as “Clients” or each, a “Client”.

Each Fund is open for investment only by qualified institutional or high net worth investors that meet the suitability requirements set forth in the applicable Fund's subscription documents. Generally, the Onshore Feeder Funds are open only to qualified U.S. taxable investors and the Offshore Feeder Funds are open only to qualified non-U.S. investors and U.S. tax-exempt investors and will conduct trading activity pursuant to the investment strategies described generally below. Each Feeder Fund invests its assets into its respective Master Fund, with the Master Fund conducting all trading activity pursuant to the investment strategies described generally below. Funds may be organized and offered for private investors generally, or may be customized for single investors or groups of investors as agreed with the Adviser.

The catastrophe risk Funds pursue investment strategies that purchase or sell various types of securities and financial instruments, the return or performance of which are linked to catastrophic

events and other property insurance risk. The weather risk Funds pursue investment strategies that purchase or sell weather-linked investment instruments, including weather derivatives and other financial instruments, the returns of which are tied primarily to weather risk. The Adviser expects that its advisory services will be limited to advice regarding the foregoing investment strategies and instruments, as generally described.

The Funds engage in transactions that are typically structured as securities in the form of notes, as International Swap and Derivatives Association, Inc. (ISDA)-based over-the-counter swaps or other derivatives contracts, or weather futures and options traded over-the-counter or on U.S. or non-U.S. futures exchanges.

The primary differences between the Funds are the degree of leverage used, the extent of portfolio diversification, the nature and terms of specific portfolio investments, the Adviser's fees, and the investors' redemption or withdrawal rights. A Fund may be organized into one or more classes of shares or interests, each with its own terms and conditions. For a complete description of a Fund's investment objectives and strategies, as well as a description of the material terms of an investment in a Fund (including the risks of an investment and associated conflicts of interest), please refer to the relevant Fund's Confidential Offering Memorandum (the "Memorandum").

To facilitate its Clients' access to the traditional reinsurance market, the Adviser has caused to organize Poseidon Re Ltd. ("Poseidon"), Ananke Re Ltd. ("Ananke") and Nephila Syndicate Holdings Ltd. ("NSH"). To facilitate its Clients' access to the weather market the Adviser has caused to organize Demeter Re Ltd. ("Demeter"). Together, Poseidon, Ananke, NSH and Demeter are the "Transformers". Poseidon, Ananke and Demeter are licensed as Bermuda Class 3 reinsurance companies, and NSH is a Bermuda exempted company. The Adviser is the manager of Poseidon, Ananke, NSH and Demeter. The Adviser currently expects that all such reinsurance-related derivative and the weather derivative transactions for its Clients generally will be entered into with the Transformers as opposed to with a third-party transformer. The primary purpose of using the Transformers is to eliminate the "mark-up" that would otherwise be charged to Clients by a third-party transformer on the derivative transaction. It is currently expected that Poseidon, Ananke, NSH and Demeter will enter into derivative transactions only with the Adviser's Clients, and not with third parties. The Transformers do not make a profit.

The Adviser also acts as the insurance manager to two Bermuda incorporated reinsurance companies, as further described in Item 7 below.

C. Tailored Services. An offering to invest in a Fund can be made only by means of such Fund's Memorandum. As the investment manager and sponsor/general partner of each Fund, the Adviser makes decisions on how each Fund should allocate its assets to certain investments; selects brokers, dealers, banks and other counterparties or intermediaries by or through whom portfolio transactions will be executed or carried out; monitors each Fund's investments; and makes all other necessary or appropriate recommendations to carry out its portfolio management duties. Each of

the Adviser's Funds has different risk/return objectives with varying allocations to investment instruments, such as catastrophe bonds and other over-the-counter insurance-linked instruments.

The Adviser may form and manage additional privately offered pooled investment vehicles in the future and, from time to time, may manage separately managed accounts of other qualified clients on a limited basis, although it is expected that such separate accounts will be organized in the form of single member limited liability entities whose manager is the Adviser (e.g., similar in structure to a privately offered pooled investment vehicle). For purposes of this Brochure, all of the foregoing additional funds and accounts shall also be referred to interchangeably herein as a "Fund" or a "Client". Clients may impose restrictions on investing in certain securities or types of securities.

D. Wrap Fee Programs. The Adviser does not participate in any wrap fee programs. Please refer to Item 5 – Fees and Compensation, below, for more information regarding the Adviser's fees.

E. Client Assets the Adviser Manages. The Adviser's Client net assets under management as of December 31, 2018 were approximately U.S. \$12,003,700,000 on a discretionary basis, and the Adviser manages no assets on a non-discretionary basis. The amount disclosed under this item is calculated based on net assets, which differs from the Adviser's "regulatory assets under management" disclosed under Part 1 of Form ADV.

Item 5 – Fees and Compensation

A. The Adviser's Fees and Compensation. Each of the Funds may be charged an asset-based management fee ("management fees") and a performance-based incentive allocation or fee ("incentive allocations" and collectively with the management fees, the "advisory fees"), as explained below. Advisory fees may be subject to negotiation in the Adviser's sole discretion.

The specific advisory fee rates and method of calculation and payment are set forth in the applicable Fund's Memorandum and other applicable governing documents.

Management Fee: The Adviser generally receives a monthly management fee from each Master Fund and Offshore Fund equal to a percentage of the Master Fund's or Offshore Fund's net assets, as applicable, payable as of the last business day of each calendar month. The annual rates vary from 0% up to 2.25% of net assets.

Incentive Allocation: The Adviser generally is entitled to receive an incentive allocation from each limited partner's capital account in each Master Fund (or each shareholder's series of shares in each Offshore Fund, as applicable) at the end of each calendar year, generally equal to a percentage of "new net profits" experienced with respect to each limited partner's capital account (or shareholder's series of shares in each Offshore Fund, as applicable) for such year. The annual rates vary from 0% to 20% of "net new profits" and may or may not include a "hurdle rate amount".

B. Deductions. Advisory fees are charged as earned according to the general schedule described above, and are automatically deducted from the assets of the Client account.

C. Expenses. The Adviser's advisory fees are exclusive of investment, administrative and operating expenses which shall be incurred by the Client account. Applicable expenses are described in more detail in the applicable Fund's Memorandum or other applicable governing documents. Each transaction is different but in general, standard brokerage expenses are 5-10% of the premium for over-the-counter transactions. The remaining expenses of a typical Fund are estimated to be approximately 0.25% of the Fund's net asset value with the administrator's costs accounting for approximately 50% of this amount, although actual expenses may be higher or lower. Other expenses include: interest expenses, administrative expenses (e.g., share registration and transfer fees, governmental charges and duties, costs of maintaining accounts and of preparing and distributing reports, administrative, legal, accounting, auditing and other expenses), registration, regulatory and self-regulatory fees, custodial fees, withholding or other taxes, and extraordinary expenses (e.g., the expenses of litigation), if any. The foregoing expenses are exclusive of and in addition to the Adviser's advisory fees, and the Adviser does not receive any portion of the foregoing expenses. However, certain affiliates of the Adviser may receive fees in connection with the activities of a Fund, as described elsewhere in this Brochure.

Investors should be aware that, through its investment in its respective Master Fund, a Feeder Fund will share all costs and expenses of the Master Fund in proportion to its investment in the Master Fund, including the management fee and incentive allocation which typically are payable at the Master Fund level. Also, a Feeder Fund and its associated Master Fund will indirectly share in its respective portion of the costs and expenses associated with the Master Fund, including without limitation, all investment, brokerage commissions and transactional costs and expenses, legal, accounting and administrative expenses, as well as third party legal, accounting and administrative expenses of the Transformers and/or the Syndicate. The Adviser is under no obligation to deal with any particular broker, dealer or institution and orders for investments may be placed with a number of brokers, dealers and institutions.

The Master Fund will also bear its allocable portion of fees payable to Velocity Risk Underwriters LLC, a U.S. based general agency organized in the state of Delaware (the "US GA") in respect of transactions conducted through the US GA. The Master Fund will also bear its allocable portion of fees payable to State National Companies Inc. and its subsidiaries ("State National"). State National, an insurance company that provides fronting services, is wholly-owned by Markel and is an affiliate of the Adviser as a result of the Transaction.

A significant portion of a Fund's transactions have been and are expected to continue to be fronted by State National. Fronting is a contractual arrangement in which a rated insurance company such as State National allows policies to be issued in its name, with all or most of the risk reinsured by a third party reinsurer. Fronting arrangements may provide greater access to the reinsurance markets by unrated reinsurers such as Poseidon and/or other Nephila "transformers" in which a Fund may invest. Fronting arrangements with State National may and often will also provide for operating leverage, whereby State National will cede premium on a portfolio of contracts selected by the Adviser which have an aggregate exposure in excess of the collateral provided by the Nephila transformer. State National will bear any losses in excess of this collateral and charge a "tail risk"

fee in exchange for assuming this risk. The Nephila transformer, and therefore the relevant Funds and Clients that participate in the transaction, will bear its allocable portion of the fronting and, if applicable, tail risk fees payable to State National in respect of transactions fronted by State National on behalf of these entities. The fees payable in respect of transactions through State National were agreed prior to the Transaction and therefore were negotiated at arm's length. Similar fronting services may be provided by other affiliates of Markel from time to time if Nephila determines that such fronting arrangements are in the best interests of a Fund.

The Adviser may from time to time pursue transactions on behalf of two or more Client accounts that result in up front due diligence costs, including professional fees and other expenses related to the sourcing, investigation, evaluation, negotiation and structuring of these transactions. Examples of these types of transactions include proposed investments in the debt or equity of public or private insurance or reinsurance companies, as well as in connection with highly structured or negotiated reinsurance transactions. The Adviser does not expect the number of these transactions to be significant or these types of expenses to be material. The Adviser will allocate any such expenses among the Client accounts in accordance with its written expense allocation policy as in effect at the time. Pursuant to such policy, expenses in connection with a given transaction will generally be accrued monthly and allocated among the Client accounts that the Adviser determines, in its good faith discretion, to be eligible to participate in the transaction. The allocation of expenses among such Client accounts will generally be made based on their relative expected participation in the transaction. However, in circumstances where the expected participation of the various Client accounts has not been finally determined (particularly during the early investigative stages of a transaction), the Adviser will allocate a given expense among eligible Client accounts based on their relative net asset values at the time such expense is accrued, or in such other manner that the Adviser determines to be fair and reasonable.

In addition, the Adviser may cause the Adviser's Client accounts to pursue transactions which either Markel, one of its affiliates or the clients of a Related Adviser (as defined below) are also pursuing and may incur expenses similar to those discussed above in connection with such transactions. The Adviser will seek to allocate expenses incurred in connection with such transactions such that the Client accounts do not bear more than their fair share of such expenses based on each party's expected participation in the transaction or such other criteria as the Adviser determines to be fair and reasonable under the circumstances and in accordance with its internal policies.

D. Advance Payment of Fees. Advisory fees generally are paid in arrears; Clients are not required to pay fees in advance.

E. Sales Compensation. Neither the Adviser nor any of its supervised persons receive compensation for the sale of Fund interests or shares to investors, or for the sale of securities or other investment products. The Adviser may share its management fees with marketing agents for

the private distribution of Fund interests or shares, as further described in Item 14.B. - Client Referrals and Other Compensation, below.

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

The Adviser's fees typically include incentive allocations, which are based on a percentage of investment profits. In measuring Clients' assets for the calculation of incentive allocations, the Adviser includes realized and unrealized gains and losses. Incentive allocation arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented to ensure that all Clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among Clients. Please refer to item 5 - Fees and Compensation, above, for further information regarding fees.

Item 7 – Types of Clients

The Adviser provides investment advice to Clients that are privately offered pooled investment vehicles open for investment by sophisticated institutional and high net worth investors, as described in this Brochure. Investors will be required to satisfy certain minimum regulatory suitability requirements and make the minimum investment, generally \$1,000,000, required for the particular Fund. The rights and restrictions that apply to Investors may be modified and/or additional terms agreed by way of side letters. Any such side letters do not provide for preferential liquidity or fee terms that are not otherwise disclosed in each Fund's Memorandum. See Item 4.B. – Advisory Services Offered, above.

The Adviser also acts as the insurance manager to two Bermuda incorporated reinsurance companies ("Bermuda Reinsurance Companies"). The Bermuda Reinsurance Companies are wholly-owned by Bermuda exempted companies. Sophisticated institutional and high net worth investors may invest directly into the Bermuda exempted companies. The Adviser collects a management and incentive fee in connection with its insurance manager services, which is consistent with the calculation and range of fees paid by the Funds (see Item 5: Fees and Compensation).

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

A. Methods of Analysis and Investment Strategies. The Adviser's strategy is to provide investors (through an investment in a Fund) with returns that are not correlated to traditional financial markets by offering products specializing in insurance-linked securities ("ILS") and, to a lesser extent, instruments linked to weather risk. The Adviser advises its Clients regarding the investment instruments in which the Clients will invest, and on what terms, pursuant to the investment objectives and strategies to be employed by the particular Client. In making this

determination, the Adviser examines underwriting information relating to catastrophe events, including statistical databases and modeling software. Investors should be aware that investing in securities involves risk of loss that they should be prepared to bear.

B. Risk of Loss. The purchase of shares or interests in a Fund involves a number of significant risks and other important factors relating to general business conditions and investments in pooled investment vehicles, generally, and relating to the structure and investment objectives of the Fund, in particular. Accordingly, investors should carefully consider the following risks, among others that are disclosed in more detail in each Fund's Memorandum:

Reliance on Adviser and its Personnel. The Adviser has complete discretion in investing its Clients' assets. A Client account's success depends, to a great extent, on the Adviser's ability to select investments and allocate assets. There can be no assurance that the Adviser will be successful. The death, disability or cessation of employment of Partners or other personnel of the Adviser could have a material adverse effect on the investment performance of the Adviser's Clients.

Restricted Liquidity and Limited Transferability of Fund Interests. Investors are not able to redeem or withdraw their shares or interests in a Fund, except periodically upon notice as set forth in the governing documents of the Client, and subject to other limitations or conditions on the ability to receive redemption or withdrawal proceeds. There is no market for Fund shares or interests, and investors are not permitted to assign or transfer their Fund shares or interests, except with the Adviser's prior written consent, which it may withhold.

Development Class Investments. Pursuant to the terms of and as described in more detail in the Client's governing documents, the Adviser may declare one or more portfolio investments of a Client which is illiquid or incapable of ready valuation to be a "development class investment". Investors may not redeem or withdraw their shares or interests in a Fund to the extent of such Fund's interest in such development class investments, and investors will be required to hold such development class investment shares or interests indefinitely, until the underlying development class investment is realized or capable of ready valuation; provided, that, pursuant to the Adviser's Development Class Liquidity Policy, as described in more detail in the relevant Fund's Memorandum, an investor who holds an interest in a development class investment will have the option to elect to liquidate all or a portion of such interest at a material discount to its net asset value at specified trade dates, subject to certain capacity constraints and other important limitations. In connection with the arrangements of the Development Class Liquidity Policy, Markel or its affiliate will be acting as principal for its own account and not for the benefit of the investors, including in connection with determining the discount at which it is offering liquidity. The terms of these arrangements give rise to conflicts of interest including that Markel or its affiliate may be earning a profit from investors. Development class investments will be subject to a reduced management fee beginning 18 months after their designation as such as further described in the relevant Fund's Memorandum.

Lack of Diversification. Depending on the investment objectives, strategies and guidelines of the particular Client account, the Adviser may establish fixed guidelines limiting the amount of Client assets that may be subject to the risks in a particular geographic region or peril and limiting the size of certain portfolio positions as a percentage of the Client account's net assets. However, such guidelines may nevertheless allow a Client account to hold a single or few relatively large (in relation to its assets) investments in a single geographic region, with the result that a loss in any such investment position or group of positions could have a material adverse effect on the Client account's investment performance.

Leverage. Depending on the investment objectives, strategies and guidelines of the particular Client account, the Adviser may, by use of structured derivatives transactions, cause a Client account to access non-recourse leverage in such a way that the Client account will be able to invest in a total notional amount of risk in excess of the net assets of the Client account. Losses incurred on the Client account's leveraged investments will be increased in magnitude in direct proportion to the degree of leverage used, and may exceed the amount of capital invested.

Absence of Regulation. The Funds are privately offered pooled investment vehicles that do not have the regulatory protections afforded to U.S.-registered investment companies or other similar vehicles. The Funds' shares or interests are not registered for sale to the public in the United States or in any jurisdiction.

Conflicts of Interest. The Adviser is subject to various conflicts of interest in its relationship with the particular Client account and the Adviser's affiliates, including Markel and its subsidiaries, including, without limitation, a Related Adviser, as a result of the Transaction. The Adviser manages a number of different Client accounts with similar or different investment objectives, strategies and guidelines, which may compete with other Client accounts and present conflicts in the allocation of investment opportunities. The Adviser will seek to allocate transactions among participating Client accounts on a basis that is fair and equitable to all Client accounts, taking into account any relevant factors, such as account size, or applicable investment objectives, guidelines or restrictions.

As described above, the Adviser is now wholly-owned by Markel as a result of the Transaction. Markel has existing and potential relationships with a significant number of institutions and individuals, particularly in the insurance and reinsurance industry. Markel and its affiliates are engaged in the business of insurance and reinsurance, including accessing third party capital to support insurance and reinsurance risks. Various potential and actual conflicts of interest with the Adviser and/or a Client may arise as a result of the insurance and reinsurance products provided by Markel and its affiliates. There are no restrictions applicable to Markel or its affiliates with respect to writing similar reinsurance business to that written on behalf of a Client. In addition, through the applicable Transformer, the Client may reinsure specified business to insurance companies affiliated with Markel in exchange for premium payments. The activities of Markel and its affiliates could compete with or otherwise adversely affect a Client. Nothing will prevent Markel and/or its affiliates from participating in the same layer of business as a Client or from underwriting different

layers of business for the same cedant. In respect of its own proprietary insurance and reinsurance operations, Markel and its affiliates may make underwriting and other decisions or take certain actions, including without limitation with respect to claims management, risk retention, hedging, collateral management, reserves, valuation, reinstatements and other matters, that may be different from those made on behalf of a Client by the Adviser.

Markel and its affiliates, and/or their respective partners, principals, employees, officers, directors and shareholders, may have relationships with persons or entities with whom the Funds may transact, such as having investment interests in, holding directorships or serving as executives of or otherwise having commercial relationships with cedants, service providers or other counterparties. Conflicts of interest may arise between the duties of these persons and entities to the Funds and their other relationships.

The Adviser and its principals and employees may acquire or be deemed in possession of confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, it may not be able to initiate a transaction for a Fund's account that it otherwise might have initiated and the Fund may be frozen in an investment position that it otherwise might have liquidated or closed out.

Where a Client participates in the same investments as Markel or its affiliate, such investments would generally be expected to be on substantially similar terms as those applicable to Markel or its affiliate or otherwise on terms consistent with the Adviser's policies and procedures. The Adviser will seek to allocate expenses incurred in connection with such transactions such that a Client does not bear more than its fair share of such expenses based on each party's expected participation in the transaction or such other criteria as the Adviser determines to be fair and reasonable under the circumstances and in accordance with its internal policies.

State National is a wholly-owned subsidiary of Markel and each of Markel, a Related Adviser and State National will be pursuing transactions with the Funds for their own benefit, and, in the case of a Related Adviser, for the benefit of the clients of the Related Adviser. As described in Item 5 above, State National and other affiliates of Markel may provide exposure to insurance contracts with one or more cedants through fronting arrangements with Poseidon or other transformers through which a Fund transacts and will receive fees in respect of such services. Any such fronting arrangements will not be negotiated or managed at arms-length, which could result in contract terms and business dealings that are less favorable to a Client than if such arrangements or dealings had been negotiated and managed by third parties. For instance, Markel or its affiliates may be conflicted in their effort to mitigate claims by cedants that are affiliated with Markel or that have substantial business relationships with Markel, which could adversely impact a Client. Furthermore, the Adviser may not be incentivized to raise disputes with Markel on behalf of a Client where such disputes may be harmful to Markel.

The Adviser, Markel and its affiliates may trade in the securities, commodities and derivatives markets for their own accounts and for the accounts of other clients, and in doing so may take different views on positions than those taken by the Adviser in respect of a Client. Additionally, such affiliates and clients may be competing with a Client for transactions in the marketplace. Such activities may result in competition for investment opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to a Client. None of Markel or any of its affiliates has any obligation to refer any investment opportunity to the Adviser or the Funds, even if such opportunity is suitable for the Funds. However, Markel or one of its affiliates may refer investment opportunities to the Adviser in their discretion and the Adviser may refer investment opportunities to Markel or one of its affiliates from time to time.

The Adviser, Markel and its affiliates hold minority interests in insurance and reinsurance entities, intermediaries, service providers and vendors, and may make additional investments in such entities in the future. Services vary as between each entity and include: i) policy administration, ii) online sales agency services, iii) data extraction from aerial imagery, iv) programmatic risk transfer marketplace for the auction of insurance and reinsurance risk, v) data extraction from street view and satellite imagery, and vi) weather analytics focused around climate change contributors. Any such entity may provide services with respect to the investments or operations of a Fund. A Fund that receives services from any such entity will typically bear its proportionate share of the fees or expenses related to those services. Any economic benefit derived by the Adviser, Markel and its affiliates from its minority interest in these entities will generally be retained for their own account. Investments in entities that provide these services are typically made by the Adviser so as to secure for the benefit of the Funds preferential rates for the provider's services, preferential capacity rights or other benefits for the Funds. Nonetheless, because the Adviser holds a minority interest in these entities, the Adviser has a conflict of interest when determining whether to use the services of such entities with respect to the Funds and in assessing the value of those services vis-a-vis similar services available from unaffiliated providers. The Adviser will seek to mitigate this conflict by obtaining the approval of such arrangements from a Fund's independent directors or equivalent body where applicable.

Markel has the right to write catastrophe reinsurance protection for its own account, which may be similar to business targeted by the general partner on behalf of the Funds.

As described elsewhere in this Brochure, the Adviser may cause a Client to sell a security or other investment instrument to, or purchase a security or other investment instrument from, (i) Markel or one of its affiliates or (ii) the client of an affiliated adviser, including funds managed by a Related Adviser or in which the principals or employees of a Related Adviser, Markel or their affiliates have an interest.

The Adviser has policies and procedures in place to address these conflicts of interest.

Please refer to Items 5 – Fees and Compensation, 10 – Other Financial Industry Activities and Affiliations and 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal

Trading, as well as elsewhere in this Brochure, for more information regarding arrangements and relationships of the Adviser and its affiliates that create actual or potential conflicts of interest.

C. Specific Risks of Loss.

There are various material risks that are attendant to the specific investment instruments utilized by the Adviser for its Client accounts of which investors should be aware. Some of these risks are set out below. For a more complete statement of the risks related to the Funds' investments, please refer to the applicable Memorandum.

Risk of Loss Due to Catastrophic Events. Client accounts may invest in instruments, the investment returns of which are related to the occurrence of catastrophic or other events which traditionally are the subject of insurance. Such instruments, including insurance-linked securities, may be subject to the risk of loss or reduction of principal and/or interest due to the occurrence of catastrophic or other events. Similarly, instruments such as catastrophe options that may be written by the Client account potentially could expose the Client account to liability far in excess of the option premium received, due to the occurrence of catastrophic or other events. Accordingly, such instruments are speculative, and the Client account could lose all or part of the principal or interest, or an amount in excess of any premium collected or specified margin deposit, if any, with respect to such instruments upon the occurrence of a catastrophe or other event.

The Adviser believes that the greatest risk to its Clients' investments is a major hurricane, earthquake or similar catastrophe striking a heavily populated area mainly in the US, Europe or Japan but also in other regions.

Unpredictability of Risk. With respect to insurance-based instruments, prospective investors should be aware that the type, frequency and severity of catastrophic events are inherently unpredictable. While the economics of such instruments may rely on the type, frequency and severity of certain catastrophic or other events, such events are difficult or impossible to predict or model with any degree of accuracy, and thus the expected return on an investment with respect to such instruments is difficult to calculate. Certain insurance-based instruments may include exposure to the risk of large, unexpected losses resulting from future man-made catastrophic events, including, for example and without limitation, explosion and fire which will affect marine, energy, property, aviation, terrorism and similar lines of business. Man-made catastrophic events are inherently unpredictable, particularly in relation to frequency and severity of losses. It is difficult to predict the timing of such events with statistical certainty or to estimate the amount of loss that any given occurrence will generate. While the Adviser will make assessments regarding the expected investment return on insurance-based instruments, because of the unpredictability of the catastrophic or other events upon which investment return may be based, there can be no assurance that the investment return provided by such instruments will be adequate to compensate Clients for the risk borne thereby.

Derivative Instruments; Counterparty Default Risk. Client accounts will invest in various forms of over-the-counter derivative instruments (such as swaps, over-the-counter equity or other

derivatives). Over-the-counter derivative instruments are not traded on an exchange or subject to direct government regulation. Rather, these instruments are traded through an informal network of brokers, banks and other dealers, and in light of the unregulated nature of the agreements evidencing the transactions, can apply discretionary margin and credit requirements. Also, some instruments traded in the over-the counter market may have fewer market makers, wider spreads between their quoted bid and asked prices and lower trading volumes, resulting in comparatively greater price volatility and less liquidity than the securities of companies that have larger market capitalizations and/or that are traded on major stock exchanges or the market averages in general.

Derivative instruments also carry the risk of failure to perform by the counterparty to the transaction, or in the case of so-called insurance transformers, the bankruptcy of, or the failure to perform by the transformer including, but not limited to, Poseidon, Ananke and Demeter, Bermuda incorporated insurance companies that are managed by the Adviser, and NSH, a Bermuda special purpose company that is managed by the Adviser (see Item 4.B. – Advisory Services Offered, and Item 10.C. – Other Financial Industry Activities and Affiliations – Relationships or Arrangements with Related Persons). In the event of insolvency of any of the Transformers or their default on a derivative transaction, Clients may incur material losses. The Transformers separately identify on their books, with respect to each reinsurance contract and derivative contract that they enter into, the specific assets that they hold and the obligations that they incur with respect to each such contract. However, it should be noted that each of the Transformer’s assets in respect of each of their various contractual obligations are not legally segregated from one another (within a Transformer). Therefore, in the event of the bankruptcy of any of the Transformers, all the assets of that Transformer would be available to satisfy the claims of all of that Transformer’s creditors, and the assets of each of the Transformers held in respect of their derivative transactions with the Clients would not be bankruptcy remote from the claims of that Transformer’s creditors in respect of their activities that are unrelated to the business of specific Clients.

When selling protection to a counterparty through a reinsurance contract, the counterparty will make payments to a Transformer of a fixed premium amount, either up front or periodically on an installment basis. Any default in the payment of premium by a counterparty may result in a Transformer (and, in turn, the Clients) having to write-off from income the amount of such unpaid premium installments.

Lack of Liquidity in Markets and Instruments. The markets for many of the Clients’ investments in insurance-based instruments have limited liquidity and depth which could disadvantage Clients, both in the realization of the prices which are quoted and in the execution of orders at desired prices. With respect to insurance-based instruments, the transfer of many of such instruments may be limited by securities laws restrictions and other restrictions that may be set forth in the terms of the security. Many of such securities do not have an established market; therefore, resale of such securities may be difficult or impossible.

Credit Ratings. Credit ratings risk is inherent in certain of the insurance-based instruments that will be part of the Clients’ investment portfolios (e.g., catastrophe bonds and other insurance-linked

securities offered by special purpose entities). When possible, decisions to invest in these securities will take into account any credit ratings issued by major rating agencies, such as Moody's, AM Best or Standard & Poor's. Because not all of the instruments that will comprise a Client's portfolio are expected to be rated, the Adviser will be guided by its internal guidelines for acceptable ratings surrogates. However, the insurance-based instruments in which the Clients invest need not have any particular rating of creditworthiness.

Risks Specifically Associated with Insurance-Based Instruments. Ownership of insurance-linked or catastrophe securities involves a degree of risk because of a number of characteristics which may be common to such securities, such as the following:

- Limited Resources of Issuers. The issuers of such securities often are thinly capitalized, special-purpose entities that do not have ready access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.
- Investments of Issuers. The ability of issuers of insurance-linked or catastrophe securities to provide the expected investment returns on their issued securities is based in part on such entities' investments, which may be subject to credit default risk, interest rate risk and other risks.
- Regulation. Entities that issue insurance-linked or catastrophe securities may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Conversely, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing issuers and insurance companies subject in the U.S. Similarly, because such entities often are subject only to the laws of non-U.S. jurisdictions, it could be difficult for an investor in such an entity to make a claim or enforce a judgment against the entity or its directors or officers. Because insurance-based instruments have certain features and an investment return that may be based on the occurrence of events which traditionally are the subject of insurance, it is possible that insurance regulatory authorities or courts could determine that the purchase or holding of such securities or the writing of such derivatives constitutes the conduct of the business of insurance or reinsurance, which may have a material adverse impact on Client accounts.
- Subordination. Insurance-linked or catastrophe securities often are subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in

connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities.

The foregoing is only a brief summary of certain risks relating to the Funds and their investments. Prospective investors are urged to review the applicable Fund's Memorandum and other governing documents for more detailed statements of the material risks, conflicts of interest and terms of investment in the Fund. There can be no guarantee that the Adviser's investment recommendations will be successful or that a Client's investment objectives will be achieved.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

A. Broker-Dealer. Neither the Adviser nor any of its management persons is registered, nor has an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor. The Adviser is registered as a commodity pool operator, effective January 7, 2013. The Adviser's sole shareholder, Nephila Holdings Ltd., is also the managing and sole member of Nephila Advisors LLC ("NAL"), a Delaware limited liability company with principal offices in both San Francisco, CA and also in Nashville, Tennessee. NAL is registered as a commodity trading advisor, effective January 22, 2013.

C. Relationships or Arrangements with Related Persons. The Adviser and its management persons have no relationships or arrangements, that are material to the Adviser's advisory business or to its Clients, with related persons, except as described below:

1. Investment Company or Other Pooled Investment Vehicle. As described more fully in Item 4 – Advisory Business, above, the Adviser is the general partner and investment manager, as applicable, of the Funds, which are privately offered pooled investment vehicles that are typically organized as Delaware limited partnerships or Bermuda exempted companies.

2. Other Investment Adviser or Financial Planner. NAL and its principals, Greg Hagood, Frank Majors and Barney Schauble, provide the Adviser with certain non-discretionary sub-advisory services with respect to the Funds managed by the Adviser. NAL may also assist the Adviser generally in investor relations, risk management and business development. NAL is not authorized to have investment discretion over any Client account. In consideration of its services, the Adviser pays NAL certain fees from the Adviser's own assets.

In addition, as mentioned above, Markel currently owns a separately operated investment adviser, which provides advisory services to private investment vehicles that make investments linked to catastrophe reinsurance risks (together with any other advisers that may be organized or acquired by Markel or its affiliates, a "Related Adviser"). From time to time the Adviser may cause a Client to sell a security or other investment instrument to, or purchase a security or other investment instrument from, (i) funds or accounts managed by a Related Adviser or (ii) Markel, its affiliate, or a fund or account in which the principals or employees of Markel or its affiliates have an interest. For example and without limitation, the Clients have purchased in the past, and the Adviser expects the Funds to purchase in the future, retrocessional coverage, through industry loss warranties or otherwise, from a transformer in which a fund advised by a Related Adviser invests. In addition, through the applicable Transformer, the Client may reinsure specified business to insurance companies affiliated with Markel in exchange for premium payments. In addition, the Clients, through Poseidon or another transformer, currently and expect in the future to reinsure risk from Markel and its affiliates. In any such transactions, the Markel-affiliated counterparty or Related Adviser would be acting for its own account or the account of its clients, not taking into consideration the interests of the Client. In general, the Adviser may execute such transactions on behalf of a Client provided that the Adviser determines that they are in the best interests of the Client and on terms (including price) that are fair to the Client and consistent with its investment objectives, and are otherwise in compliance with applicable law and the Adviser's policies and procedures, including with respect to cross trades and principal transactions. As a means of ensuring fair pricing for any retrocessional coverage provided by a client of a Related Adviser, such coverage will generally only be placed through an independent broker on a panel basis where the Related Adviser's clients do not represent the majority of the placement, or will otherwise be approved by the Client's independent board members. See also Item 8 above.

3. Insurance Company or Agent. The Adviser also acts as insurance manager to Poseidon, Ananke and Demeter, Bermuda incorporated insurance companies. All of the outstanding shares of Poseidon, Ananke and Demeter are held in trust by a third party professional trustee. From time to time, the Adviser may cause its Client accounts to enter into swap or other over-the-counter derivative transactions with Poseidon, Ananke and Demeter in order to access the traditional reinsurance market and the weather market. Poseidon, Ananke and Demeter do not receive any fee or compensation from such transactions, although each Client account may reimburse the Adviser for such accounts pro rata portion of Poseidon's, Ananke's and Demeter's third party legal, accounting and administrative expenses. In engaging in any such transactions, the Adviser will endeavor to treat its Client accounts on a fair and equitable basis, and will not knowingly disadvantage any Client account. A further description of these activities is described in the relevant Fund's Memorandum.

The Adviser's sole shareholder, Nephila Holdings, is also the sole shareholder of Nautical Management, Ltd. ("Nautical"), a Bermuda incorporated, licensed insurance agent and manager. Nautical acts as the service company cover holder for Lloyd's syndicate 2357 (the "Syndicate"), a syndicate active within the Lloyd's of London marketplace. The Syndicate writes property

catastrophe risk, of which the economics are transferred to the catastrophe risk strategy Funds via the Transformers. Nautical does not have any business arrangements with any Adviser-managed Client account.

The Adviser also acts as insurance manager to two Bermuda Reinsurance Companies. The Bermuda Reinsurance Companies generally transact directly in the traditional reinsurance market, and may also transact through the Transformers. The Bermuda Reinsurance Companies do not have any business arrangements with any Adviser-managed Client account.

4. Sponsor or Syndicator of Limited Partnerships. Certain of the Funds are organized as limited partnerships, for which the Adviser serves as general partner and investment manager. See Item 10.C.2 – Investment Company or Other Pooled Investment Vehicle, above.

5. Managing General Agency. The Adviser's sole shareholder, Nephila Holdings, is also the sole shareholder, through an intermediate holding company, of the US GA. The US GA will directly or indirectly engage insurance companies that are licensed to sell insurance in targeted U.S. states. Such insurance companies will transfer risk to entities managed by the Adviser through quota share reinsurance arrangements or other risk transfer mechanisms.

The US GA will charge fees for the services that it performs, generally in the form of commissions on premium written, subject to minimum monthly aggregate fees. The US GA expects to set the commissions at rates that it determines are generally in line with comparable industry rates. Management fees paid by a Fund's investors will be reduced by any of the Fund's allocable share of after-tax profits earned by the US GA.

A further description of the activities of the US GA is included in the relevant Fund's Memorandum.

6. Managing General Underwriter. The Adviser's sole shareholder, Nephila Holdings, has indirectly purchased a 25% equity interest in a US based managing general underwriter (the "MGU"). This investment grants the right for the Funds to provide risk capacity for up to 50% of the insurance and reinsurance opportunities generated by the MGU. Nephila Holdings has the right to appoint a representative on the board of the MGU.

7. Lloyd's Syndicate. The Adviser's sole shareholder, Nephila Holdings, has purchased a 20% equity interest in a company that owns and operates a new Lloyd's Syndicate. In connection with this investment, the Funds have been granted the right to provide up to one third of the Lloyd's Syndicate's risk capacity for a period of 5 years as well as the right of first refusal on additional capacity under certain circumstances. Nephila Holdings has the right to appoint a representative on the board of the company that operates the new Lloyd's Syndicate.

8. State National Companies Inc. Markel, the sole shareholder of Nephila Holdings, is the sole shareholder of State National. As further described herein, State National will provide insurance fronting arrangements to the Funds (through the appropriate Transformer). In this

regard, State National will be acting for its own account, not taking into consideration the interests of the Funds.

9. Markel. Markel, the sole shareholder of Nephila Holdings, is a holding company for insurance, reinsurance, and investment operations around the world. The Adviser may conduct insurance or reinsurance deals with Markel or its affiliates, including, but not limited to, insurance companies that are affiliated with Markel (e.g., State National Insurance Company, United Specialty Insurance Company, Independent Specialty Insurance Company, Markel Bermuda Limited, and National Specialty Insurance Company). Markel and its affiliates will in each such cases be acting for its own account, not taking into consideration the interests of the Funds.

10. Managing General Agency. The Adviser's sole shareholder, Nephila Holdings, has purchased a controlling interest in a worldwide managing general agency ("MGA"). In connection with this investment, the Funds have been granted the right to provide risk capacity. Nephila Holdings has two representatives on the board of the MGA. Any fees or compensation paid with respect to the MGA will be on an arm's length basis.

D. Recommended or Selected Investment Advisers. The Adviser has engaged the services of its U.S.-based affiliate, NAL, to provide non-discretionary sub-advisory services to the Adviser with respect to the Funds. NAL may also provide non-advisory services, including investor relations, risk management and business development. In return for these services, the Adviser pays a fee to NAL out of the Adviser's own assets. Although the Adviser may utilize the expertise of NAL and its principals, Greg Hagood, Frank Majors and Barney Schauble, in formulating investment decisions for Client accounts, NAL does not have discretionary authority to act as an investment manager for any Client account. All investment recommendations of NAL are subject to review and approval by the Adviser. Clients do not pay any fees to NAL. See Item 10.C.3. – Relationships or Arrangements with Related Persons – Other Investment Adviser or Financial Planner, above.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Description of Code of Ethics. The Adviser has adopted a Code of Ethics pursuant to the SEC's rules under the United States Investment Advisers Act of 1940, as amended (the "Advisers Act"), for all supervised persons of the Adviser. The Code of Ethics describes the Adviser's high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, political contributions, and personal securities trading procedures, among other things. In general, under its Code of Ethics and applicable law, the Adviser must make full and fair disclosure to its Clients of all material facts. The Adviser and its personnel also are required to place the interests of its Clients first, and to avoid activities, interests and arrangements that might interfere or appear to interfere with making investment decisions in the best interests of the Adviser's Clients.

All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

The Adviser's current and prospective Clients and investors may request a copy of the Adviser's Code of Ethics by contacting Investor Relations, at (615) 823-8505 or investor.relations@nephilacapital.com.

B. Material Financial Interest in Transactions. The Adviser manages the investment activities of various Clients and will receive advisory fees for its services to such Clients. The Adviser, its officers, directors, employees and affiliates may invest personally in Client accounts and are not charged advisory fees, or subject to a Fund's minimum investment requirement. The Adviser may advise Clients that use investment strategies which may be the same or different from or conflict with those of other Clients. The Adviser may have a conflict of interest in rendering advice to various Clients, because the financial benefit from managing a Client's account may be greater than managing another account, providing an incentive to favor one account over the other. Further, the Adviser may have to allocate limited investment opportunities among Clients which in certain circumstances could work to the detriment of a Client or group of Clients. In such event, the Adviser would not be committed to allocating opportunities among its Clients in any particular proportion. However, in all cases, the Adviser will endeavor to treat all Clients fairly in the allocation of investment opportunities, taking into account each Client's investment objectives, strategies and guidelines. Where it is suitable for more than one Client account to participate in a particular investment, the Adviser will generally allocate the opportunity to each such account on a pro rata basis, or another basis that is fair and non-preferential over time. See also Item 8 above.

To the extent permitted by applicable law, the Adviser may enter into transactions and invest in securities, currencies or other instruments on behalf of a Client in which the Adviser or its affiliates, including Markel, acting as principal, serves as the counterparty. For example, as noted above, a Client, through Poseidon or another transformer, may provide reinsurance coverage to Markel or its affiliates where the Adviser determines that such transactions are in the best interests of the Client. In any such arrangements, the Adviser may not be incentivized to raise disputes with Markel on behalf of a Client where such disputes may be harmful to Markel or contrary to its commercial interests.

In addition, from time to time, the Adviser may cause a Client to sell a security or other investment instrument to, or purchase a security or other investment instrument from, another Client account (i.e., a "cross transaction"). Such cross transactions may occur in connection with portfolio rebalancing for Clients, among other reasons. Furthermore, as noted above under Section 10.C., the Adviser may cause a Client to sell a security or other investment instrument to, or purchase a security or other investment instrument from, (i) funds or accounts managed by a Related Adviser or (ii) Markel, its affiliate or a fund or account in which the principals or employees of Markel or its affiliates have an interest. For example and without limitation, a Client may from time to time purchase retrocessional coverage, through industry loss warranties or otherwise, from a transformer through which a fund advised by a Related Adviser invests. In any such transactions,

the Markel-affiliated counterparty would be acting for its own account, not taking into consideration the interests of the Client. In general, the Adviser may execute principal and cross transactions so long as such transactions are on terms (including price) that are fair to its clients, are consistent with the investment objectives of each client, and are otherwise in compliance with applicable law and the Adviser's policies and procedures. As a means of ensuring fair pricing for any retrocessional coverage provided by a client of a Related Adviser, such coverage will generally only be placed through an independent broker on a panel basis where the Related Adviser's clients do not represent the majority of the placement, or will otherwise be approved by a Client's independent board members. See also Item 8.

C. Investments in Same Securities.

It is the Adviser's policy that, subject to certain limited exceptions, no officer, director or employee of the Adviser may buy, sell, hold or otherwise transact in, for any account in which such person has a beneficial interest: (i) any security or investment instrument in which the officer, director or employee of the Adviser causes, or potentially may cause, a Client to trade, or (ii) any security or investment instrument issued by any issuer with which the Adviser does business, or potentially may do business, on behalf of a Client.

The Adviser, its officers, directors, employees and affiliates may invest in the Funds as investors, and such investments may be significant from time to time. Such investments may be at the same terms offered to investors generally, or may be on different terms, in the Adviser's discretion. Such personal investments may create an incentive for the Adviser to manage a Client account differently than it would absent such personal investments. However, the Adviser will endeavor to act only in the best interests of its Client accounts in the management of such Client accounts. Although highly unusual, Nephila Capital may engage in a principal transaction, which would be done in accordance with Section 206(3) of the Advisers Act.

The Adviser on behalf of its Clients may make an investment in which Markel or one of its affiliates is participating. Such investments would generally be expected to be on substantially similar terms as those applicable to Markel or its affiliate or otherwise on terms consistent with the Adviser's policies and procedures. See also Item 8.

D. Timing of Investments.

See Items 11.B and 11.C. – Material Financial Interest in Transactions and Investments in Same Securities, above.

Item 12 – Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.

1. Research and Other Soft Dollar Benefits. As the investment manager to its Client accounts, the Adviser has the complete authority to determine what securities and investment

instruments its Clients should buy or sell and what brokers or dealers the Client accounts should use, and on what terms. The majority of the investments made by the Client accounts are transactions in over-the-counter derivatives or other non-exchange traded instruments entered into on a principal-to-principal basis. Such transactions are entered into with dealers, counterparties or issuers as principal opposite the Client account, where no “commissions” or transaction-based fees are charged the Client account other than standard insurance and reinsurance brokerage fees. To the extent the Adviser causes a Client account to purchase or sell a security or other investment instrument through a broker on an agency basis, the Adviser has the discretion to consider the value of products, research or services provided to the Adviser by the broker consistent with the “safe harbor” for fiduciaries’ use of “soft dollar” arrangements pursuant to Section 28(e) of the United States Securities Exchange Act of 1934, as amended, to the extent applicable. As of the date of this Brochure, the Adviser does not contemplate entering into any “soft dollar” arrangements with its brokers.

2. Brokerage for Client Referrals. In selecting or recommending broker-dealers, the Adviser does not consider as a factor whether or not the Adviser or its related persons will receive Client or investor referrals from a broker-dealer or third party.

3. Directed Brokerage. The Adviser does not utilize directed brokerage arrangements.

B. Aggregation of Trades. The Adviser has the discretion to bunch Client orders for the same securities or other investment instruments in one order where it is in the best interests of the Client accounts to do so. The Adviser generally will seek to do so where bunching in the particular instance is practicable, administratively efficient, and would reduce transaction costs. The Adviser will seek to allocate such executed transactions among the participating Client accounts on a basis that is fair and equitable to all Client accounts, taking into account any relevant factors, such as account size, or applicable investment objectives, guidelines or restrictions. The Adviser is under no duty to bunch orders, however, and in many instances, it may not be practicable to do so, given the nature of the investment instruments that the Adviser trades for its Client accounts. Given the nature of the securities and investment instruments invested in, there is no material difference in costs to Clients for bunching or not bunching transactions.

Item 13 – Review of Accounts

A. Periodic Review. The Portfolio Managers of the Adviser review the performance of its Client accounts at a minimum monthly. The Adviser then advises the Client accounts as to the amount of assets that should be allocated to various investment instruments pursuant to each Client account’s investment objectives and strategies.

B. Triggered Review. The Portfolio Managers of the Adviser engage in more frequent reviews of Client accounts on an as-needed basis as circumstances warrant, for example, during periods of impending major storm activity or other unusual events.

C. Content and Frequency of Reports. Except as otherwise specified in the governing documents of the relevant Client account, each investor in a Fund receives in writing (i) a monthly unaudited statement of the value of its investment in the Fund in which the investor is invested, (ii) a quarterly review of the performance of such Fund, and (iii) annual audited financial statements of such Fund; and (iv) annual tax-related information regarding the investor's investment in the Fund (if applicable).

Item 14 – Client Referrals and Other Compensation

A. Other Compensation. The Adviser does not receive any compensation or other economic benefit for providing investment advice or other advisory services to its Clients from persons who are not the Adviser's Clients or investors in a Fund.

B. Client Referrals. The Adviser has engaged KKR Capital Markets LLC, an SEC-registered broker-dealer, to act as an exclusive marketing agent for the distribution of interests in certain Funds to investors, both inside and outside of the United States. In return, the Adviser shares a portion of its management fees earned with this marketing agent.

Item 15 – Custody

The Adviser generally will be deemed to have custody of Client funds and securities pursuant to the SEC's rule under the Advisers Act and in such case, will comply with the applicable custody-related rule and requirements. In particular, the Adviser expects to deliver to its Fund investors audited financial statements of each Fund within 120 days after the end of the Fund's fiscal year, as an alternative to requiring the Fund's qualified custodians to deliver to the Fund's investors' quarterly account statements showing the investments of the Fund, among other requirements. In any event, investors should review carefully the audited financial statements and other reports they receive from the Adviser or the Funds.

Item 16 – Investment Discretion

The Adviser receives discretionary authority from the Client at the outset of an advisory relationship to select the identity and amount of securities and other investment instruments to be bought or sold, pursuant to the terms of the governing documents of the Client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives, strategies and guidelines for the particular Client account. When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the Clients for which it advises. Any material investment guidelines and restrictions will be disclosed to the Fund's investors in the Fund's Memorandum or otherwise in writing.

Item 17 – Voting Client Securities

Clients and investors may obtain a copy of the Adviser's complete proxy voting policies and procedures upon request. It should be noted that, given the nature of the Adviser's investment activities on behalf of its Clients, it is not anticipated the Client accounts will hold voting securities. Nonetheless, the Adviser has adopted proxy voting policies and procedures as required by SEC rules, which are summarized below.

Clients generally will give the Adviser the authority to vote proxies; Clients or investors generally will not be able to direct that the Adviser vote a particular way. As an investment manager, the Adviser's duty to its Clients is to maximize the value of the investments it manages, and the Adviser will vote proxies in a manner that it in good faith determines is consistent with this duty.

Each proxy proposal is reviewed on a case-by-case basis by a member of the Adviser's portfolio management team. The relevant portfolio manager has responsibility for reviewing proxy materials and deciding how to vote on each issue or initiative for the securities he or she trades. Any employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer must inform the Adviser's Chief Compliance Officer and recuse him or herself from decisions on how proxies with respect to that issuer are voted.

A record of all proxy decisions will be retained by the Adviser and be available for inspection by Clients and investors. For information regarding the Adviser's proxy voting record or for a copy of the Adviser's proxy voting policies and procedures, please contact Investor Relations, at (615) 823-8505 or investor.relations@nephilacapital.com.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding. Pursuant to SEC rules, no balance sheet or other financial information of the Adviser is required to be included in this Brochure.

Miscellaneous – Privacy Policy

In accordance with SEC rules and other applicable privacy rules, the Funds and the Adviser have adopted policies and procedures relating to the collection, use and protection of nonpublic personal information of the Adviser's clients and investors and the Funds' investors (each referred to as a "customer"). The Funds and the Adviser's Privacy Policy is set out below.

Privacy Policy. The Funds and the Adviser (collectively referred to as "we") consider customer

privacy to be fundamental to our relationship with our customers. In the course of operating and acting as trading advisor to the private investment fund in which you have invested (the “Fund”) or acting as trading advisor over your individual account (the “Account”), we collect personal information about you (“nonpublic personal information”). We collect this information to know who you are and to meet our obligations under the laws and regulations that govern us.

Throughout our history we have been, and we remain, committed to maintaining the confidentiality, integrity and security of our customers’ personal information. It is our policy to respect the privacy of our current and former customers and to protect the personal information entrusted to us. This Privacy Policy describes the standards we follow for handling your personal information, with the dual goals of meeting your financial needs while respecting your privacy.

Information We Collect. We collect nonpublic personal information about you from three sources:

- Information on subscription agreements or other forms. This category may include your name, address, tax identification number, age, marital status, number of dependents, assets, debts, income, employment history, beneficiary information and personal bank account information;
- Information from your transactions with us, such as your investment history in the Fund and/or the Account and your account balance; and
- Information obtained from others, such as our affiliates and consumer credit reporting agencies.

Information We Disclose. We will not disclose any non-public personal information about you except to our affiliates such as our affiliated pooled investment vehicles, investment sub-advisers and general partners, and to nonaffiliated third parties for our everyday business purposes, such as to process your transactions, maintain your account(s) and respond to court orders, regulatory examinations and legal investigations. Nonaffiliated third parties we share with can include our accountants, attorneys and auditors.

We may also disclose your nonpublic personal information to our affiliates for marketing purposes (as further described in Item 10.C. - Other Financial Industry Activities and Affiliations – Relationships or Arrangements with Related Persons), such as to offer our products and services to you.

Protecting Your Information. To protect this information, we permit access only by authorized employees who need access to that information in order to perform their jobs. To protect your nonpublic personal information from unauthorized access and use, we use security measures that comply with U.S. federal and international law. These measures include computer safeguards and secured files and buildings.

Former Customers. We treat information concerning our former customers the same way we treat

information about our current customers.

Keeping You Informed. We will send you a copy of this Privacy Policy annually. We will also send you all changes to this Privacy Policy as they occur. For information regarding the Adviser's Privacy Policy, please contact Investor Relations, at (615) 823-8505 or investor.relations@nephilacapital.com.

EU GDPR Information. Please note that for our European Union ("EU") resident individual investors, it is necessary that your personal data be transferred to the United States, Bermuda and Canada so that we may perform the agreed upon services for you. The EU's General Data Protection Regulation ("GDPR") requires us to disclose to you that no adequacy decision has been rendered by the European Commission as to the protection of your personal data when transferring it to the United States or Bermuda. However, we do take the security of your personal data/information seriously. Any party that receives this information pursuant to the foregoing will be authorized to use it only for the services required and as allowed by applicable law or regulation, and will not be permitted to share or use this information for any other purpose. To protect this information, we permit access only by authorized employees who need access to that information in order to perform their jobs. To protect your personal information from unauthorized access and use, we use security measures that comply with applicable law. These measures include computer safeguards and secured files and buildings. You have the right to request a copy of the information that we hold about you. If you would like a copy of some or all of your personal information, please contact Investor Relations, at (615) 823-8505 or investor.relations@nephilacapital.com. We shall retain your personal data for as long as you are an investor and thereafter only as long as necessary to comply with applicable laws that require us to retain your personal data, such as data retention rules. The GDPR provides EU resident investors with additional rights such as: (1) the right to receive from us your personal data that you have provided to us in a structured, commonly used and machine-readable format (right of portability), as well as the right to have us transmit your personal data that you have provided us to others, upon your request, in such a format; (2) the right to rectify any of your personal data that is inaccurate or incomplete; (3) the right to lodge a complaint of an alleged infringement of the GDPR with an EU supervisory authority in a member state of your habitual residence or place of work; (4) the right to the erasure of your personal data under certain conditions specified in the GDPR, such as when your personal data is no longer necessary for us to perform the services for you, your consent has been withdrawn or when your personal data is no longer legally required to be retained by us; and (5) the right to restrict the processing or object to the processing of your personal data by us under certain conditions specified in the GDPR, such as if you don't want us to market our products and services to you. We may disclose your personal data to our affiliates, such as NAL and to third parties such as MUFG Fund Services Limited in its capacity as administrator. You may opt-out/object to our marketing to you by contacting Investor Relations, at (615) 823-8505 or investor.relations@nephilacapital.com. Please note that we have designated Nephila Advisors (UK) Limited at 53 New Broad Street, London EC2 1JJ, United Kingdom as our designated representative in accordance with the GDPR.