

# KNIGHT VINKE



KVAM INTERNATIONAL LTD.

489 Fifth Avenue

29<sup>th</sup> Floor

New York, New York 10017

1 212 660 5720

31 March 2011

This Brochure provides information about the qualifications and business practices of KVAM INTERNATIONAL LTD. If you have any questions about the contents of this Brochure, please contact us at 1 212 660 5720 and [info@knightvinke.com](mailto:info@knightvinke.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. KVAM INTERNATIONAL LTD. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about KVAM INTERNATIONAL LTD. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). KVAM INTERNATIONAL LTD. SEC No. is 801-68310 and CRD# is 144638.

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 31 March 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Christopher Ashworth, Chief Compliance Officer at +011 (377) 93.30.06.37 or [ashworth@knightvinke.com](mailto:ashworth@knightvinke.com). Our Brochure is also available on our web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), also free of charge.

Additional information about KVAM INTERNATIONAL LTD. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with KVAM INTERNATIONAL LTD. who are registered, or are required to be registered, as investment adviser representatives of KVAM INTERNATIONAL LTD.

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#### **Item 4 – Advisory Business**

KVAM INTERNATIONAL LTD. (the “Adviser”) provides investment advisory services to clients, including domestic and offshore limited partnerships and other pooled investment vehicles (the “Investment Fund”). The Adviser provides investment advisory services to its clients and receives a fee. The Registrant may enter into additional investment supervisory services relationships where it will provide all investment advice and receive both a management and a performance fee.

The Adviser is an affiliate of KNIGHT VINKE ASSET MANAGEMENT LLC (“KVAM”) which was formed in 2003 as a Delaware limited liability company and has been actively engaged in corporate governance investing in Western Europe since December 2003. KVAM is one of a number of companies in the Knight Vinke group of companies (together, including KVGFF, (“Knight Vinke”) providing asset management advise and, prior to the establishment of the Fund, specializing in corporate governance.

Prior to establishing Knight Vinke, Eric Knight, along with two others, founders of Knight Vinke, had been the senior investment team at Sterling Investments Limited (“Sterling”), a firm co-founded by Eric Knight in 1996. At the time, Sterling was dedicated to corporate governance investing principally in the United Kingdom, but was also active in the United States where it led the successful proxy contest (through its subsidiary, SSP Special Situations Partners, Inc.) against ICN Pharmaceuticals. The fourth co-founder of Knight Vinke was a private investor.

As of 31 December 2010, the Adviser and its affiliated Advisers had a total of USD \$2,180, 066, 117 assets under management with 22 clients; USD \$1,574,676,495 were assets under discretionary management and represented 18 accounts and USD \$605,389,623 were assets under non-discretionary management and represented 4 accounts.

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

The Adviser’s fees generally are not negotiable. Management fees are payable by Clients directly to the Adviser or to an affiliate of the Adviser. Management fees typically are a percentage of a certain market adjusted commitment amount. Depending on the amount of the commitment, the basic management fee schedule ranges from 1.0% per annum to 1.5% per annum.

The Adviser is also entitled to a 20% carried interest that typically is payable on the net gain from the realization of investments calculated on either an absolute return or hurdle-based methodology.

Termination and refund provisions are generally agreed to in advance by the Adviser and its clients. Typically, Clients may terminate investment advisory agreements upon a material breach of such agreement by the Adviser, upon prior written notice, or in certain other circumstances as set forth in the respective agreements. Investors in Clients are subject to certain restrictions on withdrawal from such funds, as set forth in the governing documents of the respective Client.

From time to time the Adviser or one of its affiliates may enter into arrangements with certain investors in an Investment Fund pursuant to which such investors are granted certain rights or benefits not granted to other investors in connection with such investments. Such agreements may be entered into by the Adviser or one of its affiliates without the consent of or notice to the other investors in the Investment Fund. The Adviser reviews any proposed special investor arrangement for potential conflicts of interest and seeks to manage or minimize such potential conflicts so that all investors are treated fairly and in conformance with the duty owed by the Adviser to each investor. Such arrangements may include provisions relating to investment prohibitions, voluntary or mandatory withdrawals, most-favored nation provisions and other investor-specific provisions.

Item 12 further describes the factors that Adviser considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In some cases, the Adviser has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Adviser shall include realized and unrealized capital gains and losses. Performance based fee 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 equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

Currently, the Adviser's core investor base is institutional. The Adviser provides investment advice generally to U.S. based tax-exempt investors such as state and governmental pension funds and to non-U.S. entities such as sovereign wealth funds, funds of funds, endowments, foundations, family offices and high net-worth individuals.

## **Types of Investments**

The Adviser is authorized to enter into any type of investments transactions that it deems appropriate for its investors, pursuant to the terms of the partnership or other types of advisory agreements. The Adviser does not currently advise investors on any types of investments other than those identified below.

Currently, the Adviser may offer investment advice on the following types of investments:

- Equity securities of foreign issuers.
- Warrants.
- Corporate debt (other than commercial paper).

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

The Adviser's investment process is discussed in detail below. It can be segmented into the following phases: origination, preliminary analysis, detailed analysis, shareholder contact, investment, active engagement and monitoring, and exit. The Investment Committee is integrally involved throughout the investment process.

### **1. Origination**

The Adviser actively sources opportunities often overlooked or avoided by investors lacking resources and local market knowledge.

- Internal sources include systematic screening of governance news flow, tracking stake building by institutional shareholders, and tracking value-destructive strategies employed by management at certain companies over various time periods, as well as traditional value screens and industry analyses. External sources include other shareholders (both institutional investors), senior industry contacts, specialist consultants, investment bankers, M&A lawyers, private equity investors, leading industry sell-side analysts, journalists, governance specialists, and other resources the Adviser uses from time to time as circumstances dictate.

### **2. Preliminary Analysis and Minimum Requirements**

As a first step, companies identified from the sources above are evaluated on the basis of the following criteria:

- Is the company truly undervalued, both in relative and in absolute terms?
- Is the company sound from a fundamental point of view? Can the Adviser rely on management's integrity?
- Is there further downside risk with respect to the share price? If so, can this be hedged or mitigated?
- Does the low stock price result from a cause (or causes) capable of redress within a reasonable timeframe?
- Are management, the board of directors and/or the controlling shareholders prepared to take the necessary steps to unlock shareholder value?
- In case of need, is there an alternative value-realization strategy that the Adviser could propose?
- Is the shareholder structure conducive to change? Could the Adviser count on sufficient shareholder support to implement its strategy?
- Are there other "roadblocks" to the Adviser's strategy (e.g., legal, voting restrictions, market practice) and, if so, can these be overcome?
- Is there sufficient liquidity in the stock for the Adviser to be able to build up a position at an acceptable price and ultimately to sell the position, and if not, are there alternative entry and exit strategies?

The investment team ensures that all of the above tests are met to a sufficient degree – or are capable of being met – before proceeding to the next stage. The Adviser only invests in a small number of companies each year, so although the minimum criteria are stringent, they allow the team to narrow down the universe of potential investments. Those companies which appear to meet the investment criteria are subject to an initial desktop review which typically takes several days. A short report is completed which is used for internal discussion purposes before being submitted to the Investment Committee for initial consideration. It is important to note that not all potential investments will be suitable targets.

### 3. Detailed Analysis

Based on the preliminary analysis, a decision is taken by the Investment Committee as to whether to buy a toehold stake or reject the idea. If a toehold investment is made then a period of private equity style due diligence is entered into which can take several thousand man hours. This will involve the comprehensive analysis of financials; disaggregation of the consolidated financial statements to create the appropriate segmental financial information that can be used for valuation; the establishment of independent valuation models; the complete analysis of public market comparables; investigation of potential liabilities;

development of a governance/activist overlay; an evaluation of the reasons for share price underperformance; and the formulation of a possible value creation strategy. The Adviser will often supplement its resources with outside advisers with particular specialist expertise that it is not necessary or practicable to develop in house. These specialists may include investment banks, management consultants, actuaries and lawyers as a way of reviewing and providing a means of external validation. When the detailed analysis is completed, a decision is then taken by the Investment Committee as to whether or not to increase its position in the target company. In the case of an increased investment, it will set objectives in terms of entry and exit prices.

Critically, the Adviser performs a governance analysis, including a review of the governance framework (i.e., the articles of association, by-laws, voting structure, legal remedies, powers and limitations of management, indemnification of board members, regulatory issues, and stock issuance rights). Management and board structure, compensation practices, and other factors such as political influences, management and director motivations are also examined. Additionally, the Adviser performs a detailed shareholder analysis, including an analysis of the prices at which positions were acquired or are being sold.

A key component of the detailed analysis is the development of an action plan to unlock value or accelerate value creation. The plan addresses the reasons for share price underperformance and evaluates the impact of changes in business strategy, capital structure and/or corporate governance. The bargaining position and likely support/opposition from management, the board, shareholders and/or other stakeholders is evaluated. Feasibility of effecting change if the plan is opposed is gauged. Analysis of control mechanisms legally available in the local market is incorporated. Building a consensus involves preliminary discussions with institutional/other shareholders and often commissioning a report from outside sources to provide support for the Adviser's position. Ultimately the analysis is shared with shareholders, the management and the board and the plan is tailored and or amended to suit the response. The media is used to broaden debate and carry public opinion.

Outside advisers are frequently used in this phase of the due diligence and in the development of the action plan. They include management consultants to review company strategy and alternatives; industry executives hired as project-based consultants; investment bankers to prepare fairness opinions or to underwrite financing alternatives and advise on debt structure and covenants. Local law firms are engaged to review contracts, fiduciary duties, anti-trust issues and forensic accountants/investigators are often engaged. Pension consultants/actuaries review pension plans and employee benefits.



One of the major risks facing any investor is investment risk. This can be defined in broad terms as the risk of a decline in the value of an asset, or the inability to unlock the value that is inherent in an asset. While it is impossible to eliminate investment risk entirely, the Adviser believes that it is possible to reduce it substantially through knowing its investments in extraordinary detail and through giving itself the means of controlling or influencing the value realization strategy and exit. The Adviser carries out the same level of analysis on every investment target and applies the same stringent tests before taking an idea to the Investment Committee.

In addition, there are several risks specific to active corporate governance investing which the Adviser addresses at various stages in its investment process. These major risks include:

- Lack of Liquidity: This is an inevitable risk when operating in the small cap arena. This risk diminishes rapidly as the size of the target increases. The Adviser virtually eliminates this risk by focusing on large cap companies.
- Risk of Becoming an Insider: Inability to transact in the market is a major drawback and is the reason that the Adviser has avoided seeking direct representation on a board of directors as a matter of policy. The Adviser's experience is that there is a great deal one can do to assist a company or its shareholders in realizing value from the outside without becoming an insider. Companies frequently invite "troublesome" shareholders onto their board of directors in order to silence them.
- Risk of the Stock Price "Running Away": One of the risks associated with spending a substantial amount of time and effort in researching an opportunity before investing is that the share price can "run away" before one has had the chance to buy a significant block. The easiest, most cost effective solution to this problem is to use derivative instruments to lock in price levels. This can be done at various stages in the detailed analysis/due diligence phase of the process. Other solutions include negotiating to buy a large block of stock from existing shareholders – purchasing a portion but not all of their holdings.
- Reputation Risk: Involvement in shareholder activism can often put the reputation of the investment manager at risk. This is particularly true of high profile "aggressive" campaigns against management which generally is 18 to 36 months in duration. It has been the Adviser's experience that institutions in Europe generally do not support such strategies – or their instigators – and its policy is to seek consensual solutions wherever possible.

#### **Item 9 – Disciplinary Information**

SEC Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KVAM INTERNATIONAL

LTD. or the integrity of KVAM INTERNATIONAL LTD.'s management. KVAM INTERNATIONAL LTD. has no information applicable to this Item.

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

The Adviser is not registered and does not have an application pending as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor. The Adviser does not have arrangements that are material to its advisory business and its Clients with a related person who is a foreign broker-dealer, and domestic and foreign registered investment advisers:

<u>Name of Entity:</u>	<u>SEC Registration No:</u>
KV Services Ltd.	801-62394
SSP Services Ltd.	801-68308
Knight Vinke Asset Management LLC	801-62393
KV Services II Ltd.	801-70612
KVAM International II Ltd.	801-70693
KV GFF Services Limited	801-71789

#### Foreign Broker-Dealer and Investment Adviser:

Knight Vinke Asset Management (Monaco) S.A.M.

Additional information about the above referenced affiliated SEC advisers is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Adviser provides discretionary and non-discretionary investment advice to clients, which are structured as domestic, non-taxable domestic and foreign entities.

#### **Item 11 – Code of Ethics**

Pursuant to the Adviser's Code of Ethics and Insider Trading Policy (as defined and described below and hereafter known as the "Code of Ethics"), the Chief Compliance Officer (or his designee) of the Registrant maintains a restricted list containing all securities owned, being acquired or actively under consideration by clients. Trading in securities on the restricted list is permitted by any of the employees and principals of the Adviser, and other affiliates and related persons (the "Employees"), or by their spouses or dependents with prior approval of the Chief Compliance Officer. Generally, prior approval will be given for an employee and principal to purchase a security on the restricted list. Once a security on the restricted list is

purchased, an employee or principal may not sell that security until it is removed from the restricted list.

Employees are required to provide full disclosure, within five business days of execution, to the Chief Compliance Officer (or his designee) of any investments made by themselves, their spouses or dependents, directly or indirectly, or any other direct or indirect beneficial ownership interest acquired, in the “reportable securities”. The Adviser will not advise its clients to invest in any equity security in which Employees have any material position.

To avoid any potential conflict of interest involving personal trades, the Adviser and its affiliates and related persons (together, the “Advisers”) have adopted a code of ethics (the “Code of Ethics”), which includes a formal code of ethics and insider trading policies and procedures. Each Employee receives a copy of the Code of Ethics initially and annually and must sign an attestation that such Employee has read and understood the Code of Ethics.

The Advisers’ Code of Ethics sets forth certain standards of business conduct, including compliance with federal securities laws and applicable stock exchange codes or regulations. In addition, pursuant to the Advisers’ Code of Ethics, each Employee must treat information belonging to clients as confidential and take care to minimize any unauthorized access to third parties. Employees are required to safeguard material non-public information in such Employee’s possession and are prohibited from using such information to such Employee’s personal benefit.

The Advisers’ Code of Ethics requires each Employee to disclose to the Chief Compliance Officer (or his designee) such Employee’s personal confirmations and statements. In addition, access persons (defined as employees with access to non-public information regarding the Advisers’ purchase or sale of securities, including directors, officers and partners) will (i) upon starting employment, provide a complete record of his/her securities holdings to the Chief Compliance Officer (or his designee) and annually; (ii) be required to obtain the approval of the Chief Compliance Officer (or his designee) before investing in any initial public offering or private placement; (iii) provide quarterly reports of personal securities transactions within 30 days following the end of the quarter, unless such information has been provided through other means; and (iv) be required to inform the Chief Compliance Officer of any violation of the Code of Ethics that comes to his/her notice.

The Advisers’ Code of Ethics also prohibits access persons from serving as director of any publicly traded company without first consulting with the Chief Compliance Officer. A copy of the Advisers’ Code of Ethics will be provided to any client or prospective client upon request.

### Other Conflicts of Interest

The Adviser and its affiliates may, exceptionally, enter into arrangements with certain clients pursuant to which such clients are granted certain rights or benefits not granted to other Limited Partners in connection with their investments (“side letters”). Such arrangements may be entered into without the consent of or notice to the other clients.

The Adviser reviews any proposed special arrangement for potential conflicts of interest and seeks to manage or minimize such potential conflicts so that all clients are treated fairly and in conformance with the duty owed by the Adviser to each client. Such arrangements may include provisions relating to investment prohibitions, transfers to affiliates, voluntary or mandatory withdrawals, most-favoured nations provisions and other investor-specific provisions.

In connection with the management of investments, the Adviser is deemed to have a fiduciary relationship with the clients and consequently the responsibility for dealing fairly with the clients. The Adviser and its affiliates and their respective officers, directors, employees, consultants, partners and members (collectively, the “Principals”) may engage in activities that may conflict with the interests of the clients. Without limiting the generality of the foregoing, the Principals may make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms.

The Advisory agreements and investment documents require the Advisor to devote substantially all of its time and attention to the affairs of the client. However, they do not prohibit affiliates of the Adviser from engaging in any other existing or future business, and certain of its affiliates currently provide and anticipate continuing to provide investment management services to other clients in whom the Adviser will not have an interest, including, without limitation affiliated businesses. Any orders placed in connection with such activities might compete with the orders placed for other affiliated investment vehicles.

Other entities or accounts managed by the Adviser may have investment objectives or may implement investment strategies similar or different to those of the Adviser. In addition, the Principals may, through other investments, including other investment funds, have interests in the securities in which the Adviser invests as well as interests in investments in which the Adviser does not invest. The Principals may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to the Adviser.

Other present and future activities of the Principals may give rise to additional conflicts of interest.

## **Item 12 – Brokerage Practices**

Knight Vinke does not have any relationships that would adversely affect its trading flexibility. However, Quaker Securities provides Knight Vinke with investment-specific market intelligence. Quaker Securities has introduced broker arrangement with Deutsche Bank through which Deutsche Bank executes trades in order to ensure optimal execution.

Trading costs do not play a significant role in Knight Vinke's strategy, given the small number of positions held and its investment focus on large cap stocks, but Knight Vinke personnel reviews each trade with the goal of ensuring that best execution is consistently met.

Knight Vinke has relationships with a number of brokers, both global and local. Knight Vinke uses the one that provides the best execution on a given stock.

Knight Vinke does not use soft dollars for administrative expenses.

### **Best Execution**

KNIGHT VINKE and its affiliated SEC Registered Investment Advisers (the "Firm") have full discretionary authority (under certain advisory agreements though it also advises under non-discretionary authority) to direct Client trades. As a result, the Firm is subject to a duty to obtain best execution for Client securities transactions. The SEC has described this requirement generally as a duty to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution an adviser should consider the full range and quality of a broker-dealer's services in placing trades. The SEC has added that best execution is not determined by the lowest possible commission costs, but by the best qualitative execution. Finally, the SEC has suggested that to ensure continuing compliance with the best execution duty, advisers should periodically and systematically evaluate the execution performance of broker-dealers executing their transactions.

In placing orders to purchase and sell securities for our Clients, the Firm considers a number of factors in selecting appropriate broker-dealers, including, without limitation, execution capability, commission rates, financial responsibility, counterparty risk, the value of research provided, and responsiveness to the Firm. The Firm's management on an on-going basis is responsible for developing, evaluating and changing when necessary the Firm's order execution practices. The Firm's management will monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Firm and its Clients. The Firm's Best Execution Guidelines are set forth below:

### **Statement of Policy**

As a fiduciary, the Firm has a duty to obtain "best execution" for the securities transactions being effected for our Clients. Best execution essentially means that the Firm's trading process

seeks to maximize value in such a manner that total cost or proceeds in each transaction is the most favorable to the Client under the circumstances. In seeking best execution, the Firm should consider the full range of the broker's services, not just price.

### **Selection of Brokers**

The Firm has established general criteria to determine which brokers are qualified to provide brokerage services to our Clients, and considers, among others, the following relevant factors:

- Quality of execution – accurate and timely execution, clearance and error/dispute resolution;
- Reputation, financial strength and stability of the broker;
- The difficulty of execution and the broker's ability to handle difficult trades;
- Confidentiality of trading activity;
- The broker's willingness and ability to commit capital;
- Overall costs of trades (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Firm's knowledge of negotiated commission rates currently available and other current transaction costs;
- Research<sup>1</sup> and custodial services provided by the broker that are expected to enhance the Firm's general portfolio management capabilities;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- The operational facilities of the broker, including back office efficiency;
- Block trading and block positioning capabilities; and
- Market intelligence regarding trading activity.

The Firm **will not** consider the following factors in its selection of brokers:

- Any gifts or entertainment;<sup>2</sup>

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<sup>1</sup> Any research provided by a broker must be either generally available or if otherwise, must be provided to Firm in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

- Access to underwritten offerings and secondary markets;
- The broker's ability or willingness to cover trading errors caused by Firm; or
- Client referral/capital introduction services by the broker.

### **The Firm's Management Responsibility**

The Firm's management primarily responsible for overseeing the trading process:

1. The Chief Compliance Officer; and
2. The Director of Fund Administration and Reporting; and
3. The Chief Financial Officer.

These Firm Officers will meet on a periodic basis, generally quarterly. The CCO or her designee(s) will keep the minutes of these meetings. Among their responsibilities, Firm management will be responsible for the "Approved Broker List", which is the list of broker-dealers eligible to effect Client transactions. Management has authorized the CCO to approve the selection of brokers from time to time, but will review such additions at its periodic meetings.

### **Order Entry**

At the time the investment decision is made, each order to buy or sell securities, derivatives and other financial instruments must be documented with a "memorandum" (or "trade ticket" or "order ticket"). Such memorandum must include:

- Identification of the account in which the trade is being placed for
- If appropriate, any special terms and conditions of the order
- Any modification, or cancellation of the order
- The identity of the person who submitted the order (if other than one of the Portfolio Managers) as well as the person who placed the order (the trader);
- The identity of the broker, dealer, or bank with which the order was placed; and

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<sup>2</sup> Firm's separate Code of Ethics & Insider Trading Policy details the firm's policies on gifts and entertainment.

- The date and time when the order was (1) placed by the trader and (2) executed or cancelled.

### **The Trader and Execution**

Unless otherwise excepted all orders must be sent to the Trader for execution. The trader(s) must seek best execution based upon the factors described in this policy, including using reasonable diligence to seek a price that is as favorable as possible under the prevailing market conditions. This might include considering quotes from multiple brokers. However, the extent of diligence required will depend, among other things, upon the character of the market for the security, the size of the transaction, the number of primary markets, the availability of a reliable quote and the urgency of the order. For example, for a highly liquid security where a national market price is readily determinable, the trader generally would not need to seek multiple quotes prior to execution.

Management should review all trades for which he was responsible and notify the Trader of any problems. In such review, Management will consider the following:

- Was the trade consistent with my instructions?
- Do the executions appear to be reasonable?]

### **Periodic Reviews**

Periodically, Management will review the performance of the brokers on the Approved Broker List. Management will consider, as applicable, the factors set forth above, as well as the following:

- Average commission rate charged by each broker over the prior quarter;
- The services provided by the broker other than execution (i.e., research or other services used in the management of the Client's account);
- Whether the execution and other services provided by the broker were satisfactory, taking into account such factors as the speed of execution, the certainty of execution, and the ability to handle large orders or orders requiring special handling;
- Reason for using that broker (e.g., research, execution only, specific type of trade, etc.);
- Unusual trends, such as higher than usual commission rates or a large volume of business directed to an unknown broker;



- Potential conflicts of interest, such as directing brokerage to a broker who makes client referrals to Firm; and
- Any other factors that the Management thinks necessary for Firm to make a reasonable decision about its best execution determinations.

In addition, the Management should conduct spot checks of executions during the relevant period. If necessary, Management will take any action to rectify the situation including but not limited to reimbursing the Client or reprimanding or dismissing the employee.

Documents or information required to be retained in this Policy shall be retained in accordance with the Record Retention rules as found under the Investment Advisers Act of 1940.

### **Item 13 – Review of Accounts**

The Adviser has appointed State Street Cayman Trust Company Ltd. (“SSC”) as Administrator and Registrar and State Street Bank and Trust Company (“SSB”) as Custodian of the Fund. SSB is responsible for maintaining the bank accounts of each client. SSC is responsible for:

- (a) recording general ledger entries;
- (b) calculating monthly net income;
- (c) reconciling activity to the trial balance;
- (d) calculating monthly aggregate net asset value;
- (e) preparing account balances; and
- (f) preparing annual financial statements preparing a monthly valuation maintaining.

The individuals performing these tasks are State Street Corporation employees and follow the internal guidelines and procedures of State Street Corporation as identified in the Global Controls Examination report issued by PricewaterhouseCoopers LLP. All work is performed by an Investment Accountant and reviewed by a senior investment accountant or supervisor and by the Advisers’ Operations Manager or Chief Financial Officer before distribution. State Street Corporation’s controls and procedures are tested by PricewaterhouseCoopers LLP and are reported in the Global Controls Examination report on a semi-annual basis.

The Adviser will not provide reports to Clients; however it will assist in providing to each client on a monthly basis an unaudited interim report setting forth as of the end of or for such period

a statement of its capital account and a statement of investments. It will also in providing to partnership clients at the end of each fiscal year an audited financial report setting forth as of the end of such fiscal year (i) a balance sheet, an income statement and a cash flow statement, (ii) a statement of such limited client's investments, (iii) such client's capital account and the manner of its calculation, and (iv) a certification by the auditors that the contributions, allocations and distributions with respect to such limited client's capital account during such fiscal year were computed in accordance with the relevant agreement. The Adviser provides reports directly to managed account clients, such as regular trade reports, a monthly valuation and performance report and quarterly management reviews.

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

There are no sales charges payable to the Adviser in connection with the offering of Private Fund Interests to client. However, the Adviser may enter into arrangements with a placement agent under which such placement agent may receive commissions or other compensation from time to time. All such commissions and compensation will be paid by the Adviser.

#### **Item 15 – *Custody***

The Adviser does not maintain direct custody or possession of any of its client's funds or securities. The Adviser will ensure that information on all trades executed on behalf its clients are delivered to the corresponding Custodians. Monthly holdings reconciliation is conducted between the Custodian's records and the Adviser.

#### **Item 16 – *Investment Discretion***

The Adviser usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives.

When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises.

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

Clients may obtain a copy of the Adviser's complete proxy voting policies and procedures upon request. Clients may also obtain information from the Adviser about how the Adviser voted any proxies on behalf of their account(s).

#### **Voting Policy**

Members of the Investment Committee or their designated representatives may attend all annual general meetings or extraordinary general meetings of Portfolio Companies (or vote by proxy, if permitted) and will vote on all matters which require shareholder approval on behalf of the Fund. The Adviser will disclose to their respective clients their voting policies with respect to client securities over which they have voting power.

The way in which Portfolio Company shares are voted is integral to the investment strategy. Voting will therefore be treated on a case by case basis and, in each case, the Investment Committee or its designated representative will assess which course of action best serves the clients. In certain circumstances, this may require that the Investment Committee recommends that some or all of the shares not be voted.

The Adviser will maintain a record of each vote cast together with how each decision was reached and copies of any documents or working papers used in order to reach such decisions. This information will be available for review by clients on request.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about KVAM INTERNATIONAL LTD.'s financial condition. KVAM INTERNATIONAL LTD. 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.