

Cairn Capital North America Inc.
Form ADV PART 2
March 31, 2018

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This brochure provides information about the qualifications and business practices of Cairn Capital North America Inc. If you have any questions about the contents of this brochure, please contact us directly at 203-302-7900 or via email at ADVII@cairncapital.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.

Additional information about Cairn Capital North America Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Cairn Capital North America Inc. is a registered investment adviser with the United States Securities and Exchange Commission. Please note that the title of Registered Investment Adviser does not imply any certain level of skill or training.

Summary of Material Changes
To Form ADV Part 2 dated March 31, 2017

Paragraph 1.E.: Assets under management and long-term advise have been updated to reflect the position as of December 31, 2017.

Paragraph 7.E.: This paragraph has been amended to reflect the termination of the Strategic Relationship Agreement between Cairn Capital North America Inc. and Castleton Partners, LLC, an unaffiliated SEC registered investment adviser.

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1. Advisory Business (Item 4)

- A. Cairn Capital North America Inc. ("Cairn"), a wholly-owned subsidiary of Cairn Capital Group Limited, is a registered investment adviser with the United States Securities and Exchange Commission ("SEC") that was established in February 2011 and incorporated in the state of Delaware. Cairn Capital Group Limited was established in the UK in February 2004, and through its UK subsidiary Cairn Capital Limited delivers a broad range of credit market services to clients and investors including pension funds, insurance companies, central banks, banks, money managers, corporations and funds of funds. Cairn Capital Limited is registered as an overseas investment adviser with the SEC (801-66019). Cairn was established in the US to provide similar services focusing primarily on domestic clients.

On 31 December 2015 Mediobanca S.P.A. acquired 51% (by capital and voting rights) in Cairn Capital Group Limited. The majority of the remaining 49% is owned by management and staff of Cairn Capital with STAR Capital Partners Investments LLP holding a minority stake. After three years (or any anniversary up to six years) Mediobanca may increase its interest in Cairn Capital Group Limited with an option to acquire some or all of the remaining 49%. The holders of the 49% have the ability to put their shares to Mediobanca in equal amounts between the fourth and sixth anniversaries of the acquisition.

Cairn's principal office is located in Stamford, Connecticut, and Cairn's investment professionals are individually registered as investment adviser representatives in the state. Cairn provides asset management, investment advisory and securities structuring advisory services to clients.

- B. Cairn provides asset management, investment advisory and securities structuring advisory services to clients. Cairn's focus, based on its highly specialized credit markets capability, is in the sectors of investment grade and high yield credit, commercial real estate, asset backed securities ("ABS"), collateralized debt obligations ("CDO"), collateralized mortgage backed securities ("CMBS") and structured credit and finance more generally.

The asset management services provided by Cairn generally include the management of the asset portfolio of the client, including the selection of assets to be acquired and assets to be disposed of, monitoring the assets in the portfolio and arranging any currency and interest rate hedging which Cairn considers to be necessary.

Cairn also provides structuring and advisory services relating to asset portfolios and credit derivatives under which Cairn does not have discretion to manage the assets of the client. The advisory services provided by Cairn may be of a short-term nature

not involving investment supervisory services or monitoring of the assets or may be of a longer-term nature involving monitoring and advising on a portfolio of assets.

In portfolio management and advisory engagements, including both those with discretionary and non-discretionary investment authority, Cairn will generally review portfolio assets on a monthly basis and make decisions or recommendations, as applicable, for future portfolio actions with respect to individual securities (or the portfolio as a whole) based on an analysis of current market values and trends, fundamental value, security specifics, technical flows and any other factors relevant to expected performance.

Cairn also provides successor portfolio management services to closed end vehicles (for example, CDO) across the range of credit products, where Cairn has been mandated to replace the original collateral manager. Within the parameters established by the original transaction structure and portfolio collateral, Cairn aims to deliver, where possible, enhanced outcomes to investors and creditors.

Cairn expects to utilize its UK affiliate, Cairn Capital Limited, to provide portfolio management and certain portfolio advisory services at this time, rather than performing all of these services itself. Under a sub-advisory arrangement between Cairn and Cairn Capital Limited, Cairn has the ability to access the broad portfolio analysis and management capabilities of Cairn Capital Limited as well as the affiliate's trading platform. Full disclosure with respect to any outsourcing to Cairn Capital Limited will be made to Cairn's clients.

Cairn also provides structuring advice to clients including transaction evaluation and securities restructuring, and new securities structuring and execution. Cairn's advisory capability is applied to structuring and restructuring efforts across the entire range of credit products and real estate where investors seek assistance to better safeguard their interests. In these advisory mandates Cairn applies its extensive credit product structuring knowledge, work-out experience and fundamental understanding of credit and the legal environment.

- C. Cairn's advisory services are tailored to the individual needs of clients. Advisory mandates are individually negotiated and as part of those negotiations the needs of the client will be addressed and the client will be able to impose any restrictions the client wishes to impose, including restrictions on investing in certain securities or types of securities.
- D. Cairn does not issue any publications or reports on a subscription basis or for a fee or participate in any wrap fee programs.
- E. As at December 31, 2017, Cairn managed assets on a discretionary basis of approximately U.S. \$338,973,433.

2. Fees and Compensation (Item 5)

- A. The fees charged by Cairn vary from client to client, are negotiable and are determined by reference to a number of factors including the expected activity, degree of expertise and responsibility required of Cairn to meet its obligations, and market levels.

The fees for discretionary asset management are generally paid monthly or quarterly in arrears and generally include two elements, a base fee which is paid by reference to the value of the assets under management and a performance or incentive fee which represents a percentage of any excess returns achieved over prescribed hurdle levels.

Fees for advisory services where Cairn does not have discretion to manage the assets of the client vary depending upon a number of factors including the size of the asset portfolio or transaction concerned, the complexity of the portfolio or transaction and the degree of expertise and responsibility required. Fees for such services are generally either based upon a percentage of the assets contained within the portfolio for which Cairn is providing advisory services and may include a specified minimum fee or specified minimum term, or are fixed and payable on a periodic basis in arrears, a periodic basis in advance or only upon completion of the advisory mandate concerned. In certain cases, for example in a restructuring advisory engagement, Cairn may negotiate a success fee which is payable only upon successful completion of the mandate.

Cairn may receive fees from its UK affiliate, Cairn Capital Limited, for the referral of business to the affiliate or for the performance of certain services in connection with mandates entered into by the affiliate with clients. Such fees will be determined by reference to a number of factors including Cairn's relative role in sourcing the business or participating in the execution of the mandate and will be established on an arm's length basis between the two business entities.

- B. For discretionary asset management mandates, Cairn is generally paid out of the assets under management pursuant to the mandate although a client may elect to be billed directly for fees incurred. Where fees are paid out of the assets under management, Cairn does not have authority simply to deduct such fees from the assets under management. Any such fees are required to be agreed and approved by the client or by a third party on the client's behalf such as, in the case of a private fund managed by Cairn, the administrator appointed by the fund to provide administrative services in connection with the fund. Fees for advisory services are billed directly to the client.
- C. In connection with discretionary investment management services, clients may pay other fees and expenses, depending on the nature of the services, including custodian

fees, prime brokerage fees, fees of the administrator and directors' fees. See paragraph 9 below for a discussion of Cairn's brokerage practices.

- D. As noted in A. above, fees for advisory services where Cairn does not have discretion to manage the assets of the client may be fixed and paid on a periodic basis (generally monthly) in advance. In such a case, Cairn will refund the client a portion of the fee paid in advance should the advisory contract be terminated in accordance with its terms before the end of the billing period. The portion to be repaid will be calculated by reference to the portion of the billing period still to run after termination of the contract.
- E. Neither Cairn, nor any of its officers or employees, accepts compensation for the sale of securities or other investment products.

3. Performance Based Fees and Side-By-Side Management (Item 6)

Cairn provides investment management and advisory services to a range of clients and, accordingly, circumstances may arise in which Cairn, an affiliate of it or a supervised person (as defined by the SEC) may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties or of Cairn. For example, under discretionary asset management transactions Cairn may receive fees based, in part, on a performance or incentive fee which represents a percentage of any excess returns achieved over prescribed hurdle levels, while at the same time providing portfolio advisory services to other clients in which fees are fixed or calculated solely as a percentage of assets. In such circumstances Cairn or its supervised persons will have an incentive to favour accounts for which Cairn receives a performance based fee over accounts for which Cairn receives a fixed fee or a fee calculated solely as a percentage of assets. These conflicts are addressed by the adoption by Cairn of an allocation policy which requires Cairn to allocate orders fairly and not give unfair preference to any client, independent of the fee structure.

On occasion the appointment of Cairn to provide investment advisory services may include a specific appointment to arrange sales of assets in an asset portfolio for which Cairn may receive a fee from the client calculated by reference to the sale proceeds of the assets sold. In such cases the sales are arm's length transactions with individual bidders identified by Cairn or the client or through an agreed auction process. In such circumstances Cairn does not participate as a bidder on behalf of any other client.

If Cairn acts for a client in circumstances where it has a material interest or conflict of interests Cairn will take reasonable steps to ensure that the client is treated fairly. In order to identify circumstances in which Cairn, an affiliate of it or a supervised person may have a material interest in a transaction with or for a client or where a

conflict of interest may arise between the client's interests and those of other clients or counterparties or of Cairn, the legal and compliance groups within Cairn work to ensure that potential conflicts of interest and related issues are identified and dealt with swiftly and at an appropriate level within Cairn. Any actual or potential conflict of interest is initially discussed by the Chief Compliance Officer with the relevant personnel and, if the issue cannot be immediately resolved by such discussion, is referred to the Chief Executive Officer ("CEO") of Cairn. The CEO will determine what action should be taken in order to resolve or manage the conflict. Such action may include declining to act in the particular matter.

Cairn provides guidance and training in conflict matters in order to ensure that all relevant employees are kept aware of and up to date on applicable regulations and internal policies. Generally, because of the size of Cairn and the fact that all employees are located on a single floor, Cairn does not seek to operate information barriers and policies designed to ensure that price sensitive and/or confidential information held by employees does not pass to other employees. In situations where Cairn receives information which is or may be price sensitive, Cairn will generally regard itself and all employees as restricted. For example, where Cairn elects to be private in respect of a loan which Cairn proposes to acquire for a fund to which it provides investment management services and receives private information as a result, Cairn will regard itself as restricted in respect of any publicly traded securities of the relevant entity and the entity will be placed on the restricted trading list maintained by Cairn. However, should this become an issue (if credits and securities which were restricted were detrimental to managed client accounts) Cairn will secure a separate office to effect physical separation and create an effective "Chinese Wall". The physical separation of personnel would be reinforced with an effective compliance oversight system to manage and restrict the flow of information.

Under its conflicts policy, Cairn is not under an obligation to disclose that it, an affiliate or a supervised person has or may have a material interest in a particular transaction with or for a client or that in a particular circumstance a conflict of interest or duty may exist, where Cairn has managed such conflicts to ensure, with reasonable confidence, that the risk of damage to the client's interests will be prevented. Such steps may include relying on a policy of independence under which every relevant employee must disregard any material interest or conflict of interest when advising a customer or dealing for a customer in the exercise of discretion. Cairn is not under any obligation to account to a client for any profit, commission or remuneration made or received from or by reason of transactions or circumstances in which Cairn, its affiliates or a supervised person has a material interest or where in particular circumstances a conflict of interest or duty may exist. It is Cairn's policy to disclose generally the existence of potential conflicts of interest where practicable or appropriate. Where Cairn is unable to manage a conflict to ensure, with

reasonable confidence, that the risk of damage to the client's interests will be prevented it will disclose to its client the material interest or conflict of interest that it, its affiliate or a supervised person has, or may have, whether generally or in relation to a specific transaction, before it advises the client or before it deals on behalf of the client in the exercise of the steps taken to ensure that the customer does not object to that material interest or conflict of interest. From time to time, a client agreement entered into by Cairn may require Cairn to disclose all potential or actual conflicts of interest to the client whether or not Cairn is able to manage such conflicts to ensure, with reasonable confidence, that the risk of damage to client's interests will be prevented.

Similar policies are in place at Cairn's affiliate, Cairn Capital Limited, so that any services performed for US clients by Cairn Capital Limited under a sub-advisory agreement with Cairn will benefit from the same practices.

4. Types of Clients (Item 7)

Cairn generally provides investment advice to banking institutions, pension funds, insurance companies, pooled investment vehicles (e.g., hedge funds and other unitized pooled funds), corporations, money managers, state or municipal government entities and other government authorities. All clients will be Qualified Purchasers within the meaning of the Investment Company Act of 1940.

Cairn has no established minimum client or account size for Cairn to build or pursue a relationship.

5. Methods of Analysis, Investment Strategies and Risk of Loss (Item 8)

- A. Cairn's UK affiliate Cairn Capital Limited is an experienced provider of portfolio advisory services to financial institutions, and Cairn will leverage those capabilities to support Cairn's US client base. In the following discussion in this Item 5, references to "Cairn" will not attempt to distinguish between Cairn and its affiliate.

In managing or advising on specific assets or portfolios of assets (or derivatives relating to assets) Cairn carries out extensive analysis relating to an individual position, groups of positions or the aggregate portfolio.

At an individual position level Cairn will carry out fundamental credit research as to the quality or strength of the cash flows of the creditor to which the position relates. In the case of a corporate asset this will include the prospects of the company, a view of the sector in which the company operates, the sensitivity of the earnings of the company to external factors and any other factors that may affect the company's ability to service its debts on a timely basis. In the case of structured credit or asset backed securities the underlying exposure will be to a pool of collateral (for example

credit card receivables or mortgages) and the fundamental research will relate to the performance of that collateral pool under certain base case and stressed assumptions. The fundamental research is carried out by the credit research team. Cairn will also analyze the structure of the issuing entity to which exposure is being taken to determine the ranking of the position relative to other creditors.

Cairn will analyze the technical flows in the overall market as well as a particular security or position to determine whether market positioning has the potential to affect the price of a security from technical flows.

Cairn will analyze the liquidity of a position based on trading volumes and factor that into judging the appropriate size of a position for a particular mandate.

At a sectoral level Cairn will judge whether exposures taken to a regional or industrial sector are appropriate and what factors may affect performance of borrowers in that sector including regulatory or governmental activity.

At a portfolio level Cairn will analyze correlations between assets to determine overall risk positioning and may use index based transactions to adjust portfolio beta.

In certain advisory mandates analyzing the recovery value of a particular asset and comparing it to currently realizable value may be paramount as the nature of the advice is whether a client should dispose of or hold the position.

- B. Cairn manages strategies on an active basis and does not follow benchmarks. Strategies are tailored to a particular client's aims and can be long only, long biased (where index and single name shorts can be used to manage overall beta but cannot be short on an overall basis) or long/short where the client's portfolio can be short on an overall basis.

In all cases the investment strategy will be agreed with the client and suitable limits, loss tolerances and return targets agreed.

Securities and derivatives trading are speculative and involve substantial risk of loss. However, in Cairn's opinion, its strategies for evaluating credit risk and for developing appropriate models and assumptions to measure actual and expected security performance do not involve any significant or unusual risks to clients. Cairn's primary strategies do not involve frequent trading of securities.

- C. Cairn's advisory recommendations for clients are based on an evaluation of the client's needs, risk tolerance, regulatory requirements and other factors specific to that client, and therefore differ substantially from one client to another. Portfolio

advisory engagements will generally be focused on a specific asset class or group of asset classes, but even within a general asset class category Cairn will not primarily recommend any particular type of security except in the event that a client specifically requests such a focus and Cairn agrees to accept the mandate under those conditions. In any investment advisory or investment management mandate there is a risk of loss which Cairn seeks to quantify and ensure that the returns for taking on that risk are adequate. This will depend upon the analysis described above as well as the returns available.

6. Disciplinary Information (Item 9)

Neither Cairn, nor any of its officers or employees, has any disciplinary history or disciplinary actions pending.

7. Other Financial Industry Activities and Affiliations (Item 10)

- A. David Littlewood, the Chief Executive Officer of Cairn, is also a director of Cairn Capital Limited. In addition, Mr. Littlewood is registered with ASL Capital Markets Inc. ("ASL"), a FINRA member firm and serves as the Chief Executive Officer. Based on Mr. Littlewood's registration with ASL and his position as CEO and control person as reflected on the Form BD of ASL, Cairn is deemed an affiliate of ASL. Jacqueline M. Goode, the Firm's Chief Compliance Officer and Chief Financial Officer, is also registered at two broker/dealer FINRA member firms. In her capacity with those firms, Ms. Goode does not act as a registered representative or render any type of investment advice.
- B. Neither Cairn, nor any of its officers or employees, is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Cairn Capital Limited is registered as a commodity pool operator and commodity trading adviser with the US Commodity Futures Trading Commission and is a member of the US National Futures Association.
- C. Cairn's UK affiliate, Cairn Capital Limited, provides investment advisory services to its own clients similar to the types of services that Cairn is engaged to provide to its US clients. In addition, in connection with Cairn's asset management and portfolio advisory engagements, Cairn will engage Cairn Capital Limited through a sub-advisory arrangement to provide some of the services Cairn undertakes to provide under those agreements. Conversely, Cairn Capital Limited may from time to time enter into agreements directly with US clients under which it engages Cairn to provide certain sub-advisory services, such as restructuring advice. Cairn may also from time to time source US business for Cairn Capital Limited and may receive an origination fee for such efforts. In all of these arrangements, Cairn does not believe that its relationship with Cairn Capital Limited will create any conflict of interest with clients. All arrangements between Cairn and Cairn Capital Limited will be arm's length agreements subject to market terms, and both Cairn and its UK affiliate

have policies in place to identify and resolve any potential conflicts of interest with clients however they might arise. Cairn Capital's ultimate parent company, Mediobanca S.p.A., has agreed to make available to Cairn Capital seed capital to be allocated to and deployed in investment funds or pooled investment vehicles managed by Cairn Capital or an affiliate of Cairn Capital and other investment vehicles established by Cairn Capital or an affiliate of Cairn Capital. As part of any allocation and deployment of that seed capital, Cairn Capital has agreed to grant favorable fee terms to Mediobanca S.p.A. However, Cairn Capital will not grant other favorable terms to Mediobanca S.p.A. (such as liquidity terms or the provision of information) without full disclosure of any items to other investors in the relevant pool or vehicle.

- D. As described above in C, from time to time Cairn may source US business for its affiliate Cairn Capital Limited, in circumstances where the latter is better able to meet a specific client need. This business may come from existing clients of Cairn as well as institutions that have no client relationship with Cairn. As discussed above, Cairn does not believe that these activities will create any conflict of interest with clients. Cairn's policy for managing conflicts of interests precludes it from recommending its affiliate to provide advisory services to clients if Cairn deems that recommendation not to be in its clients' best interests.
- E. Effective November 16, 2017, Cairn terminated its Strategic Relationship Agreement with Castleton Partners, LLC ("Castleton"), Cairn had entered into a strategic alliance with Castleton, an unaffiliated SEC registered investment adviser, effective December 21, 2016, to co-brand and co-market their combined expertise and introduce clients to one another. No introductions or services were provided by Cairn to Castleton during the year ended 2017.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item 11)

Cairn, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Investment Advisers Act of 1940), has adopted a written Code of Ethics covering all supervised persons. Cairn's Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings and quarterly reviews of employee personal trading activity. Further, employees are not permitted to participate in or have a financial interest in client transactions and portfolio managers and research analysts are not permitted to invest in the same securities as are traded for clients. Employees are subject to disciplinary actions and/or possible sanctions for a failure to comply with Cairn's Code of Ethics. Cairn will provide a copy of the Code of Ethics to any client or prospective client upon request.

9. Brokerage Practices (Item 12)

- A. Cairn does not have client assets in its possession (or under its control). In the case of discretionary portfolio mandates, Cairn relies on third-party broker-dealers, custodians and other counterparties who are aware that Cairn is authorized to effect transactions on behalf of the client.

The factors considered by Cairn in selecting brokers and counterparties and determining the reasonableness of their commissions and charges include the following:

- (i) the credit rating and credit standing of the broker/countryparty;
- (ii) the ability of the broker/countryparty to offer speedy and efficient execution in a broad range of securities and products;
- (iii) transparency in pricing and whether the pricing offered is competitive by reference to other market participants; and
- (iv) the credit lines, collateral and other transaction terms offered by the broker/countryparty.

The value of any products, research and services given to Cairn or a related person is not a factor considered by Cairn in selecting brokers and counterparties and determining the reasonableness of their commissions and charges.

Cairn does not routinely recommend, request or require that a client direct Cairn to execute transactions through a specified broker-dealer. In certain engagements, at the client's request Cairn may accept a client's instructions for directing the client's brokerage transactions to a particular broker-dealer. In such cases Cairn will require the client to acknowledge that if the client gives Cairn a specific instruction in relation to the execution of an order through a particular broker-dealer, this may prevent Cairn from being able to obtain the best possible result for the execution of the order.

- B. Cairn may carry out a client order in aggregation with another client order only if the following conditions are met:

- (i) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and
- (ii) it has disclosed either orally or in writing to each client whose order is to be aggregated, either specifically or in the client agreement, that the effect of aggregation may work to its disadvantage in relation to a particular order.

Cairn's policy is to aggregate orders when Cairn has the opportunity to do so and the

above conditions are met. If Cairn does not aggregate orders when it has the opportunity to do so it is possible that the costs to a client whose order was not aggregated may be greater than if the order had been aggregated because, for example, aggregation would have resulted in a larger transaction size and lower transaction costs as a result.

10. Review of Accounts (Item 13)

Given the nature of its business, the accounts of Cairn are monitored and reviewed on an ongoing basis so that any action which Cairn considers to be necessary or advisable can be determined and implemented on a timely basis. Cairn accounts and client agreements will be subject to a quarterly review by both the Chief Executive Officer and Chief Compliance Officer to ensure that all terms of the agreement or transaction are being handled in accordance with the stated terms and in continued compliance with all federal and state securities laws. The review will be documented, and any potential issues will be noted and remedied immediately.

11. Client Referrals and Other Compensation (Item 14)

Cairn, as a matter of policy and practice, may compensate persons, i.e., individuals or entities, for the referral of advisory clients to Cairn provided appropriate disclosures and regulatory requirements are met. Cairn's affiliate Cairn Capital Limited may also have such arrangements with individuals or entities that may result in the referral of advisory clients to Cairn. Such referral and compensation arrangements will generally be specific to a particular situation.

Under the SEC cash solicitation Rule (Rule 206(4)-3) and comparable rules adopted by most states, investment advisers may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions are met under the rules.

Cairn has adopted various procedures to monitor and ensure Cairn's policy is observed, implemented and updated, which include the following:

- a) Cairn's Chief Compliance Officer and Chief Executive Officer will review and approve the solicitor's background, compensation matters and related matters.
- b) Cairn will restrict and monitor political contributions made by Cairn and covered associates to government officials and/or candidates.
- c) If a potential conflict of interest is discovered during the initial and on-going due diligence of the solicitor, the agreement may be terminated to avoid any further potential conflicts of interest.
- d) If Cairn considers entering into a referral and compensation arrangement with an individual who is not a supervised person, then prior to entering into any such arrangement Cairn will determine whether SEC and applicable state rules requiring registration of investment adviser representatives should apply and if so, will not

enter into any such arrangements until all applicable conditions are met.

12. Custody (Item 15)

As a matter of policy and practice, Cairn does not maintain custody of client assets, nor do its employees. It is Cairn's policy that all funds, securities, and other assets of each of its clients be maintained in the name of the respective client and held for safekeeping by a bank, broker/dealer or other custodian handling each client's respective account. Cairn will not intentionally take custody of funds and/or securities.

13. Investment Discretion (Item 16)

Cairn may from time to time accept discretionary authority to manage portfolios of assets on behalf of clients.

In some discretionary mandates Cairn may be engaged to try to improve total recoveries for an existing static portfolio. In these cases, Cairn will not have authority to buy new assets but will have authority to sell assets that Cairn believes, based on its credit research and market knowledge, will generate higher net proceeds at current market prices than if held to maturity. Cairn will generally agree with the client certain parameters that impose some constraints on Cairn's ability to execute sales unilaterally, such as provisions that allow Cairn to sell at any time only assets that have experienced credit impairment or assets that can be sold at par value.

In other discretionary mandates, Cairn may be engaged to manage a portfolio on behalf of a client with the goal of providing a positive investment return over time while meeting the client's objectives with respect to asset class, risk profile and other parameters. In these cases, Cairn will generally have full investment authority to buy and sell assets, enter into appropriate interest rate or currency hedges as required, and make other decisions in connection with managing the portfolio. In such engagements, Cairn's policy and practice is to enter into an agreement with the client which details the investment objectives and parameters and then on an ongoing basis provide disclosure to the client of Cairn's views, decisions and actions with respect to individual portfolio assets.

14. Voting Client Securities (Item 17)

Cairn, as a matter of policy and practice, has no authority to vote proxies on behalf of clients in the case of non-discretionary advisory mandates. Cairn may offer

assistance as to proxy matters upon a client's request, and in certain portfolio advisory mandates will be explicitly engaged to provide such advice, but the client in non-discretionary mandates always retains the proxy voting responsibility. Cairn's policy of having no proxy voting responsibility in non-discretionary mandates is disclosed to clients along with other required notices and disclosures.

In the case of discretionary advisory mandates and asset management engagements, Cairn will exercise, or refrain from the exercise of, any voting or other rights attaching to the investments comprised in a portfolio as Cairn in its absolute discretion thinks fit. This policy will be explicitly disclosed to clients in the agreement between Cairn and the client.

15. Financial Information (Item 18)

Cairn does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Cairn may in some cases have discretionary authority to manage portfolios on behalf of clients but will not have custody of client assets.