

**TWELVE CAPITAL (UK) LIMITED  
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June 13, 2016**

This document provides information regarding the products, services and business practices of Twelve Capital (UK) Limited ('Twelve'). Any queries regarding the contents of this document should be directed to [compliance@twelvecapital.com](mailto:compliance@twelvecapital.com). The information in this document has not been approved or verified by the United States Securities and Exchange Commission ('SEC') or any state securities authority.

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

Being registered with the SEC does not imply a certain level of skill or training.

Twelve Capital (UK) Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. It is incorporated in England & Wales, registration number 08685046 and its Registered Office is at Moss House, 15 -16 Brook's Mews, London, W1K 4DS

**TWELVE CAPITAL (UK) LIMITED**  
**FORM ADV Part 2A**

**Item 2. Material Changes**

As this is an initial filing, there are no material changes summarized versus the previous filing.

**TWELVE CAPITAL (UK) LIMITED**  
**FORM ADV Part 2A**

Table of Contents

1. Cover Page
2. Material Changes
3. Table of Contents
4. Advisory Business
5. Fees and Compensation
6. Performance-Based Fees and Side-By-Side Management
7. Types of Clients
8. Methods of Analysis, Investment Strategies and Risk of Loss
9. Disciplinary Information
10. Other Financial Industry Activities and Affiliations
11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
12. Brokerage Practices
13. Review of Accounts
14. Client Referrals and Other Compensation
15. Custody
16. Investment Discretion
17. Voting Client Securities
18. Financial Information

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

#### **Item 4. Advisory Business**

Twelve Capital (UK) Limited is an independent investment manager providing discretionary investment management services with an exclusive focus on insurance investing and is part of the Twelve Capital Group. It was incorporated in September 2013 and was authorized and regulated by the UK Financial Conduct Authority in October 2014. Twelve Capital's investment capabilities range from liquid and private transactions in collateralised reinsurance (Cat Bonds and Private Insurance-linked securities (ILS)) to debt (including public debt, bilateral loans and private placement bonds). The firm offers access to these investment opportunities through pooled funds and tailor-made segregated mandates to institutional and wholesale clients. Twelve Capital's client base includes public and corporate pension funds, banks, corporations, fund of funds, and family offices. Twelve Capital (UK) Limited is authorised and regulated by the UK Financial Conduct Authority.

Its sister company, Twelve Capital AG was founded in 2010 and is majority owned by the founding partners and XS Investments, an active minority shareholder and distribution partner. Both TCAG and TCK are wholly owned subsidiaries of Twelve Capital Holdings AG, a Swiss Company. The Group employs over 40 experienced professionals, with offices in Zurich and London.

Regulatory Assets under management as at 31<sup>st</sup> May 2016

GBP 1,200,444,145 (or USD 1,738,531,040), all of which is discretionary.

See Item 16 for a discussion of the ability of clients to impose limited on investments.

#### **Item 5. Fees and Compensation**

Twelve manages accounts in which it earns a fee based on assets under management and also accounts where it earns both an assets under management fee and performance based fees. Performance based fees are based on an increase in net asset value prescribed according to each account or mandate and may or may not be subject to a performance hurdle rate. Fees are billed to the clients on a monthly basis in arrears. Fees may be negotiable.

In connection with trading and the operation of the clients, the clients will incur brokerage expenses and other normal transaction costs, including bid-ask spreads.

See "Item 12. Brokerage" for further information." The Firm does not receive compensation for the sale of securities.

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

As a result of the existence of performance based fees there is a possibility of certain conflicts of interest present in these arrangements. Twelve have identified these as follows;

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

- A possible incentive to favour mandates or accounts that attract performance fees when determining investment opportunities, over those mandates and accounts that do not attract such fees
- A possible incentive to favour clients that pay higher fees when allocating investments or opportunities
- The existence of a performance fee may incentivise the firm to consider riskier investments than would have been considered if no such fees are present

To mitigate and manage these conflicts Twelve employs a number of methods, including the review of our allocation, suitability and best execution policies by the firm's Chief Compliance Officer ('CCO'), the implementation of a risk based compliance monitoring programme and a regular review of investment decisions and transactions by the Investment Management Committee and the Chief Risk Officer ('CRO'). The Group also has policies in place that address conflicts identification and management, pricing and valuation, allocation and aggregation and suitability in order to provide assurance that certain clients are not favoured over others and that the Firm meets its regulatory obligations to treat customers fairly.

#### **Item 7. Types of Clients**

Twelve Capital provides and may provide in the future, investment management services to a number of different types of clients including pension funds, private funds, sovereign wealth funds, other investment advisers and funds, government entities, corporations and banks. At present the Firm has two clients.

The firm is restricted to dealing with wholesale or institutional clients only as part of its UK authorisation permissions. The Firm also applies minimum investment amounts to the various products that it manages including minimum levels of investment for segregated account mandates. Compliance with these limits may only be overridden by the respective Boards of the Funds in question.

The Firm does not manage separate accounts or mandates for family members, friends or close connections of the Group. Twelve does permit, as part of its Personal Account Trading policy, for certain members of staff and employees to invest in certain funds managed by the Group. This may present a potential conflict of interest which is mitigated in a number of ways; such investments require pre-clearance from the Group's CCO and if approved will be subject to an extended lock-up period longer than that applicable to external investors in the funds. Staff must also make regular disclosures and reports regarding their personal securities trading and holdings. In addition our Compliance documentation and Code of Ethics requires the Firm to place its customer's interests above those of the Firm. Our risk management and investment processes provide oversight of client accounts and mandates including, allocation, performance, compliance with risk and investment parameters and structuring.

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

Investment Strategy and Types of Investments

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

All of our strategies involve investments in the insurance market, including natural catastrophe-linked securities, natural and man-made risk triggered reinsurance (together Insurance Linked Securities 'ILS'), derivatives, fixed-income, equity and other instruments.

The investment performance of ILS is contingent on the non-occurrence of specific natural or non-natural insurance claim events ("trigger events") such as earthquakes, hurricanes, windstorms, floods, fires, terrorism or other physical or weather-related phenomenon. The performance of such instruments may be based on the level of insured industry losses, physical event parameters (e.g., storm category and location), the loss experience of reference portfolios of insurance and reinsurance companies, and other insurance related triggers.

On behalf of our clients, we frequently also invest in short-term liquid investments, including money market mutual funds and other managed short-term liquidity investment vehicles. We often invest in instruments or hold collateral denominated in currencies other than U.S. dollars, and may also take positions in instruments in which the thresholds for loss may be denominated in a foreign currency. Depending on the mandate, we may utilise various interest-rate or currency derivatives to hedge client exposures when warranted.

For portfolios and mandates containing ILS we may also purchase protection against natural or man-made insurance trigger events to capture relative value across investment types, for arbitrage purposes or for protecting the portfolio against large events on behalf of certain client portfolios. Please see below for further discussion about the types of risk inherent in our specialised investment strategies.

#### **Methods of Analysis**

We perform top-down analyses to determine macro-level capital allocations across geographies and instruments and bottom-up analyses to determine specific investment decisions. Depending upon strategy we utilise in-house actuarial analysis, equity analysis, in-house credit analysis, catastrophe modelling software, catastrophe modeling results and proprietary analyses along with other techniques, to measure the event risks of each investment. We also perform analyses on other risks inherent within each investment portfolio as appropriate, including legal structure risk, model risk, basis risk, credit risk, liquidity risk, market risk, and currency risk. Ultimately our goal is to identify, quantify and adequately price for all material risks to be assumed and to account for any uncertainties or potential unmeasurable risks uncovered in the process.

With regard to ILS covering natural catastrophes, standard actuarial techniques typically rely on past losses to predict future losses. However, the scarcity of historical data resulting from the relative infrequency of severe insurance trigger events makes exclusive reliance on standard actuarial techniques for loss estimation disfavored for the estimation of potential catastrophe losses. Furthermore, the usefulness of the loss data that does exist is limited because of the constantly changing landscape of insurance penetration. Insured values change, along with the costs of repair and replacement. Building materials and designs change, and new structures may be more or less vulnerable to insurance trigger events than were the old ones. New properties continue to be built in areas of high hazard. Therefore, we do not believe that the limited loss information that is available is suitable for directly estimating future losses. Because of these limitations, professional catastrophe risk modeling firms have developed alternative loss-estimation methodologies based on statistical simulation techniques. This approach involves the construction of computer programs that incorporate fundamental physical characteristics of hurricanes, earthquakes, and

## TWELVE CAPITAL (UK) LIMITED

### FORM ADV Part 2A

other natural catastrophe events. The Firm is staffed with seismologists, meteorologists and other scientific and actuarial professionals that conduct research and review published technical papers, historical catalogues of past events, scientific theory published in research journals and other data and analysis for use in their models. The programs give mathematical representation to the physical phenomena of catastrophe events in order to evaluate the potential damage and insured losses that can occur.

Catastrophe modeling is performed on a “probabilistic” basis, meaning that the results of the modeling are expressed in terms of probabilities. A set of results is expressed in terms of a probability distribution, also known as a “loss distribution,” which, given specified insurance exposures, provides a distribution of estimated losses and their corresponding likelihood of occurrence. The loss distribution is not a prediction of future losses. It is solely intended to be illustrative of a range of possible losses and the likelihood of occurrence of such losses. A loss of any particular magnitude could occur in any year. These models are commonly utilised by professional insurers and reinsurers for pricing, underwriting and risk management, as well as by regulatory bodies and rating agencies.

Our use of catastrophe modeling software and results is integral in the management of client portfolios which include ILS, including portfolio allocation, investment analysis, pricing, underwriting, and risk management activities. We licence and use third-party catastrophe modeling software internally. We also obtain catastrophe modeling results from external sources such as third-party modeling firms, catastrophe modelling experts at reinsurance broker firms, and at times directly from underlying counterparties. Our personnel have extensive knowledge of, and significant experience with, the catastrophe models from the industry leading catastrophe risk modeling firms and regardless of whether catastrophe modeling results are produced internally or externally, we generally perform due diligence on the underlying data and assumptions.

#### Risks of Loss

Investing in securities and other instruments relating to the insurance market involves risk of loss of a client’s investment that clients should be prepared to bear. We do not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

Our clients should be aware of the following material risks applicable to our investment strategy:

- *Limited liquidity.* On behalf of our clients, in some funds and mandates we invest in illiquid or non-publicly traded securities and in other illiquid assets. We may not be able to readily dispose of such illiquid or non-publicly traded securities or assets and, in some cases, we are contractually prohibited from disposing of such securities for a specified period of time. The simultaneous redemption by investors of a significant amount of their ownership interest in a fund or the withdrawal of a significant amount of capital by a separate account client could adversely affect the value of the fund or account. Moreover, the efforts in liquidating large positions could depress the market in which the securities are traded, further exposing the fund or account to losses.

**TWELVE CAPITAL (UK) LIMITED**  
**FORM ADV Part 2A**

· *Necessity for Counterparty Trading Relationships; Counterparty Risk.* We have established relationships to obtain financing and prime brokerage services for certain accounts; however, there can be no assurance that we will be able to maintain such relationships. An inability to obtain or maintain such relationships would limit our trading activities, could create losses, preclude us from engaging in certain transactions, financing and prime brokerage services and prevent us from investing on optimal terms.

· *Tax Risks.* Issuers of ILS (“Issuers”), including Segregated Account Companies, are typically special purpose companies (in some cases special purpose reinsurance companies) formed in Bermuda, Ireland, or the Cayman Islands. Issuers are formed and intend to operate in such a manner that would not cause them to be treated as engaged in the conduct of a trade or business within the United States. On this basis, an Issuer generally determines that it does not expect to be subject to U.S. income tax with respect to its net income. There can be no assurance, however, that the U.S. Internal Revenue Service will not contend, and that a court would not ultimately hold, that such an Issuer, or a fund or client, is engaged in the conduct of a trade or business within the United States. If the Issuer, or a fund or client, were deemed to be so engaged, it would, among other things, be subject to U.S. federal income tax, as well as the branch profits tax, on its income which is treated as effectively connected with the conduct of that trade or business.

Investments in ‘private debt’ transactions are typically listed or private notes which may be issued directly by an insurance holding company, operating company or a special purpose vehicle. Where such notes are issued by US domiciled entities it should be noted that the Issuer always intends to treat the Notes as debt for U.S. federal income tax purposes. There can be no assurance, however, that the U.S. Internal Revenue Service will not contend, and that a court would not ultimately hold, that such an Issuer, or a fund or client, is engaged in the conduct of a trade or business within the United States, nor that the instrument in question does not qualify as equity. If the Issuer, or a fund or client, were deemed to be so engaged, it would, among other things, be subject to U.S. federal income tax, as well as the branch profits tax, on its income which is treated as effectively connected with the conduct of that trade or business.

· *Non-U.S. Investments.* We actively invest in securities and assets of non-United States entities. Such securities and assets may be denominated in non-U.S. dollar currencies. Non- United States investments present risks not present in United States markets. Some of these risks include imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalisation of their industries, confiscatory or protectionist taxation, economic or political instability or events in non-U.S. nations, the possibility of government intervention, lack of, sudden changes to or differences in regulatory structure, currency exchange rate fluctuations and the increased volatility of certain markets.

· *Subordination.* Instruments are often subordinated to other obligations of the Issuer, such as those obligations to a ceding insurer or senior debt-holders. 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.

· *Lower or No Ratings.* Instruments may receive or have low ratings or may be unrated by rating agencies. Consequently, such securities may be relatively illiquid and subject to adverse publicity and investor perceptions, any of which may act to depress the price of such securities.



## TWELVE CAPITAL (UK) LIMITED

### FORM ADV Part 2A

· *Concentration of Holdings.* Our portfolios are typically subject to certain fixed guidelines limiting the amount of exposure to any single investment position, issuer or risk type to a certain percentage of net assets. However, such guidelines would nevertheless allow us to hold, from time to time, a few relatively large (in relation to total assets) investments exposed to a single investment position, issuer or risk type, with the result that a loss in any such investments could have a material adverse impact on net asset value.

· *Legal and Regulatory Environment.* The legal, tax, and regulatory environment worldwide for us and our clients is evolving, and changes in the regulation and our trading and investing activities may have a material adverse effect on us. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organisations. New laws and regulations or actions taken by regulators that restrict our ability to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on us and our clients.

· *Risk of Loss of Investment.* Investments are speculative and involve a high degree of risk.

· *Volatility.* The market value of investments in marked-to-market securities may be volatile.

- **Unpredictability of Catastrophes and Losses; Reliance on Third-Party Catastrophe Risk**

*Modeling.* ILS investments are subject to relatively infrequent but severe losses resulting from the occurrence of one or more insurance trigger events. The occurrence or non-occurrence of trigger events can be expected to result in volatility. A major loss or series of losses may occur from time to time and, if affecting one or more of a client's investments, could result in material losses. The occurrence of trigger events is inherently unpredictable.

· *Maturity.* ILS often provide for an extension of maturity following the occurrence of an event to allow for the development of loss claims where a trigger event has, or possibly has, occurred. Alternatively, the maturity could in certain circumstances be accelerated upon the occurrence of certain legal, regulatory, credit, or structural events. An extension or acceleration of maturity may increase volatility which could create losses.

For further information on the material risks associated with investments in the private funds, potential investors should read the respective fund's offering memorandum carefully.

#### **Item 9. Disciplinary Information**

Twelve Capital (UK) Limited nor any other member of the Twelve Capital Group or its staff have been subject to any disciplinary proceedings

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

Twelve Capital AG is an investment manager domiciled in Switzerland which is an affiliate under common ownership with Twelve Capital (UK) Limited. Twelve Capital Holding AG is the common parent of both entities and is also domiciled in Switzerland. Both TCAG and TCHAG are considered related persons for the

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

purposes of the SEC. Twelve Capital AG is licensed by the Swiss Financial Market Supervisory Authority ('FINMA').

Certain employees or partners of the Group serve as Officers or Directors of Mutual Fund Structures, the investment management function of which may be delegated to the Company directly or indirectly. However, the Boards of directors of such structures are subject to the approval of regulatory bodies and ongoing prudential supervision. In addition, as a matter of good governance, Twelve limits representation on such boards of directors to a minority of directors.

Twelve considers the framework of policies applicable to the Company's business provides reasonable assurance that the business of both the Company and the fund structures concerned is managed in full compliance with applicable laws and regulations and conflicts of interests, if any, are properly identified and managed.

Twelve Capital (UK) Limited is authorised and regulated by the UK Financial Conduct Authority ('FCA') and is also registered as a Commodity Pool Operator with the Commodity Futures Trading Commission ('CFTC') and the National Futures Association ('NFA').

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

The Firm maintains a Compliance Manual, Code of Ethics and also a Personal Account Trading Policy which outlines standards of conduct and personal securities trading procedures expected of all members of staff. The Firm aims to foster a culture of compliance within its business and in particular regarding its fiduciary obligations. In particular the Firm, on an ongoing basis, identifies and manages perceived and actual conflicts of interests that may arise during its business dealings. As part of its compliance obligations the Firm operates policies and procedures in relation to the receiving or provision of gifts and/or hospitality in respect of its staff, counterparties, clients and other entities or individuals with which it conducts business. The Firm also has policies and procedures in place relating to Anti-Bribery and Corruption including political contributions, dealings with government officials and charitable organisations.

The Firm also operates policies and procedures restricting and monitoring any individual's involvement in external businesses such as serving as a Director for external organisations.

##### **Personal Trading**

All Personal Trading transactions are monitored by the Group's Chief Compliance Officer ('CCO') in accordance with the Firm's Personal Account Trading Policy. All staff members are required to pre-clear personal trading transactions except for certain exempt transactions. Members of staff are also limited in the types of securities they may undertake transactions in, the regularity of trading activity and the holding period for any transacted security. Staff must disclose their personal holdings upon joining the Firm and annually thereafter. Quarterly attestations of transactions by staff are also required.

The Firm's Personal Account Trading Policy permits staff trading or investing in certain Funds that the Firm or Group manage. These transactions are subject to the restrictions as outlined above and may have additional restrictions imposed upon such transactions.

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

The Firm's Compliance Policies prevent any individual transacting in securities in which the Group transacts for its clients which also minimises the conflicts arising from Personal Account Trading. The policy also prohibits the trading of any security which the Firm or Group may hold material non-public information upon. The Firm operates and maintains a Restricted List prohibiting any transactions in securities where the Group may have obtained or be in possession of any inside or sensitive information or where we may be transacting for any client. This is maintained by the CCO. The Firm will provide a copy of its code of ethics to any client or prospective client upon request.

#### **Item 12 Brokerage Practices**

##### **Broker Selection, Best Execution and Soft Dollars**

The Firm maintains a list of approved counterparties (Approved Broker List) which it has assessed as meeting the Firm's predetermined counterparty approval criteria. Personnel are prohibited from entering into transactions with non-approved counterparties.

The Firm operates a Broker Review Committee which is the only authority to decide on additions, removal and bans of counterparties. In addition the Committee reviews broker performance at least bi-annually. The review includes the quality of the services provided regarding execution of transactions together with commercial, operational and risk aspects. In order for any counterparty to be accepted the Firm undertakes, where appropriate a comprehensive due diligence process. On occasion the Firm may trade with counterparties that it has not approved but this will be in exceptional circumstances and requires the sign off and approval of the CCO.

In accordance with its regulatory obligations the Firm seeks best execution when transacting for its clients. The Firm trades in multiple asset classes, from those that are liquid to those that are illiquid. In determining whether to deal with any particular broker or counterparty the Firm will take into account a number of factors which it applies to enable evaluation of brokerage services. The guidelines are designed to enable a fair assessment of the overall quality and costs of a counterparties execution services. The factors taken into account will include but are not limited to; price of the instrument, cost of trading, reputation, financial strength and stability speed of execution, likelihood of execution and settlement, size' nature of trading activity, liquidity, competitiveness, market conditions, specialist expertise in execution of specific security types, that may assist in the investment analysis process and the receipt of other brokerage or research services.

The Firm does not generate soft dollars in its transactions although it does receive research and other information about specific investments or transactions. The Firm does receive invitations to conferences, dinners and other events from brokers with which it deals and transacts or with which it may transact with in the future. Such invitations are monitored in accordance with the Firm's Gifts & Entertainments Policy, its Anti-bribery & Corruption Policies and its Conflicts of Interest Policies The above research and other benefits create a conflict of interest to favour brokers providing those benefits. While the above research is considered in determining the broker-dealer counterparty to use, the Broker Review Committee balances it

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

with the other factors described above. The Firm does not generally receive client referrals from its Broker relationships.

#### **Trade Aggregation and Allocation**

The Firm is committed to allocating transactions on a fair and equitable basis, and in a manner consistent with the investment objectives, guidelines, and restrictions of each fund or mandate taking into consideration the relevant and applicable investment objectives of each client. Generally where new issues are concerned, allocation is pro-rata among the funds/mandates whose portfolio managers wish to invest in the new security. Exceptions will occur, e.g. when a fund/mandate is in the ramp-up period. The application of the pro-rata principle is effected through trading algorithms in the Firm's trading system.

#### **Aggregation of orders**

The Firm may aggregate trades for two or more clients subject to its best execution obligations and where this is unlikely to disadvantage of any of the clients included in the aggregation (taking into account the investment guidelines and restrictions of each of the client accounts for which trades are being aggregated).

In aggregating trades, each client account will be treated fairly and no client account will be favoured over any other. Each client account that participates in an aggregated order will do so at the same price, with the same transaction costs as other participants in the trade, wherever possible.

Aggregated transactions should be allocated among clients and on a pro rata basis unless there is a justification not to do so and where this is in the clients' interests, such as where it is impractical due to the nature or availability of the investments to which the aggregated order relates. The disapplication of the pro rata principle must not result in client detriment.

On occasion, the Firm may not be able to purchase or sell all of the securities ordered as part of an aggregated order in a single day. If the account is partially filled, it will generally be allocated pro rata across all participating accounts.

There may be occasions where it is necessary to deviate from the Firm's standard allocation policy, due to legal and regulatory restrictions, minimum denominations, client need for liquidity, portfolio composition, client imposed investment restrictions, tax considerations, rebalancing considerations following an injection of additional capital, liquidation of a portfolio or managing a redemption in a portfolio, volatility of an investment and other sensible deviations as approved by the CCO and the Firms internal approval procedures.

Where transactions are unwound these will also be dealt with on a pro-rata basis but may also take into account additional factors such as capital availability, risk tolerance, investment guidelines or constraints and net asset considerations.

The Firm aims to act in a fair, equitable and reasonable manner in allocating investment opportunities amongst its clients there may be occasions where investments made on behalf of a particular client will differ to those of another and there can be no assurance that any particular investment opportunity will be allocated to all clients despite their having similar investment objectives.

## **TWELVE CAPITAL (UK) LIMITED**

### **FORM ADV Part 2A**

From time to time it may be identified that a trade should be reallocated. In all cases of re-allocation, the revised allocation must be allocated at the same price including any average price originally paid for each security concerned including all relevant fees and commissions. Any post execution allocation which deviates from the originally intended pre-allocation must be confirmed with the portfolio manager responsible for the investment and approved by the CIO. All reallocations must be reported to the CCO.

#### **Cross Trades**

The Firm may carry out cross transactions between various clients but does not receive additional compensation when it does so. The Firm maintains a Cross Trade procedure and all such trades require pre-clearance from the CCO. Such trades must be in the best interests of each client.

#### **Trade Error Correction**

It is the Firm's policy that trading errors are corrected in the best interest of the client as soon after discovery as is reasonably practicable and in such a manner as to mitigate against any potential loss. This includes inquiring whether third party service providers can unwind an erroneous trade without costs. The Firm will determine whether a trade error causes a gain or a loss for the fund or mandate. Gains are credited to the respective fund or mandate. Gains from one trade error will not be used to off-set losses from another trade error. Losses are made good by the Firm promptly after discovery of such an error.

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

Twelve performs various reviews of all client portfolios and mandates. These vary but will include daily, weekly, monthly and other periodic reviews carried out by portfolio managers, risk officers, compliance checks and reviews and operations reviews. These will include inter alia, positions, trading activity, use of brokers, spread of trading activity, investment objectives and parameters, compliance reviews, portfolio risks and liquidity. Written reports are provided to clients on at least a monthly basis which include information of risk and performance as well as portfolio manager comments and market commentary.

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

Twelve Capital (UK) Limited does not receive any compensation from third parties. Twelve Capital AG has in place a number of arrangements with third party distribution agents that provide solicitation services either separately or in conjunction with Twelve Capital group staff which may incorporate a fee sharing arrangement. TCUK may manage part or whole mandates delegated from Twelve Capital AG in Zurich for which it receives compensation. Compensation is not paid for referrals. Investors are not charged additional fees in respect of these arrangements.

#### **Item 15. Custody**

In accordance with its FCA Permissions Twelve Capital (UK) Limited is not permitted to hold client monies and as such its clients will appoint their own custodian who will provide reports and statements on a regular basis. If a client does not receive such a statement then we would expect them to notify us. Twelve provides client monthly reports and clients should reconcile these reports with those received from the

**TWELVE CAPITAL (UK) LIMITED**  
**FORM ADV Part 2A**

custodian. Twelve reconciles the balances from its internal trading and accounting systems to the balances of each custodian on a daily basis and monitors any differences arising from inter alia timing of entries and differing pricing sources. Audited financials are available to all clients; depending on the jurisdiction of the respective fund these may take up to 180 days to be produced.

**Item 16. Investment Discretion**

The Firm provides portfolio management services on a discretionary basis usually in accordance with prescribed investment parameters. Any restrictions upon the Firm's exercise of discretion are outlined in the respective investment management agreement between the Firm and the client.

**Item 17. Proxy Voting**

Because of the nature of the securities on which the Firm advises, the Firm does not typically vote securities. The Firm has policies and procedures in place for proxy voting which provides for voting on behalf of clients in certain circumstances. Subject to the relevant investment or portfolio managers discretion the Firm will vote in the clients best interests depending on the circumstances.

The Firm will provide information regarding how it voted client securities and the proxy voting policies upon request.

**Item 18. Financial Information**

The Firm has no financial conditions which impair its ability to meet its contractual commitments to its clients.