

**Form ADV Part 2A - Disclosure Brochure  
May 2017**

**Lofoten Asset Management Ltd  
25 North Row  
London W1K 6DJ  
United Kingdom  
+44 207 952 6630**

**CRD Number: 284096**

*This brochure provides information about the qualifications and business practices of Lofoten Asset Management Ltd ("Lofoten" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at +44 207 952 6630 or [info@lofotenam.com](mailto:info@lofotenam.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 Lofoten also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 - Material Changes**

This section only discusses material changes since the last annual update of this brochure. There are no material changes to highlight.

A copy of Lofoten's brochure will be provided to any client or prospective client free of charge upon request. If you would like to receive a copy, please contact our Chief Compliance Officer at +44 207 952 6630 or [info@lofotenam.com](mailto:info@lofotenam.com). Our brochure is also available on the SEC website <http://www.adviserinfo.sec.gov>.

## **Item 3 – Table of Contents**

<b>Item 1 – Cover Page .....</b>	<b>1</b>
<b>Item 2 - Material Changes .....</b>	<b>2</b>
<b>Item 3 – Table of Contents .....</b>	<b>3</b>
<b>Item 4 - Advisory Business .....</b>	<b>4</b>
<b>Item 5 - Fees and Compensation .....</b>	<b>4</b>
<b>Item 6 – Performance-Based Fees and Side-By-Side Management .....</b>	<b>5</b>
<b>Item 7 - Types of Clients .....</b>	<b>5</b>
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>5</b>
<b>Item 9 - Disciplinary Information .....</b>	<b>9</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations .....</b>	<b>9</b>
<b>Item 11 - Code of Ethics, Interest in Client Transactions and Personal Trading .....</b>	<b>9</b>
<b>Item 12 - Brokerage Practices .....</b>	<b>10</b>
<b>Item 13 - Review of Accounts .....</b>	<b>12</b>
<b>Item 14 - Client Referrals and Other Compensation .....</b>	<b>13</b>
<b>Item 15 – Custody .....</b>	<b>13</b>
<b>Item 16 – Investment Discretion .....</b>	<b>14</b>
<b>Item 17 - Voting Considerations .....</b>	<b>14</b>
<b>Item 18 – Financial Information .....</b>	<b>14</b>
<b>Item 19 – Privacy .....</b>	<b>15</b>

## **Item 4 - Advisory Business**

### **Overview of the Firm**

Lofoten Asset Management Ltd (“Lofoten”, the “Firm”, “we” or “our”) is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (“Advisers Act”). The Firm was founded in September 2009 and registered with the SEC as an investment adviser in July 2016. Lofoten is based in London, United Kingdom, where it has been authorised and regulated by the U.K. Financial Conduct Authority since October 2009.

The Firm is a UK Private limited company which was established under UK law. Lofoten is owned by Willem Vinke and the 9583211 International Pension Trust.

### **Investment Services**

The Firm provides discretionary investment management and advisory services to a select number of private funds and separately managed accounts.

Lofoten makes investments for clients in accordance with mutually agreed upon written investment guidelines and provides continuous supervision of client portfolios. Lofoten has established procedures and controls to help ensure compliance with each client’s investment guidelines and any client-imposed restrictions.

### **Assets under Management**

As of April 28, 2017, Lofoten manages approximately \$988,460,486 million in discretionary regulatory assets under management.

## **Item 5 - Fees and Compensation**

### **Funds**

Lofoten serves as the Investment Manager to the EI Sturdza Strategic Europe Value Fund and the EI Sturdza Strategic Global Quality Fund (the “Funds”). Fees relating to the Funds are deducted on a monthly basis in arrears, as detailed in the Confidential Private Offering Memoranda.

### **Separately Managed Accounts**

Lofoten reserves the right to negotiate fees. Clients are typically invoiced on a monthly basis in arrears.

Clients may pay other expenses in addition to the fees paid to Lofoten. For example, clients may pay costs such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees and electronic fund fees, and other fees and taxes charged to security transactions which are unrelated to the fees collected by Lofoten.

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

### **Performance-Based Fees**

Lofoten does not charge performance-based fees for investment management services to its US-based funds and managed accounts. There are currently performance fees on its Strategic Europe Value Fund and Strategic Global Quality Fund.

### **Side-By-Side Management**

Lofoten has adopted policies and procedures to mitigate possible inherent conflicts associated with managing accounts for multiple clients. Lofoten has adopted trading and allocation policies designed to ensure that its side-by-side management of accounts with different types of fees is at all times consistent with its fiduciary responsibilities to its clients, and that no client account is favoured over another. These policies include requirements that all accounts in the same strategy generally be managed the same way, that is, the accounts must have the same portfolio holdings and must be traded at the same time, regardless of the fee arrangement. Accounts are regularly reviewed by the compliance department to ensure these policies are closely followed, that buy and sell opportunities are allocated fairly among client accounts.

## **Item 7 - Types of Clients**

Lofoten can provide portfolio management services to the following types of clients:

- Corporations
- Defined contribution and defined benefit pension plans
- Endowments and foundations
- Trusts
- Charitable organisations
- Insurance companies
- Investment companies (including mutual fund companies)
- Investment consultants
- Sovereigns and central banks
- State and local governments
- Supranational organisations
- Pooled investment vehicles
- Banking institutions

Minimum account size is generally \$50 million for opening a segregated account, although Lofoten reserves the right in its sole discretion to accept client accounts with fewer initial assets.

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

### **EI Sturdza Strategic Europe Value Fund**

#### **Investment Strategy**

In order to achieve its investment objective, the EI Sturdza Strategic Europe Value Fund (the “Fund”) will invest primarily in equities and equity related instruments (including but not limited

to common stock and other securities with equity characteristics, such as preferred stocks) all of which shall be listed or traded on a Recognised Exchange. While the primary focus of the Fund shall be in relation to such equities or equity related instruments which relate to companies incorporated or whose principal operations are based in Europe, depending upon prevailing market factors the Fund may also invest in the instruments described above on a global basis to a maximum of 25% of Net Asset Value of the Fund.

The portfolio investments shall be selected from a "bottom-up" stock selection process of companies that the Investment Adviser believes to be fundamentally undervalued. The investment approach utilized by the Investment Adviser will be highly selective, focusing on corporate value based on cash flow (operating cash flow, free cash flow and earnings before interest and tax depreciation and amortization "EBITDA") and the quality of the companies' business models, rather than changes in earnings per share. Preference will be given to companies with high free cash flows, high levels of recurring revenue, franchise stocks (typically displaying low capital intensity and high return on capital) and undervalued growth companies. The Investment Adviser expects that the portfolio exposure will normally be concentrated in around 25-35 positions.

The Fund shall not invest in companies with a market capitalization below Euro 300 million at the time of purchase.

## **Material Risk Factors of the EI Sturdza Strategic Europe Value Fund**

### **Investment in Equity and Equity-Related Securities**

The Fund may invest in equity and equity-related securities traded on recognized stock exchanges. Equity securities will be subject to risks associated with such investments, including fluctuations in market prices, adverse issuer or market information and the fact that equity and equity-related interests are subordinate in the right of payment to other corporate securities, including debt securities. The value of these securities varies with the performance of the respective issuers and movements in the equity markets generally. As a result, the Fund may suffer losses if it invests in equity securities of issuers where performance falls below market expectations or if equity markets in general decline or the Fund has not hedged against such a general decline. Futures and options on futures on equity securities and indices are subject to all the foregoing risks, in addition to the risks particularly associated with futures and derivative contracts.

Investors in the Fund must recognize that, due to the inherent characteristics of equity markets, the value of their investment can go down as well as up, and that they may not receive back the monies originally invested. The Fund intends to invest primarily in European markets and, therefore, there is a risk to investors by reason that the Fund is exposed to one particular economic region. In addition, the liquidity in markets can vary and it may not always be possible for the Fund to disinvest or invest in any particular market. A proportion of the Fund's assets may from time to time be held in foreign currencies and therefore at times may be affected by fluctuations of currency markets.

### **Concentration of Investments**

If the Fund invests up to the maximum permitted under the investment restrictions described in the offering memorandum in the securities of single issuers and / or in economic sectors, this concentration and lack of diversification relative to the capital of the Fund could mean that a loss in any one such position or a downturn in a sector in which the Fund is invested could materially reduce the Fund's performance. Thus, any substantial investment by the Fund relative to overall assets in the securities of a single issuer or the concentration of the Fund's investments in a particular industry may increase the level of risk associated with an investment in the Fund.

### **Investment in Cash and Money Market Instruments**

The Fund may invest substantially in deposits with credit institutions and/or in money market instruments. An investment in the Fund is neither insured nor guaranteed by any government, government agencies or instrumentalities or any bank guarantee fund. Shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank and the amount invested in Shares may fluctuate up and/or down.

### **Investing in Fixed Income Securities**

Investment in fixed income securities is subject to interest rate, sector, security and credit risks. Lower- rated securities will usually offer higher yields than higher-rated securities to compensate for the reduced creditworthiness and increased risk of default that these securities carry. Lower-rated securities generally tend to reflect short-term corporate and market developments to a greater extent than higher-rated securities which respond primarily to fluctuations in the general level of interest rates. There are fewer investors in lower-rated securities and it may be harder to buy and sell such securities at an optimum time. The volume of transactions effected in certain international bond markets may be appreciably below that of the world's largest markets, such as the United States. Accordingly, a Fund's investment in such markets may be less liquid and their prices may be more volatile than comparable investments in securities trading in markets with larger trading volumes. Moreover, the settlement periods in certain markets may be longer than in others which may affect portfolio liquidity.

### **Securities Lending Risk**

As with any extensions of credit, there are risks of delay and recovery. Should the borrower of securities fail financially or default in any of its obligations under any securities lending transaction, the collateral provided in connection with such transaction will be called upon. The value of the collateral will be maintained to equal or exceed the value of the securities transferred. However, there is a risk that the value of the collateral may fall below the value of the securities transferred. In addition, as the Fund may invest cash collateral received, subject to the conditions and within the limits laid down by the Central Bank, the Fund investing collateral will be exposed to the risk associated with such investments, such as failure or default of the issuer of the relevant security.

### **Re-Investment of Cash Collateral**

Where cash collateral is re-invested, in accordance with the conditions imposed by the Central

Bank, a Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested or a failure or default of a counterparty to any reverse repurchase agreement.

### **Key Man Risk**

Insofar as the role to provide investment advice and recommendations towards the Fund has been appointed to Lofoten by the Investment Manager, it is likely that the decisions that lead to investment recommendations are focused with a small number of senior individuals within Lofoten. As a result, there will likely be a degree of key man risk arising from the potential loss of knowledge and expertise arising from the departure or inability to act of a key person that possesses significant subject matter, expertise and tenure to provide services towards the Fund on behalf of Lofoten. The Investment Manager therefore has adopted specific policies to address key man risk in the event that such an event arises, which may include the suspension or termination of the relevant investment advisory agreement or to provide a recommendation to Lofoten to consider the closure or winding up of the Fund.

## **EI Sturdza Strategic Global Quality Fund**

### **Investment Strategy**

In order to achieve its investment objective, the EI Sturdza Strategic Global Quality Fund (the "Fund") will invest directly, or indirectly through the use of financial derivative instruments, primarily in equities and equity related instruments (such as common stock and preferred stocks) on a global basis all of which shall be listed or traded on a Recognised Exchange.

The Fund may, in accordance with the requirements of the Central Bank of Ireland, invest up to 10% of its Net Asset Value primarily in ETFs (which may embed derivatives and/or leverage, although any such leverage is expected to be minimal) and other collective investment schemes that are classified as UCITS and non-UCITS open ended collective investment schemes. Investment in an ETF or collective investment scheme that can itself invest more than 10% of its net assets in other open-ended collective investment schemes is not permitted. The Fund may also invest in non-UCITS closed-ended ETFs and collective investment schemes that are regarded as transferable securities for the purposes of the UCITS Regulations.

The Fund may purchase American Depositary Receipts and Global Depositary Receipts for liquidity purposes and where the Investment Manager feels it is in the best interests of the Fund to do so.

The portfolio investments shall be selected from a "bottom-up" stock selection process of companies that the Investment Adviser believes to be fundamentally undervalued. The investment approach utilized by the Investment Adviser will be highly selective, focusing on corporate value based on cash flow (operating cash flow, free cash flow and earnings before interest and tax depreciation and amortization "EBITDA") and the quality of the companies' business models, rather than changes in earnings per share. Preference will be given to companies with high free cash flows, high levels of recurring revenue, franchise stocks (typically displaying low capital intensity and high return on capital) and undervalued growth companies. The Investment Adviser expects that the portfolio exposure will normally be concentrated in around 20-30 positions.

The Fund shall not invest in companies with a market capitalization below USD 1 billion at the time of purchase.

### **Material Risk Factors of the EI Sturdza Strategic Global Quality Fund**

The material risks of investing in the Fund are similar to the Lofoten Strategic Europe Value Fund, detailed above, although the Strategic Global Quality Fund invests in securities in other jurisdictions, primarily the United States and Japan, in addition to Europe.

### **Risk of Loss**

Investing in the capital markets involves risk, which includes the possibility that your account could go down in value. Stock, bond and derivatives markets fluctuate substantially over time with changes in the economy and demand for particular products or services, which affect the NAV of the funds.

Fund investing involves risk; principal loss is possible. Investors will pay fees and expenses, even when investment returns are flat or negative. Investors cannot influence the securities bought and sold, or the timing of transactions which may result in undesirable tax consequences.

Lofoten's US-based private fund, which is currently being established, and US-based managed accounts will mirror it's Strategic Global Quality Fund strategy.

## **Item 9 - Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Lofoten or the integrity of Lofoten's management.

Lofoten has no material legal, regulatory or disciplinary events to disclose. This information has also been submitted to the Securities and Exchange Commission as Item 11 of Lofoten's Form ADV, Part 1A, and can be verified at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Lofoten and its employees are not registered, nor have an application pending to register, as a broker/dealer, commodity pool operator, or commodity trading advisor.

Lofoten does not receive compensation directly or indirectly or maintain a business relationship with any third party that creates a material conflict of interest.

## **Item 11 - Code of Ethics, Interest in Client Transactions and Personal Trading**

### **Code of Ethics and Fiduciary Duty**

We value client trust and place our fiduciary responsibilities to each client first and foremost in all aspects of our business. Lofoten has adopted a Code of Ethics (the "Code") that complies with SEC Rule 204A-1 under the Investment Advisors Act of 1940.

The Firm's Code, sets forth standards of business conduct for the Firm and its Supervised Persons (all employees, Access Persons and others designated by Lofoten's Chief Compliance Officer ("CCO")). The Code is based on the principle that the Firm and its Supervised Persons have a fiduciary duty to act in the best interests of Lofoten's clients.

The Code sets forth record keeping requirements and the responsibilities of the CCO with respect to review of personal securities transactions, personal holdings and trading reports and monitoring compliance with the Code. The Code also outlines policies for sanctioning supervised Persons who violate the Code.

Supervised persons must comply with federal securities laws, certify that they have read and understand the Code and report any violations of the Code to the CCO. The Code sets forth limitations on Supervised Persons receiving gifts from third parties. Supervised Persons may not solicit gifts from any party with whom we conduct or could conduct business.

The Firm's Code requires all employees to acknowledge that they have read and understand the Code, and reaffirm such acknowledgment at least annually.

A copy of Lofoten's Code of Ethics will be provided to any client or prospective client free of charge upon request. If you would like to receive a copy, please contact our Chief Compliance Officer at +44 207 952 6630 or [info@lofotenam.com](mailto:info@lofotenam.com).

## **Personal Securities**

Supervised persons are required to submit to the CCO an initial and annual report listing their Reportable Securities and a quarterly report of transactions. All personal securities transactions, other than those specifically exempted by the Code, are required to be pre-approved by the CCO, or his delegate.

Supervised Persons are prohibited from trading in funds on the Firm's Approved List of designated funds that are approved for trading in client accounts. Supervised Persons are prohibited from trading either in their personal accounts or client accounts on the basis of material non-public information.

## **Item 12 - Brokerage Practices**

As a fiduciary, Lofoten places client's interests first and foremost. The Firm's trading policies and procedures prohibit unfair trading practices and seek to avoid any conflicts of interests or resolve conflicts in the client's favour. We follow written policies and procedures for trade documentation, reporting of trade order status, resolution of trade errors, trade allocation and trade aggregation. All Lofoten employees must follow these policies and procedures which are tested by Compliance to ensure their effectiveness.

### **Brokerage Discretion and Selection**

Lofoten generally assumes responsibility for selecting brokers and dealers for the execution of securities transactions recommended on behalf of its Funds or segregated accounts. The Firm is not affiliated with any broker/dealers and does not execute securities transactions as a principal. Accordingly, the Firm selects unaffiliated third-party broker/dealers to execute all

client transactions as permitted by applicable law. The Firm maintains a list of approved counterparties with whom the Firm may transact.

The Firm may consider the availability and quality of research products and services provided by a broker in selecting which brokers to use in executing client orders. Research services may include information or analysis relating to companies, sectors, countries and other services that may assist the Firm in its investment decision. The Firm ordinarily reviews its active broker list on a periodic basis and assesses each broker on a combination of factors including those listed above. Where issues arise or expectations are not met the Firm may meet with the brokers more frequently to review the relationship and the services being provided.

Any brokerage and research services furnished by brokers through which the Firm effects securities transactions may be used by the Firm in advising other clients and Funds and not necessarily the same investment portfolio. Typically, Lofoten does enter into commission sharing arrangements where research and execution services are bundled. Any such arrangements will be consistent with Section 28(e) of the Securities Exchange Act of 1934, which permits the use of "soft dollars" in certain circumstances. Where research services also assist the Firm in performing non-investment decision making functions (such as accounting, record keeping or administrative services), the Firm will make a reasonable allocation of the cost of the service according to its use and will use brokerage commissions to pay only for the research-related component. Services that assist the Firm solely in its performance of non-research related functions will be paid by the Firm. The Firm does not intend to enter into "soft dollar" arrangements for other purposes, such as defraying Lofoten's overhead expenses.

### **Best Execution**

Lofoten, as a fiduciary to its advisory clients, endeavours to seek best execution for client transactions, seeking to obtain not necessarily the lowest commission cost but the best overall qualitative execution. When determining best execution on a particular trade, Lofoten's considerations include:

- Quality of execution
- Availability and quality of research products and services
- The nature and character of the relevant markets on which the transactions will be executed
- The broker's execution experience, integrity and credit-worthiness
- Operational efficiency

### **Trade Allocation**

Lofoten endeavours to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities among its clients. When the Firm determines that it would be appropriate and feasible for more than one client to participate in an investment opportunity, the Firm may place combined orders for all such clients simultaneously and, if the order is not filled at the same price, the Firm will average the prices paid over a particular trading day or such longer period consistent with the accumulation or disposition of a particular position. Similarly, if an order is placed on behalf of more than one client and the order cannot be fully executed under prevailing market conditions, the Firm may allocate the trade execution among different Clients on a basis that the Firm deems equitable. This is normally achieved by pro-rating actual trade executions among clients in accordance with the total number of shares outstanding on each client's order and rounding such executions to reflect minimum trading sizes, minimum allocations necessary to avoid undue costs being realized by clients (such as

transaction and foreign exchange costs triggered by certain allocations having a de minimis value) and efficiencies inherent in trade reporting. Situations may occur where a client could be disadvantaged because they participated in the aggregate order.

The Firm anticipates that the substantial majority of its trade executions will be allocated between clients in a pro-rata manner. Where the Firm determines that this pro rata allocation methodology may not be in a client's best interest or the best interests of all clients, the Firm may, in its reasonable discretion, make an adjustment to the pro-rata allocation.

### **Block Trading of Client Orders**

Lofoten believes that blocking (aggregation) of client orders is prudent and necessary in order to fulfil Lofoten's fiduciary duty to obtain the most favourable terms for each client. When aggregating client orders, management's considerations include but are not limited to the following:

- No advisory account is favoured over any other account. Clients participating in an aggregated order shall receive an average share price with other transaction costs shared on a pro-rata basis.
- The Firm will not aggregate transactions unless block trading is consistent with the Firm's duty to seek best execution and the terms of the Firm's investment management agreement with each client for which trades are being aggregated.
- Before placing a blocked trade, the Portfolio Manager will specify the participating client accounts and the intended allocation among those clients.
- If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the terms of the order; if the order is partially filled, it will be allocated on a pro-rata basis within the same terms of the order;
- The Firm's books and records will separately reflect the orders for each client account that are aggregated, as well as the securities bought and sold for and held by that account
- The Firm receives no additional compensation of any kind as a result of the proposed aggregation; However, Lofoten may receive soft dollar credits in some executions.

## **Item 13 - Review of Accounts**

### **Account Reviews**

Account reviews are performed daily by a Portfolio Manager or a designee. Reviews are triggered by various factors including portfolio model changes, changes in client investment objectives, account deposits and withdrawals, volatile markets or notification from the operations team that the price target for individual securities has been reached. Among other things, reviewers evaluate the composition of the portfolios relative to the benchmark and review numerous risk statistics. Lofoten also compiles an internal daily information package which includes a matrix of holdings and values per account across strategies and attribution analysis to conduct holdings based and returns based analysis at the security level.

Lofoten also performs reconciliations of its records of the securities and cash within its client's accounts against the records of the custodians who actually hold the securities and cash. These reconciliations are performed by Lofoten's operations personnel. At a minimum, positions and cash are reconciled on a monthly basis. To the extent any discrepancies are identified through the performance of these reconciliations, our operations personnel will work with both our internal team and the custodian to resolve any such discrepancies. The statements and records of the custodian are the official books and records for the account.

## **Client Reporting**

Lofoten's Fund Administrators will normally provide clients with reports not less frequently than quarterly. Client reports include a portfolio appraisal, reconciliation against custodian, and performance returns. Additional or different information will be provided to clients as agreed by Lofoten and the client. We urge clients to carefully review these reports and compare to the statements that they receive from their custodian. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

In addition to reports tailored to clients, Lofoten issues a variety of general circulation materials for clients, consultants about its investments and investment processes.

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

As noted above, Lofoten and its employees receive no compensation or incentive from third parties that presents a material conflict of interest.

## **Item 15 – Custody**

Lofoten is not authorised by the FCA to have custody of client assets. Lofoten arranges for independent parties to act as the custodian and fund administrator for the Funds.

However, because the Funds are private funds offered in the U.S., the Firm acknowledges that the SEC's definition of custody can be applied to it. Lofoten is deemed to have custody by virtue of the standing instruction with the custodian to deduct fees. It is however exempted from the requirement to have a surprise audit and Lofoten ensures that the funds are audited annually and that fund investors are provided with a copy of the financial statements within 120 days of the fund's year end.

The custodian is required to provide the client with at least quarterly account statements relating to the assets held within the account managed by Lofoten. Each client should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the client's account and all account activity over the relevant period.

In addition to the account statements provided by qualified custodians to our clients, Lofoten also provides account appraisal reporting to clients on a monthly or quarterly basis. As such, we encourage clients to compare the statements provided to them by Lofoten against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both Lofoten and the qualified custodian promptly. Such questions, concerns, or discrepancies may be communicated to Lofoten by contacting us at the contact information listed on the cover sheet.

Our reporting may vary from custodial statements based on accounting methods, reporting dates, and/or valuation methodologies of certain securities. However, custodian statements reflect the official books and records for the accounts we manage.

## **Item 16 – Investment Discretion**

Lofoten is authorized to act on behalf of the client, in such form as may be required by various brokerage firms, banks etc. Lofoten obtains discretionary investment authority from the client through the execution of an 'investment management agreement' at the outset of the advisory relationship. Discretion is exercised in a manner consistent with stated investment objectives for the particular client account pursuant to the fiduciary duty and standard of care which we must discharge.

Investment guidelines and restrictions must be provided to Lofoten in writing. Throughout the portfolio management process, Lofoten observes the investment policies and limitations imposed by each client.

## **Item 17 - Voting Considerations**

The Firm considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of its clients to recognize the fiduciary responsibility it assumes in acting as investment adviser. The Firm also recognizes the need to exercise its proxy voting obligations with a view of enhancing its clients' long term investment values. The Firm believes that both are generally compatible with good corporate governance as this generally provides the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. To help achieve its objectives, it is Lofoten's policy, subject to the considerations described below, to use its best efforts to vote proxies arising on all shares held on behalf of its clients.

The Firm has a commitment to evaluate and vote proxy issues in the best interests of its clients. The Firm will generally vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, (collectively, "proxies") in accordance with documented procedures.

Generally, all proxies are evaluated and voted on a case-by-case basis, considering each of the relevant factors set forth above. The Firm, in all cases, will vote for any proposals that we believe will be most advantageous to our clients.

If an independent third party or a committee is utilised in making a decision to vote on a proxy, the Firm will submit the proxy to such third party or committee for a decision. The Firm will execute the proxy in accordance with such third party or committee's decision and update Lofoten's proxy recordkeeping.

There may be times in which conflicts may arise between the interest of the client and the interest of the Firm. The Firm will always strive to address such conflicts in the best interests of the client. If a perceived material conflict of interest arises in connection with a proxy vote, Lofoten may resolve such perceived material conflicts of interest as follows:

- The Firm may delegate the voting decision for such proxy proposal to an independent third party;

- The Firm may delegate the voting decision to an independent committee of partners, members, directors or other representatives of the client, as applicable;
- The Firm may inform the investors or account of the conflict of interest and obtain consent to (majority consent, in the case of a fund) vote the proxy as recommended by the Firm; or
- The Firm may obtain approval of the decision from Lofoten's Chief Compliance Officer

The Firm does not take positions outside of the portfolios it manages and therefore does not anticipate a situation where there would be a conflict between maximizing long-term investment returns for clients and the interests of the Firm or its Supervised Persons. If such a situation should arise, the senior management will independently review and evaluate the proxy proposal.

Clients may obtain a copy of the Firm's Proxy Voting Policy by contacting the Firm.

## **Item 18 – Financial Information**

Lofoten 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.

## **Item 19 – Privacy**

Lofoten is committed to maintaining the confidentiality, integrity, and security of our current and prospective clients' non-public personal information and adheres to high standards in order to safeguard such information. As part of this commitment, we have adopted the following privacy policy concerning the collection, disclosure, maintenance and disposal of our clients' non-public personal information.

### **Collection of Information**

As your investment adviser, Lofoten collects non-public information from you such as:

- Information we receive from you or in applications or other forms, correspondence, or conversations, including, but not limited to, your name, address, phone number, social security number, date of birth, annual income, net worth, and investment history.
- Information about your transactions with us or others, including but not limited to your account number and balance, payment history, parties to transactions, cost basis information, and other financial information.

### **Disclosure of Information**

We will not disclose non-public personal information about you to anyone, except as necessary to carry out transactions you have requested or authorized in connection with our provision of services to you, as required by law, or with your expressed consent. We may disclose information about you to the following types of non-affiliated third parties:

- authorized securities brokers, financial institutions or custodians;
- persons acting in a fiduciary or representative capacity on your behalf;

- attorneys and accountants;
- mailing houses or similar non-affiliated third-parties who assist us in administering client accounts;
- law enforcement agencies or computer security providers for the purpose of protecting against fraud and unauthorized transactions or in order to maintain the confidentiality of our records;
- Government agencies, self-regulatory organizations, industry associations and similar bodies in order to fulfil requests, investigations, legal and regulatory requirements.