

# KNIGHT VINKE



KNIGHT VINKE ASSET MANAGEMENT L.L.C.

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31 March 2020

This Disclosure Brochure provides information about the qualifications and business practices of KNIGHT VINKE ASSET MANAGEMENT L.L.C. If you have any questions about the contents of this Disclosure Brochure, please contact Knight Vinke at +1 (212) 660 5720 or [info@knightvinke.com](mailto:info@knightvinke.com). The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. KNIGHT VINKE ASSET MANAGEMENT L.L.C. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about KNIGHT VINKE ASSET MANAGEMENT L.L.C. is also available on the SEC's website at <https://adviserinfo.sec.gov/firm/summary/128138>. KNIGHT VINKE ASSET MANAGEMENT L.L.C.'s SEC No. is 801-62393 and CRD# is 128138.

## **Item 2 – Material Changes**

This item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The date of our last annual update of this Brochure was 29 March 2019.

Pursuant to SEC Rules, Knight Vinke will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days of the close of the business' fiscal year. Knight Vinke may further provide other ongoing disclosure information about material changes as necessary.

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

Currently, our Disclosure Brochure may be requested by contacting Knight Vinke at +377 93 30 40 70 or [info@knightvinke.com](mailto:info@knightvinke.com). Our Disclosure Brochure is also available on the SEC's website <https://adviserinfo.sec.gov/firm/summary/128138>, free of charge.

The SEC's website also provides information about any persons affiliated with KNIGHT VINKE ASSET MANAGEMENT L.L.C. who are registered, or are required to be registered, as investment adviser representatives of KNIGHT VINKE ASSET MANAGEMENT L.L.C.

**As of 31 March 2020, KNIGHT VINKE ASSET MANAGEMENT L.L.C. has no material changes to report.**

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#### **Item 4 – Advisory Business**

KNIGHT VINKE ASSET MANAGEMENT L.L.C. (the “Adviser”) provides investment advisory services to clients, including U.S. and offshore limited partnerships and other pooled investment vehicles (the “Investment Fund”). The Adviser provides investment advisory services to its clients and receives a fee. The Registrant may enter into additional investment supervisory services relationships where it will provide all investment advice and receive both a management and a performance fee.

The Adviser was formed in 2003 as a Delaware limited liability company and has been actively engaged in corporate governance investing in Western Europe equities since December 2003. The Adviser is one of a number of companies in the Knight Vinke group of companies (together, (“Knight Vinke”) providing asset management advice and, primarily, specializing in corporate governance.

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

As of 31 December 2019, the Adviser and its affiliated Adviser had a total of \$368,372,198.00 regulatory assets under management with 1 client.

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

The Adviser’s fees generally are negotiable. Management fees are payable by Clients directly to the Adviser or to an affiliate of the Adviser. Management fees typically are a percentage of a certain market adjusted commitment amount. Depending on the amount of the commitment, the basic management fee schedule ranges from 0.1% (10bps) per annum to 1.0% per annum. The Adviser may negotiate “side-letter” agreements with Clients whose terms may impact upon the amount of fees they pay.

The Adviser is also entitled to a 20% carried interest that typically is payable on the net gain from the realization of investments calculated on the absolute return methodology or 20% carried interest on both realized and unrealized gains using the hurdle-based methodology.

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

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

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

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

In some cases, the Adviser has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (the “Advisors Act”) in accordance with the available exemptions thereunder, including the exemption set forth under Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Adviser in certain circumstances shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

Currently, the Adviser's core investor base is institutional. The Adviser's investor base is composed entirely of Qualified Institutional Purchasers ("QIP") as defined under the United States Federal Securities Laws specifically the Exchange Act of 1933. The Adviser provides or will provide investment advice generally to U.S. based tax-exempt investors such as state and governmental pension funds and to non-U.S. entities such as sovereign wealth funds, funds of funds, endowments, foundations, family offices and high net-worth individuals.

## **Types of Investments**

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

Currently, the Adviser may offer investment advice on the following types of investments and the private funds invest primarily in large capitalized Western European equities.

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

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

### **1. Origination**

The Adviser actively sources opportunities often overlooked or avoided by investors lacking resources and local market knowledge. Internal sources include systematic screening of news flow, and tracking value-destructive strategies employed by management at certain companies over various time periods, as well as traditional value screens and industry analyses. External sources include other shareholders, senior industry contacts, specialist consultants, investment bankers, M&A lawyers, private equity investors, leading industry sell-side analysts, journalists, governance specialists, and other resources the Adviser uses from time to time as circumstances dictate.

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

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

- Is the company truly undervalued, both in relative and in absolute terms?

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

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

### 3. Detailed Analysis

Based on the preliminary analysis, a decision is taken by the Investment Committee as to whether to buy a small initial stake or reject the idea. If a toehold investment is made, then a period of private equity style due diligence is entered into which can take several thousand man hours. This will involve the comprehensive analysis of financials; disaggregation of the consolidated financial statements to create the appropriate segmental financial information that can be used for valuation; the establishment of independent valuation models; the complete analysis of public market comparables; investigation of potential liabilities; an evaluation of the reasons for share price underperformance; and the formulation of a possible value creation strategy. The Adviser will often supplement its resources with outside advisers with particular specialist expertise that it is not necessary or practicable to develop

in house. These specialists may include investment banks, management consultants, actuaries and lawyers as a way of reviewing and providing a means of external validation. When the detailed analysis is completed, a decision is then taken by the Investment Committee as to whether or not to increase its position in the target company. In the case of an increased investment, it will set objectives in terms of entry and exit prices.

Where appropriate the Adviser performs a governance analysis, Management and board structure, compensation practices, and other factors such as political influences, management and director motivations are also examined. Additionally, the Adviser performs a detailed shareholder analysis, to help understand the ownership structure and to identify investors who can either hinder or support any potential engagement.

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

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

One of the risks facing any investor is investment risk. This can be defined in broad terms as the risk of a permanent or temporary decline in the value of an asset, or the inability to unlock the value that is inherent in an asset within some specific period of time. While it is impossible to eliminate investment risk entirely, the Adviser believes that it is possible to reduce it substantially through a combination of superior knowledge and the ability to have some influence on the value realization strategy and/or exit that comes from being a proactive and respected owner. This is not available to passive owners who rely on diversification to mitigate risk.



Since late 2007 the financial services industry has faced unprecedented market volatility and has come under increased scrutiny from regulators for reasons that have been well documented. In the light of this uncertainty the Adviser may become subject to new legal or regulatory requirements, suffer reputational damage or encounter unforeseen risks that could have a material adverse effect on its business or operations. In addition, there are several risks specific to active corporate governance investing which the Adviser addresses at various stages in its investment process. These risks include:

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

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

SEC Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would-be material to your evaluation of KNIGHT VINKE ASSET MANAGEMENT LLC or the integrity of KNIGHT VINKE ASSET MANAGEMENT LLC's management. KNIGHT VINKE ASSET MANAGEMENT LLC has no information applicable to this Item.

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

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

Other affiliates are:

Name of Entity:

KV Services II Ltd.

SEC Registration No:

801-70612

Additional information about the above referenced affiliated SEC advisers is available via the SEC's web site, <https://adviserinfo.sec.gov/firm/summary/151518>.

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

Foreign Broker-Dealer and Investment Adviser:

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

Knight Vinke (Switzerland) SA

### **Item 11 – Code of Ethics**

To avoid any potential conflict of interest involving personal trades, the Adviser and its affiliates and related persons (together, the "Advisers") have adopted its Code of Ethics and Insider Trading Policy (hereafter known as the "Code of Ethics"). Every Employee is covered by and receives a copy of the Code of Ethics initially and annually and must sign an attestation that such Employee has read, understood, and will comply with, the Code of Ethics.

The Advisers' Code of Ethics sets forth certain standards of business conduct, including compliance with US Federal and other countries' securities laws and applicable stock exchange codes or regulations. In addition, each Employee must treat information belonging to clients as confidential and take care to minimize any unauthorized access to third parties. Employees may not use material non-public information in such Employees' possession to such Employees' personal benefit.

The Advisers' Code of Ethics requires each Employee to disclose to the Chief Compliance Officer (or their designee) such Employee's personal securities holdings. In addition, access persons (defined as employees with access to non-public information regarding the Advisers' purchase or sale of securities, including directors, officers and partners) will (i) upon starting employment (and in no event later than 10 days after becoming an access person) and annually, provide a complete record of his/her securities holdings to the Chief Compliance Officer (or their designee); (ii) be required to obtain the approval of the Chief Compliance Officer (or their designee) before investing in any initial public offering or private placement; (iii) provide quarterly reports of personal securities transactions within 30 days following the end of the quarter, unless such information has been provided through other means; and (iv) be required to inform the Chief Compliance Officer of any violation of the Code of Ethics that comes to his/her notice.

Pursuant to the Adviser's Code of Ethics and Insider Trading Policy (as defined and described below and hereafter known as the "Code of Ethics"), the Chief Compliance Officer (or their designee) of the Registrant maintains a restricted list containing all securities owned, being acquired or actively under consideration by clients. Trading in securities on the restricted list is only permitted by any of the employees and principals of the Adviser, and other affiliates and related persons (the "Employees" also known as "Access Persons"), or by their spouses or dependents with prior approval of the Chief Compliance Officer. Generally, prior approval will be given for an employee and principal to purchase a security on the restricted list. Once a security on the restricted list is purchased, an employee or principal may not sell that security until it is removed from the restricted list or with the approval of the Chief Compliance Officer.

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

#### **Other Conflicts of Interest**

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

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

mandatory withdrawals, most-favoured nations provisions and other investor-specific provisions.

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

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

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

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

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

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

Knight Vinke does not use soft dollars.

#### **Best Execution**

Knight Vinke and its affiliated SEC Registered Investment Adviser (the “Firm”) have full discretionary authority (under certain advisory agreements though it also advises under non-discretionary authority) to direct Client trades. As a result, the Firm is subject to a duty to obtain

best execution for Client securities transactions. The SEC has described this requirement generally as a duty to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution an adviser should consider the full range and quality of a broker-dealer's services in placing trades. The SEC has added that best execution is not determined by the lowest possible commission costs, but by the best qualitative execution. Finally, the SEC has suggested that to ensure continuing compliance with the best execution duty, advisers should periodically and systematically evaluate the execution performance of broker-dealers executing their transactions.

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

### **Statement of Policy**

As a fiduciary, the Firm has a duty to obtain "best execution" for the securities transactions being affected for our Clients. Best execution essentially means that the Firm's trading process seeks to maximize value in such a manner that total cost or proceeds in each transaction is the most favorable to the Client under the circumstances. In seeking best execution, the Firm should consider the full range of the broker's services, not just price.

### **Selection of Brokers**

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

- Quality of execution – accurate and timely execution, clearance and error/dispute resolution;
- Reputation, financial strength and stability of the broker;
- The difficulty of execution and the broker's ability to handle difficult trades;
- Confidentiality of trading activity;

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

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

- Any gifts or entertainment;<sup>2</sup>
- Access to underwritten offerings and secondary markets;
- The broker's ability or willingness to cover trading errors caused by Firm; or
- Client referral/capital introduction services by the broker.

### **The Trader and Execution**

Unless otherwise exempted all orders must be sent to the Trader for execution. The Trader(s) must seek best execution based upon the factors described in this policy, including using reasonable diligence to seek a price that is as favorable as possible under the prevailing market conditions. This might include considering quotes from multiple brokers. However, the extent of diligence required will depend, among other things, upon the character of the market for the security, the size of the transaction, the number of primary markets, the availability of a reliable

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

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

quote and the urgency of the order. For example, for a highly liquid security where a national market price is readily determinable, the Trader generally would not need to seek multiple quotes prior to execution.

A member of Management should review all trades and notify the Trader of any issues. In such review, Management will consider the following:

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

### **Periodic Reviews**

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

- The services provided by the broker other than execution (i.e., research or other services used in the management of the Client's account);
- Whether the execution and other services provided by the broker were satisfactory, taking into account such factors as the speed of execution, the certainty of execution, and the ability to handle large orders or orders requiring special handling;
- Reason for using that broker (e.g., research, execution only, specific type of trade, etc.);
- Unusual trends, such as higher than usual commission rates or a large volume of business directed to an unknown broker;
- Potential conflicts of interest, such as directing brokerage to a broker who makes client referrals to Firm; and
- Any other factors that the Management thinks necessary for Firm to make a reasonable decision about its best execution determinations.

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

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

### Item 13 – Review of Accounts

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

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

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

The Adviser will not provide reports to Clients; however, it will assist in providing to each client on a monthly basis an unaudited interim report setting forth as of the end of or for such period a statement of its capital account and a statement of investments. It will also provide to partnership clients at the end of each fiscal year an audited financial report setting forth as of the end of such fiscal year (i) a balance sheet, an income statement and a cash flow statement, (ii) a statement of such limited client’s investments, (iii) such client’s capital account and the manner of its calculation, allocations and distributions with respect to such limited client’s capital account during such fiscal year were computed in accordance with the relevant agreement. The Adviser provides reports directly to managed account clients, such as regular trade reports, a monthly valuation and performance report and quarterly management reviews.



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

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

#### **Item 15 – Custody**

Clients will receive account statements directly from qualified custodians and should carefully review these account statements. We also urge clients to carefully compare the information provided on these statements with any statements from us. With respect to private funds over which the Adviser and/or one of its affiliates is deemed to have custody, the Adviser requires that each such fund be subject to an audit by an independent accountant and distribute financial statements, audited in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors on an annual basis.

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

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

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

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

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

##### **Voting Policy**

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

The way in which Portfolio Company shares are voted is integral to the investment strategy. Voting will therefore be treated on a case by case basis and, in each case, the Investment Committee or its designated representative will assess which course of action best serves the

clients. In certain circumstances, this may require that the Investment Committee recommends that some or all of the shares not be voted.

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

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

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about KNIGHT VINKE ASSET MANAGEMENT LLC's financial condition. KNIGHT VINKE ASSET MANAGEMENT LLC has no financial commitments that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceedings.