



**Hillhouse Capital Advisors, Ltd.**

**Form ADV, Part 2A – Brochure**

This Brochure provides information about the qualifications and business practices of Hillhouse Capital Advisors, Ltd. (“HCA”). If you have any questions about the contents of this Brochure, please contact HCA at +852 2179-1977 or at [hcainfo@hillhousecap.com](mailto:hcainfo@hillhousecap.com).

HCA is registered with the United States Securities and Exchange Commission (the “SEC”) as an investment adviser. Registration as an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about HCA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 30, 2020

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**ITEM 2: MATERIAL CHANGES**

HCA last filed an annual update to this brochure (this “Brochure”) on February 1, 2019 and has not updated this Brochure since that annual update. While this update to HCA’s Brochure contains changes and updates to certain information, HCA is of the opinion that they do not constitute material changes since the last filed annual update of its Brochure.

### ITEM 3: TABLE OF CONTENTS

|   |    |
|---|----|
| Item 1: Cover Page.....   | i  |
| Item 2: Material Changes.....   | 1  |
| Item 3: Table of Contents .....   | 2  |
| Item 4: Advisory Business .....   | 3  |
| Item 5: Fees and Compensation.....  | 7  |
| Item 6: Performance-Based Fees and Side-By-Side Management .....                                      | 10 |
| Item 7: Types of Clients.....   | 10 |
| Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....                            | 10 |
| Item 9: Disciplinary Information .....  | 29 |
| Item 10: Other Financial Industry Activities and Affiliations .....                                   | 29 |
| Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading ..... | 34 |
| Item 12: Brokerage Practices .....  | 36 |
| Item 13: Review of Accounts .....   | 37 |
| Item 14: Client Referrals and Other Compensation.....   | 38 |
| Item 15: Custody.....   | 38 |
| Item 16: Investment Discretion.....   | 39 |
| Item 17: Voting Client Securities .....   | 39 |
| Item 18: Financial Information .....  | 41 |

## **ITEM 4: ADVISORY BUSINESS**

### **Overview**

Founded in October 2012, Hillhouse Capital Advisors, Ltd. (“HCA”) provides investment advice to clients organized as privately-offered pooled investment vehicles or similar structures (the “Funds”) and to certain managed accounts or similar relationships. The Funds and all such HCA-advised managed accounts are referred to herein as “clients.” HCA is a wholly-owned subsidiary of Hillhouse Capital Group Limited, which itself is a wholly-owned subsidiary of Hillhouse Capital Group Holdings Limited. Mr. Lei Zhang directly owns 100% of Hillhouse Capital Group Holdings Limited. HCA is part of the “Hillhouse Capital Group,” a multinational group of related advisory entities.

To comply with local operational requirements (including the issuance of local work visas), HCA has engaged local affiliates based in Hong Kong, the People’s Republic of China (the “PRC” or “China”), and Singapore (Hillhouse Capital Management Limited, Hillhouse (Beijing) Advisory Limited, and Hillhouse Capital Management Pte. Ltd., respectively). While these local entities are not registered as investment advisers with the United States Securities and Exchange Commission (the “SEC”), because these entities are under common control with HCA and share certain personnel and resources, HCA subjects these affiliates’ personnel to all of its compliance policies and deems these affiliates’ books, records, and personnel to be within the scope of HCA’s books and records retention and production obligations. Accordingly, certain information on HCA contained in this Brochure, including information regarding personnel, is presented on an aggregate basis for HCA and these affiliates.

Another HCA affiliate, Hillhouse Capital Management, Ltd. (“HCM”), which is discussed in Item 10, is registered as an investment adviser with the SEC. While HCA and HCM may, from time to time, invest in similar strategies or companies, HCA-advised clients generally focus on publicly-listed (or similarly liquid) investment opportunities, while HCM-advised clients largely focus on private (or otherwise less liquid) investment opportunities, including venture capital, private equity, private debt and buyout transactions.

### **Investment Philosophy**

HCA’s investment philosophy is to seek long-term, risk-adjusted returns through bottom-up analysis and fundamental proprietary research. As part of HCA’s bottom-up analysis, it performs both qualitative and quantitative assessments of potential investments with a particular focus on opportunities upon which it can gain insights and discover value in an ever-changing world. HCA believes that this fundamental research persistence allows it to be a patient, long-term investor.

### **Markets and Investment Opportunities**

HCA primarily invests in equity and debt securities, but may invest in a wide range of securities and other financial instruments including, without limitation: share capital; common and preferred stock (privately-placed and exchange-traded); shares of beneficial interest; partnership

interests and similar financial instruments; bonds, notes, debentures and other debt instruments (whether subordinated, convertible, or otherwise); commodities; currencies; interest rate, currency, commodity, equity, debt, and other derivative products (including, without limitation, (i) futures contracts (and options on futures contracts) relating to stock indices, currencies, other financial instruments, and all other commodities, (ii) swaps, options, warrants, caps, collars, floors, and forward rate agreements, (iii) spot and forward currency transactions, and (iv) agreements relating to or securing such transactions); equipment lease certificates; equipment trust certificates; loans; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; structured securities; repurchase agreements; obligations of governments and instrumentalities; commercial paper; certificates of deposit; bankers' acceptances; trust receipts; choses in action; real estate, including fee interests, leaseholds, mortgages, or other real estate assets; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government, or other entity whatsoever, whether or not publicly traded or readily marketable. Some investments that HCA makes for client accounts may have no readily available market.

HCA invests client assets in a wide range of countries, markets and exchanges in Asia and throughout the world, including, without limitation, markets in the PRC, Hong Kong, the United States (“U.S.”), the United Kingdom, Australia, Singapore, Taiwan, Korea, Japan, Indonesia, India, Vietnam, Malaysia, Thailand, and elsewhere. Clients may also face indirect exposure to all of the instruments and investments listed above through investment in special purpose vehicles and similar entities.

### **Advisory Services**

HCA provides portfolio advisory services and manages client accounts and Funds on both a discretionary and non-discretionary basis subject to any investment policies and restrictions established by its clients. HCA manages the Funds in accordance with the investment guidelines set forth in the offering documents for each Fund and manages other client accounts in accordance with the authority delegated to it (including any limits on that authority) under the applicable client's investment management agreement or governing documents. HCA consults with each client on its investment objectives and tailors its services and advice to those objectives.

HCA had approximately \$39.053 billion of assets under management as of December 31, 2019, with approximately \$2.343 billion managed on a non-discretionary basis and \$34.758 billion managed on a discretionary basis. The amount of assets under management reported in this Brochure is lower than the amount of “regulatory assets under management” that HCA reports in Part 1, Item 5 of its Form ADV because Item 5 requires an adviser to report assets under management *inclusive* of any uncalled commitments and *without deducting* any outstanding indebtedness or other accrued but unpaid liabilities. To prevent the appearance of an overstatement of HCA's assets under management, HCA has calculated assets under management in this Brochure *exclusive* of uncalled commitments and *taking into account* certain unpaid liabilities and outstanding indebtedness.

## **Fund Structures**

While there are no express limits on the kinds of Funds and other clients that HCA may advise, nor on the composition of their portfolios (except on a client-specific basis as disclosed in “*Advisory Services*” above and elsewhere in this Brochure), HCA’s client portfolios generally focus on publicly-listed (or similarly liquid) investment opportunities. A smaller portion of the Funds or their portfolios may also hold investments in illiquid or less-liquid investments. Additionally, certain of HCA’s Funds may primarily invest in securities and other investment instruments that are traded on exchanges within the PRC (such investments, “A Share Investments”).

The Funds are often organized into master-feeder structures. A master-feeder structure is commonly used to accumulate capital raised from U.S. taxable, U.S. tax-exempt, and non-U.S. investors into one central trading vehicle – a master fund – in order to enhance the critical mass of tradable assets, improve economies of scale under which the fund arrangements operate and enhance operational efficiencies, thereby reducing costs. HCA commonly serves as, or controls, or is under common control, with an entity that serves as, the general partner of those Funds organized as partnerships. The general partner of any Fund may also act as the general partner of other Funds or investment vehicles.

## **Co- Investments**

HCA or its affiliates may also, from time to time, form, sponsor, manage, arrange, offer or advise investment vehicles or accounts in connection with a particular strategy or theme, or may establish, sponsor or advise, on a transaction-by-transaction basis, an investment vehicle or account through which certain persons may invest alongside or independently of one or more clients (each such vehicle or account, a “Co-Investment Arrangement”). Co-Investment Arrangements may participate in individual investments or a series of related or unrelated investments alongside one or more other clients of HCA and its affiliates. Co-Investment Arrangements may also make investments independently of (and not alongside) other clients of HCA and its affiliates. In addition, certain Funds (and other HCA clients) may from time to time co-invest with each other. HCA’s fee and compensation practices for Co-Investment Arrangements are subject to a case-by-case agreement with the applicable investor.

The allocation of co-investment opportunities can be both discretionary or non-discretionary, and HCA takes into account various facts and circumstances deemed relevant for determining allocations relating to co-investment opportunities and establishing co-investment structures. Such factors are likely to include, among others, the strategic value that the potential co-investor may bring to the investment or transaction, whether a potential co-investor has expressed interest in co-investment opportunities, the market or opportunity size, the amount of capital needed for the potential investment, the number of investors that can practically participate in the transaction, HCA’s assessment of the potential co-investor’s ability to invest in an amount and within the timeframe required by the investment, regulatory or tax considerations in the investment, the Portfolio Company’s (as defined below) requirements or preferences, and such other factors that HCA may deem relevant. Please see “*Investment Allocations and Related Conflicts*” below for additional information relating to investment allocations.

## **A Share Managed Account Clients**

Within its broader offering of advisory services, HCA provides advisory services with respect to A Share Investments. A Share Investments can be made by persons licensed as a Qualified Foreign Institutional Investor (“QFII”) by the China Securities Regulatory Commission (the “CSRC”) (such investments, “QFII Investments”) as well as through the Shanghai – Hong Kong Stock Connect and the Shenzhen – Hong Kong Stock Connect programs (collectively, the “Stock Connect” programs). HCA advises clients holding QFII licenses in their trading of QFII Investments and clients that invest in A Share Investments through the Stock Connect programs.

*Client Eligibility and Focus.* HCA has a select and limited number of managed account clients that are eligible for its A Share Investment program (“A Share Managed Account Clients”) and, thus, HCA consults with each A Share Managed Account Client on its investment objectives and then tailors HCA’s services and advice to those objectives. HCA’s role is to advise its A Share Managed Account Clients in the selection of A Share Investments most suited to their investment objectives, and then to manage, monitor, and provide additional investment advice as required in connection with the applicable advisory relationship. A Share Managed Account Clients may be managed on a discretionary or non-discretionary basis.

## **Investment Allocations and Related Conflicts**

HCA faces a number of conflicts in allocating investment opportunities among its various clients, including clients with similar or identical trading and investment programs and clients that have separate and distinct, but overlapping, trading and investment programs. HCA also faces additional allocation conflicts in connection with certain proprietary vehicles owned or controlled by HCA and its affiliates. These conflicts are heightened by the fact that the various Funds and other clients sponsored, advised, or managed by HCA and its various affiliates have different management and incentive fee structures.

Not all of the opportunities that may be suitable for a given client will be presented to such client. In some circumstances, HCA will allocate the same or similar trade or investment opportunities among clients and proprietary vehicles. In other circumstances, HCA will allocate investment opportunities to certain clients or to proprietary vehicles and not to other clients. Where investment opportunities fall within the investment programs of more than one client, HCA’s policy is to allocate investment opportunities among eligible clients fairly and equitably, to the extent possible, over a period of time taking into account certain considerations, including (i) any applicable investment parameters, (ii) contractual obligations, (iii) legal, tax, regulatory and other considerations, and (iv) internal allocation policies. In an effort to ensure fairness in the allocation of investment opportunities among HCA’s clients, HCA has adopted allocation policies and procedures that take into account various factors, including: the suitability of the investment for each of HCA’s clients; HCA’s clients’ investment objectives and strategies; lifespans and closing dates of HCA’s Funds or client mandates; existing portfolio composition and existing holdings; net asset value; liquidity and reserve levels; risk profile; actual or projected future capacity for investment and the timing thereof; eligibility; the Portfolio Company’s requirements or preferences; targeted rate of return; the stage of development of the prospective Portfolio Company or other investments; legal, tax, contractual, regulatory or other considerations; cash levels and cash availability; anticipated holding period and remaining

investment periods; market exposure; market or opportunity size; currency exposure; and industry sector exposure. To the extent that all or a portion of an investment opportunity is deemed inappropriate for HCA's clients, such as but not limited to investments in pooled investment vehicles or similar structures managed by third parties that assess management fees or performance fees/allocation, HCA, its employees and its affiliates may participate in such opportunities as described in HCA's policies and procedures.

## **ITEM 5: FEES AND COMPENSATION**

### **General**

Clients typically compensate HCA, in part, on the basis of asset management fees calculated as a percentage of a client's assets under management. Management fees may, in certain instances, be calculated as a percentage of a client's funded and unfunded capital commitments. HCA generally deducts or charges asset management fees from or to client accounts on a quarterly basis and such fee rates are individually negotiated with HCA's clients. Asset management fees are generally payable by clients in advance of the beginning of each calendar quarter.

HCA also enters into arrangements to receive performance-based fees/allocation. In such cases, HCA generally assesses performance-based fees/allocation based on realized and unrealized capital appreciation, if any, over a threshold amount, such as a hurdle, benchmark or preferred return. HCA generally deducts or receives a portion of performance-based fees/allocation from client accounts, or collects or receives them directly from clients on an annual basis. HCA's fee and compensation practices for Co-Investment Arrangements are subject to a case-by-case agreement with the applicable client. Performance-based fee/allocation rates are individually negotiated with HCA's clients.

Neither HCA nor any of its "supervised persons" (as defined in the glossary of terms to the SEC Form ADV) accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Performance-Based Compensation**

HCA receives performance-based fees and allocations, as described above. HCA negotiates or arranges such fees/allocation with clients before entering into advisory relationships. The receipt of performance-based compensation creates an incentive for HCA to make investments that are riskier or more speculative than those HCA would otherwise make in the absence of such incentive compensation. HCA addresses this conflict by focusing on long-term relationships with its clients and Fund investors, and by managing client assets in accordance with the applicable advisory agreement and/or governing documents.

HCA charges clients both asset-based fees and performance-based fees/allocation. However, fees and other economic terms can be negotiated on a client-by-client basis and such terms vary among clients. Charging asset-based fees and performance-based fees/allocation creates a conflict of interest because it creates an incentive to allocate the best-performing assets into client accounts on which HCA charges performance-based fees/allocation. Additionally, the allocation of performance fees and allocations at different rates, or subject to different hurdle rates or preferred returns, creates an incentive for HCA or its affiliates to disproportionately



allocate time, services, or functions to accounts or vehicles with higher fees/allocations (or subject to a lower hurdle rate or preferred return), or to allocate investment opportunities to such accounts or vehicles.

HCA and its advisory affiliates recognize the possibility of such a conflict being detrimental to their clients and seek to address it through HCA's allocation policies and procedures and other relevant measures. Please see Item 4, "*Investment Allocations and Related Conflicts*" for additional information on HCA's investment allocation policies and procedures. HCA does not charge performance-based fees where such an arrangement would violate Section 205 of the U.S. Investment Advisers Act of 1940 (the "Advisers Act") pursuant to Rule 205-3 thereunder.

## **Valuation of Assets**

The asset management fees and the performance-based fees/allocations charged to or made by a client are calculated based on valuations ascribed to the client's holdings by HCA, which presents a conflict. Valuations are also used for determining the prices at which interests in Funds are redeemed or purchased, which underscores the importance of the need to address any such conflict. HCA addresses this conflict by adhering to its valuation practices, which include:

- Engaging third party administrators, auditors, pricing sources, and valuation agents, from time to time, to assist in certain valuation processes and confirmations; and
- A Valuation Committee that seeks to implement HCA's valuation policies and procedures and to make determinations and recommendations regarding the valuations ascribed to client holdings.

HCA's valuation policies and procedures (i) seek to ensure that HCA's determination of fair value of client assets is appropriate, (ii) require all such determinations to be made in good faith, and (iii) address relevant accounting standards.

Specific valuation procedures differ based on the type of security and/or instrument and the observability of market inputs. Certain terms related to HCA's valuation policies and procedures are incorporated into written investment management agreements entered into with its clients and/or the Funds' governing documents. There can be no assurance that the value assigned to an investment at a certain time will equal the value that the client is ultimately able to realize.

## **Expenses and Other Fees**

Each client bears its own expenses and HCA's general policy is that it only assesses expenses against client accounts to the extent that such expenses are permissible client expenses under the applicable client agreements. Allocable client expenses generally include: management fees and performance fees/allocations; organizational and administration fees and expenses; taxes; costs incurred in connection with the researching, evaluation, acquisition, monitoring and disposition of investments (whether or not consummated); transaction costs; financing costs; insurance costs; certain regulatory and tax compliance costs; and fees relating to service providers engaged for the client's business and operations, including, without limitation, attorneys, auditors, accountants, valuation services, consultants, and custodians; and such other fees and expenses as are provided for under the arrangement with each client.

Certain expenses are charged to more than one client, in which case HCA determines the appropriate allocation of expenses among each client depending on the nature of the expense. Certain expenses are allocated between clients on a pro rata basis (as appropriate) while others are allocated more specifically based on other factors, such as the relevant clients that have incurred the cost or received the benefit arising from the expenses. Clients incur brokerage and other transaction costs. Please see Item 12, “*Brokerage Practices*,” below for a discussion of certain brokerage expenses. HCA has no affiliated broker-dealers.

HCA may elect to (or to cause its affiliates to) rebate or offset monies received or due to it as a result of actions taken with respect to a client’s investment, including, e.g., customary break-up fees, commitment fees, monitoring and directors’ fees and transaction, financing, divestment and other similar fees (all to the extent that the receipt of such monies is consistent with applicable law). HCA’s and its affiliates’ obligations to do so will be governed by the agreements with each affected client.

HCA or its affiliates currently, and may from time to time, provide services (including advisory services) to companies in which its clients hold an ownership interest (each, a “Portfolio Company,” and, collectively, “Portfolio Companies”). HCA (or an HCA affiliate) is, and may be, entitled to compensation from these Portfolio Companies, notwithstanding the fact that HCA (or any such affiliate) is entitled to compensation from the parent client entity. HCA (or a relevant affiliate) may be obligated to in accordance with the agreements with each relevant client, or may determine to, rebate or offset compensation owed to it by a client by some or all of the compensation payable to it by a Portfolio Company.

### **Refunds and Fee Waivers**

In the event of the termination of a client’s advisory contract during a quarterly period, the client, without request, will receive a pro rata refund of the portion of the asset management fee paid in advance for the remaining balance of the quarter. Additionally, HCA assesses a pro rata asset management fee to any client account created on any date other than the first day of any calendar quarter.

HCA has the authority to, in its sole discretion, waive all or part of any fees or expenses payable by or attributable to its clients, their underlying investors, or their assets.

Certain of HCA, its affiliates and/or each of their personnel have invested in one or more of its Funds directly or indirectly through vehicles established by HCA or its affiliates for personnel. HCA, its affiliates and/or its affiliates’ personnel are not generally subject to asset management fees or performance-based fees/allocations with respect to their investments in the Funds.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

HCA receives performance-based compensation as described in Item 5, “*Fees and Compensation*” above. As described above, HCA does not engage in side-by-side management practices.

## **ITEM 7: TYPES OF CLIENTS**

HCA serves as an investment adviser to pooled investment vehicles whose underlying investors are exclusively “accredited investors” (as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933) and “qualified purchasers” (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940). Underlying investors in the pooled investment vehicles HCA advises are generally endowments, foundations, non-profit organizations, pensions, corporates, government entities, family offices, trusts, and other businesses or institutions.

HCA also provides investment advice to institutional clients, such as endowments, foundations, non-profit organizations, pensions, corporates, government entities, family offices, trusts, and other businesses or institutions.

### **Minimum Account Size**

Certain of the Funds require an initial minimum capital contribution of \$5,000,000 and minimum subsequent capital contributions of \$1,000,000, but the general partners of such Funds may accept contributions in lesser amounts in their sole and absolute discretion, with an absolute minimum initial capital contribution of \$100,000 (except with respect to certain Funds and/or affiliated investors). HCA generally does not require clients or investors to maintain a minimum investment to continue an advisory relationship or to remain invested in the Funds.

### **Advisory Agreements**

All clients must enter into a written investment management, advisory, or similar agreement before establishing an advisory relationship with HCA. HCA may not assign such agreements without client consent.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### **Methods of Analysis**

HCA’s research process employs fundamental, quantitative, and qualitative analysis, including cyclical analysis. HCA focuses on developing a deep, fundamental understanding of investment opportunities through rigorous due diligence and analysis. HCA’s bottom-up approach to analysis and research is generally conducted on a company-by-company basis, but may extend to competitors and industries. HCA evaluates the upside and downside of the companies and opportunities identified and monitor them closely. HCA also conducts on-site visits, cross-checks, and detailed financial analysis of investment opportunities. HCA’s analysis includes vigilant monitoring that continues the due diligence process after an investment is entered into the client’s portfolio. HCA’s extensive due diligence process also assists it in discovering and exploring previously unknown investment opportunities.

## Sources of Information

HCA incorporates local expertise stemming from grassroots research to generate powerful independent and proprietary views that drive its investment strategy. HCA generally adheres to an exhaustive research framework, including face-to-face communication with management, analysis of publications and other media, site visits, and dialogue with suppliers, customers, and competitors.

## Investment Strategies

**General Strategy.** HCA's investment decisions are based on bottom-up analysis and research. HCA generally focuses on publicly-listed (or similarly liquid) investment opportunities across multiple industries, but it may also participate in private (or otherwise less liquid) investment opportunities. HCA invests primarily in reasonably priced companies that provide substantial long-term growth prospects. Although HCA monitors macro-economic factors and market trends, HCA generally avoids market-timing strategies and focuses primarily on bottom-up opportunities.

HCA invests globally with a particular focus on companies or assets having substantial relations with Asia. HCA focuses on understanding fundamental risks, uncovering long-term growth potential, and targeting industries that it understands and can monitor.

**Short Strategy and Hedging.** HCA, from time to time, utilizes short sales and maintains short positions in order to hedge risks that are present in or that could affect a client portfolio, to generate returns for a client account, or to structure and manage risks in an investment strategy. HCA is cognizant of the risks of trading short and monitors exposure carefully. Current regulations on A Share Investments place limits on the ability to engage in short sales with respect to such instruments, which may affect certain clients' portfolios. These limits may or may not be revised in the future.

## Risk Factors

Clients should be aware that any investment with HCA involves a high degree of risk and is suitable only for investors of substantial means who have no need for liquidity with respect to the amount invested and can afford to lose all of their investment. There can be no assurances that HCA's clients will receive a return of, or on, their capital.

**Investors are advised to review the applicable Fund offering materials for a more extensive description of the risks of investing in the Funds.**

### General Risks.

Investment risks include, but are not limited to, the following:

**Risk of Loss.** HCA does not guarantee the future performance of any client portfolio, the success of any investment decision, strategy, or advice that HCA may employ or provide, or the success of HCA's overall management of any client. Any investment made in connection with HCA's advice or management involves significant risk, including the risk of loss of all or

substantially all capital invested. Investors should be prepared to bear the loss of the entire amount of their investment.

***International Investments Risk.*** HCA's investments include equity and debt securities in a number of international jurisdictions including securities with a substantial relationship with Asia. International investments involve a broad range of political, economic, legal, tax, and financial risks. Many of these risks are not typically associated with investments in securities of companies in economies that have developed and been regulated over a longer period. These risks include: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) foreign exchange controls.

Moreover, non-U.S. companies may not be subject to uniform accounting, auditing, and financial reporting standards, practices, and requirements comparable to those applicable to U.S. companies. Further, investing in securities of non-U.S. entities that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the U.S. government or entities organized or domiciled in the U.S. These considerations include changes in exchange rates and exchange control regulations; political and social instability; expropriation; imposition of foreign taxes; less liquid markets and less available information than is generally the case in the U.S.; higher transaction costs; foreign government restrictions; less government supervision of exchanges, brokers and issuers; greater risks associated with counterparties and settlement; difficulty in enforcing contractual obligations; and greater price volatility.

Further, income or proceeds received by a client from sources within some countries may be reduced by withholding and other taxes imposed by such countries. Any such taxes paid by a client will reduce its net income or return from such investments.

***Emerging Markets Risk.*** Investing in an emerging market involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Emerging economies differ from other large economies in many respects, including the level of development, growth rate, and allocation of resources.

Such risks may include: (i) increased risk of nationalization, expropriation of assets, or confiscatory taxation; (ii) greater social, economic, and political uncertainty, including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity, and smaller capitalization of securities markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (ix) differences in auditing and financial reporting standards, which may result in the unavailability of material information about issuers; (x) less extensive regulation of the securities markets; (xi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (xii) less protection through registration of assets; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and protection of shareholders and other

interest holders; and (xiv) less developed laws regarding internal controls designed to ensure the accuracy of financial reporting and third-party attestation of the effectiveness of those controls.

Moreover, the value of HCA's investments may be adversely affected by uncertainties associated with international political developments. Changes in political, economic, and social conditions and government policies in Asia may have a substantial detrimental impact on HCA's clients' investments. These changes may include: (i) promulgation of new laws, regulations, and economic policies; (ii) changes in the interpretation or enforcement of laws or regulations; (iii) introduction of measures to control inflation or stimulate growth; (iv) changes in the rate or method of taxation; and (v) the imposition of additional restrictions on currency conversion and remittances abroad.

***Political/Sovereign Risk.*** With respect to any emerging market country, there is a heightened risk of nationalization, expropriation or confiscatory taxation, political changes, government regulation, economic or social instability or diplomatic developments (including war) which could affect adversely the economies of such countries and the value of clients' investments in those countries. In addition, the inter-relatedness of the economies in emerging market countries has deepened over the years, with the effect that economic difficulties in one country often spread throughout the region. No assurance can be given that clients' investments will not be adversely affected by circumstances in countries outside of where investments are located.

***Availability of Suitable Investment Opportunities and Investment Risk.*** For HCA's investment strategies to be successful, it must be able to identify and select appropriate investment opportunities. Additionally, HCA competes for investment opportunities with operating companies, financial institutions, and other institutional investors, including hedge and other investment funds, which may negatively impact HCA's ability to take advantage of suitable investment opportunities. Successful implementation of the investment strategy adopted by HCA requires accurate assessments of general economic conditions, the detailed analysis of individual companies or industries, the relationship between a security and its derivatives, the risk correlation between a wide variety of investments, and the future behavior of other financial market participants. Even with the most careful analysis, the direction of the financial markets is often driven by unforeseeable economic, political, and other events and the reaction of market participants to these events. HCA's clients should be aware that the value of their investments and the return derived from them may fluctuate. There can be no assurance that HCA's strategy will be successful and an unsuccessful strategy may result in significant losses to HCA's clients' investments. Further, there can be no assurance that the investments HCA chooses will achieve its clients' investment objectives. Additionally, though investments are monitored in accordance with HCA's policies, as well as risk management policies and restrictions in prospectuses, investment advisory agreements or governing documents, there can be no guarantee that losses will be avoided at all times. There is a risk that HCA's clients' investments will be lost entirely or in part. Past performance should not be construed as an indication of the future results of an investment that HCA monitors, recommends, or trades for its clients.

***Strategy Risk.*** Fundamental analysis, by itself, does not attempt to anticipate market movements. This presents a potential risk and, although HCA considers overall market conditions in its investment strategies, the price of a security may move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the

investment. Likewise, HCA's long-term growth strategy may not take advantage of short-term gains that could be profitable. If HCA's predictions are incorrect, a security may decline sharply in value before client investments are sold.

***Hedging Policies/Risks.*** In connection with the consummation of investments, HCA's client may or may not employ hedging techniques designed to protect such clients against adverse movements in currency or prices. In the event as client does employ hedging techniques, it will do so in order to: (i) protect against possible changes in the market value of the client's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the client's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the client's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the client's securities; (vii) protect against any increase in the price of any securities the client anticipates purchasing at a later date; or (viii) act for any other reason that HCA deems appropriate. HCA's clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. HCA may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While HCA's clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for HCA's clients than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

***Leverage and Borrowing.***

***Leverage for Investment Purposes.*** HCA's clients may employ leverage in their investment activities. The use of leverage will allow HCA's clients to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of the clients' portfolio. The effect of the use of leverage by HCA's clients in a market that moves adversely to their investments could result in losses to such clients, which would be greater than if such clients were not leveraged.

***Collateral.*** HCA's clients may pledge their securities to counterparties in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to counterparties to secure HCA's clients' margin accounts decline in value, the clients could be subject to a "margin call," pursuant to which the clients must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to HCA's clients can apply essentially discretionary margin, "haircut," financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices.

HCA's clients also may borrow money from and/or enter into guarantees, pledges or financing arrangements with third parties or investors to make investments or satisfy other obligations outside of a brokerage arrangement. The terms of any such borrowings, guarantees, pledges or financing arrangements may require HCA's Funds and other clients to pledge or encumber their assets to provide security to any such counterparties. Borrowing arrangements involve costs and

expenses, which are generally for the account of the relevant client. Counterparties that provide other types of asset-based or secured financing to HCA's clients may have rights similar to those of counterparties providing leverage. There can be no assurance that the clients will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the clients' portfolios.

***Equity Risk.*** Because of the nature of HCA's investment strategies, clients are subject to the risk that prices will fall over short or extended periods of time, and clients could lose all, or a substantial portion, of the value of their investments.

***Risks Associated With Publicly Traded Securities.*** Clients will invest primarily in publicly traded securities. When investing in public securities, HCA and its clients will generally be unable to obtain financial covenants or other contractual rights, including management rights, that they might otherwise be able to obtain in making privately negotiated investments. Moreover, HCA and its clients might not have the same access to information in connection with investments in public securities, either when investigating a potential investment or after making an investment, as compared to privately negotiated investments. Furthermore, clients would be limited in their ability to make investments, and to sell existing investments, in public securities if HCA or its affiliates have material, non public information regarding the issuers of those securities or as a result of other internal policies. The inability to sell public securities in these circumstances could materially adversely affect the investment results of clients. In addition, clients could sell a Portfolio Company to a public company where the consideration received consists (at least in part) of stock of the public company, which could be subject to lock up periods. Client investments in securities of publicly traded companies will be sensitive to movements in the stock market and trends in the overall economy. Moreover, the ability of Portfolio Companies to refinance debt securities will depend for example, on their ability to sell new securities in the public high yield debt market.

***Business Risk.*** Investments made by HCA's clients may report poor results and industry and/or economic trends and developments could have a greater impact on certain companies in comparison to the market as a whole. The prices of these companies' securities may decline in response.

***Interest Rate Fluctuations Risk.*** The prices of some of the financial derivative instruments that HCA clients may invest in may be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of HCA's clients' long and short positions to move in directions that were not initially anticipated. Additionally, interest rate increases generally will increase the costs of borrowing. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose HCA's clients to losses.

***Market Risk and Disruptions.*** Clients and Portfolio Companies could be materially affected by market, economic and political conditions globally and in Asia in particular (including any slowdown in the growth rate of Asian economies), as well as in the sectors in which they invest or



operate, including factors affecting interest rates, the availability of credit, currency exchange rates and trade barriers. These factors are outside HCA's control, and could adversely affect the liquidity and value of clients' investments and could reduce the ability of clients to make attractive new investments.

The price of a security may decline in response to certain tangible and intangible events and conditions, including, but not limited to: conditions directly involving the issuers of the securities; general economic conditions; overall market changes; local, regional, or global political, social, or economic instability; governmental responses to economic conditions; and currency, interest rate, and commodity price fluctuations. Such events are beyond HCA's control and may be independent of a security's particular underlying circumstances. Further, the global financial markets have undergone and may further undergo pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention has, in certain cases, been implemented on a sudden and "emergency" basis. This has substantially limited the ability of market participants to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action, these interventions may be perceived as unclear in scope and application and such perceptions can contribute to general uncertainty in the markets. Clients may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships (on which HCA may base its advice) become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions may from time to time cause dramatic losses for HCA's clients, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on HCA's strategies.

***Convertible Securities.*** Clients could invest in convertible securities, including (but not limited to) bonds, debentures, notes, preferred stock, securities-related contracts or other securities that could be converted into or exchanged for an amount of securities of, or other rights relating to, the same or different issuer within a particular period of time at a specified price, formula or other calculation methodology. A convertible security could entitle its holder to receive interest that could be paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. In certain situations, the investment value of a convertible security could be influenced by changes in interest rates. The credit standing of the issuer and other factors could also have an effect on the convertible security's investment value.

A convertible security could be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a client is called for redemption, the client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the client's ability to achieve its investment objective.

***Derivative Instruments Risk.*** HCA may invest client assets in derivative instruments. The prices of derivative instruments, including futures and options, are highly volatile. Payments made pursuant to swap agreements may also be highly volatile. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. The value of futures, options, and swap agreements also depends upon the price of the assets underlying them. In addition, such instruments are subject to counterparty risk. Certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks of creditworthiness of the counterparty, market risk, liquidity risk, and operations risk. If a counterparty's creditworthiness declines, the value of any agreements with such counterparty can be expected to decline, potentially resulting in loss. In connection with exchange-listed or centrally-cleared instruments, clients are subject to the risk of failure of any of the clearing houses or clearing members through which their positions are cleared.

***New Market Structure Requirements Applicable to Derivatives.*** The Dodd Frank Act enacted, and the CFTC and SEC have issued or proposed rules to implement, both broad new regulatory requirements and broad new structural requirements applicable to over the counter ("OTC") derivatives markets and, to a lesser extent, listed commodity futures (and futures options) markets. Similar changes are in the process of being implemented in the European Union, Japan, and other major financial markets. These changes include, but are not limited to: requirements that many categories of the most liquid OTC derivatives (currently limited to specified interest rate swaps and index credit default swaps) be executed on qualifying, regulated exchanges and be submitted for clearing; real time public and regulatory reporting of specified information regarding OTC derivative transactions; enhanced documentation requirements, margin requirements for uncleared derivatives; position limits; and recordkeeping requirements.

While the CFTC and other regulators intend these changes to mitigate systemic risk and to enhance transparency and execution quality in the OTC derivative markets, the impact of these changes is not known at this time. For instance, cleared OTC derivatives are subject to margin requirements established by regulated clearinghouses, including daily exchanges of cash variation (or mark to market) margin and an upfront posting of cash or securities initial margin to cover the clearinghouse's potential future exposure to the default of a party to a particular OTC derivatives transaction. Furthermore, "financial end users," such as clients, that enter into OTC derivatives that are not cleared are generally required to exchange margin to collateralize such derivatives. Under the new rules, the level of margin required to be exchanged in connection with uncleared derivatives in many cases is substantially greater than the level typically required by market participants or clearinghouses.

These changes could significantly increase (to the extent relevant to a client's investments) the costs to clients of utilizing OTC derivatives, reduce the level of exposure clients are able to obtain (whether for risk management or investment purposes) through OTC derivatives, and reduce the amounts available to clients to make non derivative investments. These changes could also impair liquidity in certain OTC derivatives and adversely affect the quality of execution pricing obtained by clients, all of which could adversely impact clients' investment returns. Furthermore, the margin requirements for cleared and uncleared OTC derivatives could require

that HCA or its affiliates, in order to maintain its exemption from CPO registration under CFTC Rule 4.13(a)(3), limit a Fund's ability to enter into hedging transactions or to obtain synthetic investment exposures, in either case adversely affecting the Fund's ability to mitigate risk.

**Position Limits.** The Dodd Frank Act significantly expanded the scope of the CFTC's authority and obligation to require reporting of, and adopt limits on, the size of positions that market participants can own or control in commodity futures and futures options contracts and swaps. The Dodd Frank Act also narrowed existing exemptions from such position limits for a broad range of risk management transactions. In accordance with the requirements of the Dodd Frank Act, the CFTC is required to establish, and the CFTC has proposed but not yet adopted, additional speculative position limits on additional listed futures and options on physical commodities and economically equivalent OTC derivatives; position limits applicable to swaps that are economically equivalent to U.S. listed futures and futures options contracts, including contracts on non physical commodities, such as rates, currencies, equities and credit default swaps and aggregate position limits for a broad range of derivatives contracts based on the same underlying commodity, including swaps and futures and futures options contracts. A person (including HCA and its affiliates) is generally required to aggregate positions it owns or controls (including held indirectly through entities in which a person has a 10% or greater ownership interest) for purposes of current and proposed position limits, subject to certain exemptions for, among other things, independently traded positions.

The full impact of these recent changes is not known at this time. Individually and collectively, current and proposed position limits and associated aggregation requirements could increase the costs to clients of maintaining positions in commodity futures and futures option contracts and swaps, and reduce the level of exposure clients are able to obtain (whether for risk management or investment purposes) through commodity futures and futures option contracts and swaps. These requirements could also impair liquidity in certain swaps and adversely affect the quality of execution pricing obtained by clients, all of which could adversely impact clients' investment returns.

**Short-Selling Risk.** HCA may engage in short-selling securities on behalf of its clients, which involves: (i) selling securities which may or may not be owned by the short seller; and (ii) borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows a client to profit from a decline in market price to the extent such decline exceeds the transactions costs and the costs of borrowing the securities.

A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit. This would in turn increase the cost to the client of buying those securities to cover the short position. There can be no assurance that a client will be able to maintain the ability to borrow securities sold short. In such cases, the client can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, short-selling activities are subject to restrictions imposed by other foreign governmental and regulatory authorities and various securities exchanges. Such restrictions may inhibit or prevent HCA from entering into a short position on behalf of a client.

***Investments in Non-OECD Countries.*** Some countries that we may invest in are not members of the Organization for Economic Co-operation and Development (the “OECD”). Investments in non OECD countries could be subject to more substantial risks in political and macro economic conditions, such as significant currency fluctuations, changes in governmental controls over the economy and high rates of inflation. Many non-OECD countries have experienced these problems in the past. There can be no assurance that a recurrence of such problems will not have a materially adverse effect on clients’ investments.

Moreover, the economies of non-OECD countries generally are more heavily dependent upon international trade than those of OECD countries and, accordingly, have been and could continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. Expropriation, confiscatory taxation, nationalization, political, economic or social instability or other developments could adversely affect the clients’ investments in non-OECD countries.

***Liquidity Risk.*** Some companies or investments in which HCA’s clients invest may not be well known, may have few shares outstanding, may have contractual or regulatory restrictions on disposal, or may be particularly susceptible to political and economic events. Securities issued by these companies may be difficult to buy or sell and the value of such securities may rise and/or fall substantially before such securities may be bought or sold.

***Nature of Investment.*** Certain clients may invest in companies that are experiencing or are expected to experience severe financial difficulties, which difficulties may never be overcome. Such investments are considered highly speculative and may result in the loss of the relevant clients’ entire investment. Since certain clients may only make a limited number of investments and since many of HCA’s investments may involve a high degree of risk, poor performance by a few of its investments could significantly reduce the total returns to such clients.

HCA may have limited ability to evaluate the management of such companies based on past performance, and such companies may rely more on individual members of the management team than would be the case for more established companies. Instances of fraud and other deceptive practices committed by the management teams of portfolio companies in which a client has an investment may undermine HCA’s due diligence efforts with respect to such companies. If such fraud is discovered, it could materially adversely affect the valuation of a client’s investments and may contribute to overall market volatility that could negatively impact a client’s investments

***Dependence on Patents, Trademarks and Other Intellectual Property.*** Certain client investments will depend heavily on intellectual property rights, including patents, trademarks and servicemarks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject a Portfolio Company to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties could lead to the termination of the research and development of a Portfolio Company’s particular product.

***Environmental Risks.*** The ordinary operation of, or the occurrence of an accident with respect to, a Portfolio Company asset could cause major environmental damage, which could result in significant financial distress to such asset or Portfolio Company if not covered by insurance. In addition, persons who arrange for the disposal or treatment of hazardous materials could also be liable for the costs of removal or remediation of these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by those persons.

Certain environmental laws and regulations could require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination. Clients could therefore be exposed to substantial risk of loss from environmental claims arising in respect of their investments. Furthermore, changes in environmental laws or regulations or the environmental condition of an investment might create liabilities that did not exist at the time of its acquisition and that could not have been foreseen. Community and environmental groups could protest about the development or operation of Portfolio Company assets, which could induce government action to the detriment of clients and their investments. New and more stringent environmental or health and safety laws, regulations and permit requirements, or stricter interpretations of current laws, regulations or requirements, could impose substantial additional costs on a Portfolio Company, or could otherwise place a Portfolio Company at a competitive disadvantage compared to other companies, and failure to comply with any such requirements could have an adverse effect on one or more Portfolio Companies.

Even in cases where clients are indemnified by the seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability of clients to achieve enforcement of such indemnities.

***Investments Through Offshore Holding Companies.*** Clients may invest in Portfolio Companies operating in a country indirectly through holding companies organized outside of that country. Government regulation in the country where a Portfolio Company locates could, however, restrict the ability of such Portfolio Company to pay dividends or make other payments to a foreign holding company. Additionally, any transfer of funds from a holding company to its operating subsidiary, either as a shareholder loan or as an increase in equity capital, could be subject to registration or approval with or by government authorities in the country where the Portfolio Company locates. Such restrictions could materially and adversely limit the ability of any holding company in which clients invest to grow, make investments or acquisitions that could be beneficial to its businesses, pay dividends, or otherwise fund and conduct its business.

***Uncertainty of Financial Projections.*** Projected operating results provided by companies or generated internally will normally be based primarily on management or internal judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of projections.

***Due Diligence Risk.*** Before making an investment, due diligence that is deemed reasonable and appropriate based on the facts and circumstances applicable to each asset or company will be conducted. Due diligence generally entails evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are involved from time to time in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to reduced control of the functions that are outsourced. In addition, if third-party providers are unable to be engaged in a timely manner, HCA's ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, HCA will rely on the resources available to it, including publicly available information provided by the issuer and, in some circumstances, third-party investigations. The due diligence investigation that HCA carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that are necessary or helpful in evaluating such investment opportunity.

***Local Intermediary Risk.*** Client transactions may be undertaken through local brokers, banks, or other organizations in Asia and other parts of the world, and the clients will be subject to the risk of default, insolvency, or fraud of such organizations. Such local brokers, banks, and other organizations are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of insolvency. However, the practical effect of these laws and their application to clients' assets are subject to substantial limitations and uncertainties. There can be no assurance that any money advanced to such organizations will be repaid or that the clients would have any recourse in the event of default. The collection, transfer, and deposit of bearer securities and cash expose clients to a variety of risks including theft, loss, and destruction. Clients will also be dependent upon the general soundness of the banking systems of Asia.

***Difficulty of Bringing Suit.*** The ability of a client to bring suit against a Portfolio Company or its directors, executive officers, or other shareholders may be limited. Many Portfolio Companies are likely to be organized under the laws of countries other than the U.S., their directors and officers are likely to reside outside of the U.S., and substantially all of their assets may be located outside of the U.S. As a result, it is likely that a client will be unable to effect service of process within the U.S. upon such entities or their directors and officers. Even where an entity is successfully sued in the U.S., enforcement of the judgment in certain jurisdictions is impossible and in other jurisdictions may be difficult.

In particular, laws and legal standards differ in many Asian countries from those in the United States. These laws and standards could have a material effect on client investments, as well as the general economic and political environment in one or more Asian countries. The general trend of legislation in certain Asian countries has somewhat enhanced the protection afforded foreign investment and has improved the legal climate for business. A lack of comprehensive and enforceable legal and regulatory systems in certain Asian jurisdictions is likely to adversely affect client investments and prevent clients from enforcing their rights. In certain instances, the acquisition of client investments will involve an ongoing commitment to local agencies and entities, including governmental agencies and the extent to which such local agencies and entities will recognize the contractual and other rights of the parties they deal with could be uncertain.

Moreover, there can be no assurance that this trend in economic legislation will not be slowed, curtailed or reversed, particularly in the event of a change in leadership, social disruption or other circumstances affecting the social, political or economic status of certain countries. Such a shift could have a material adverse effect on the business and prospects of Portfolio Companies.

***Governmental Licenses.*** Portfolio Companies could be dependent upon the grant, renewal or continuance in force of appropriate contracts, licenses, permits and regulatory approvals and consents which might be valid only for a defined time period, might be subject to limitations and might provide for withdrawal in certain circumstances. There can be no assurance that such contracts, licenses, permits and regulatory approvals and consents would be granted, renewed or continue in force, or if so, on what terms. Additionally, governments and other regulators might impose conditions on the operations and activities of HCA and its clients as a condition of granting its approval or to satisfy regulatory requirements. Such conditions, which could be statutory or commercial in nature, could limit a Portfolio Company's ability to invest in competing industries or acquire significant market power in a particular market, or provide a disincentive to do so. Further, a governmental agency might impose conditions of ongoing ownership or equivalent requirements on a Portfolio Company in respect of underlying projects. This could include a requirement that certain assets remain managed by a Portfolio Company, clients or their affiliates. Such conditions could be susceptible to revision or cancellation and legal redress could be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

***Assumption of Catastrophe Risks.*** Clients may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters; political and social instability; popular unrest in opposition to government policies that facilitate foreign investment; terrorism; and public health crises, including the occurrence of a contagious disease. To the extent that any such event occurs and has a material effect on global financial markets or specific markets in which clients participate (or has a material effect on locations in which HCA operates) the risks of loss can be substantial and could have a material adverse effect on clients' investments. There can be no assurance that any appropriate insurance will be available on commercially reasonable terms, or at all, or that HCA will decide to obtain such insurance on behalf of clients. In addition, the businesses, operating results and financial conditions of the clients' Portfolio Companies could be adversely affected in a material respect if such natural disasters or other similar events occur.

***Covid-19, Which has been Designated as a Pandemic by World Health Authorities.*** The ongoing spread of Covid-19 has had, and will likely continue to have, a material adverse impact on local economies in the affected jurisdictions and also on the global economy, as cross-border commercial activity and market sentiments are increasingly impacted by the outbreak and governmental and other measures that seek to contain its spread (including border closures, travel restrictions and quarantine measures). In addition to these developments having adverse consequences for certain Portfolio Companies and other issuers in which clients invest and the value of clients' investments therein, the operations of HCA (including those relating to clients) have been, and could continue to be, adversely impacted, including through quarantine measures and travel restrictions imposed on HCA personnel or service providers based or temporarily

located in affected countries, or related health issues of such personnel or service providers. Any of the foregoing events could materially and adversely affect HCA's ability to source, manage and divest client investments and its ability to fulfil client investment objectives. Similar consequences could arise with respect to other comparable epidemics and infectious diseases.

*Particular Risks Relating to A Share Investments and Investments in Other Asian Countries*

***Investments Generally; Asia Investment Risks.*** Investing in Asia could involve different risks than investing in other countries or regions such as the United States. These risks include, among others: (a) less publicly available information; (b) varying levels of governmental regulation and supervision; (c) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws and (d) foreign exchange controls. The inter-relatedness of the economies in emerging market countries (including those in Asia) has deepened over the years, with the effect that economic difficulties in one country often spread throughout the region. There can be no assurance that clients will not be materially and adversely affected by such events.

The economies of many Asian countries are dependent upon international trade and, accordingly, could be materially and adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values, commodity values and economic conditions in the countries with which they trade.

There generally are different methods of governmental supervision and regulation of exchanges, brokers and obligors in Asia than there are in other countries or regions such as the United States, and such supervision and regulation could be less predictable. Clients could face difficult approval and registration procedures, and, if they are foreign entities, could be subject to legal or regulatory constraints or prejudices that do not affect local investors.

***Market and Economic Risks.*** Clients and Portfolio Companies could be materially affected by market, economic and political conditions globally and in Asia in particular (including any slowdown in the growth rate of Asian economies), as well as in the sectors in which they invest or operate, including factors affecting interest rates, the availability of credit, currency exchange rates and trade barriers. These factors are outside HCA's control, and could adversely affect the liquidity and value of clients' investments and could reduce the ability of clients to make attractive new investments. More recently, economic and financial market conditions have significantly deteriorated as compared to prior periods, global financial markets have, experienced declines in the valuations of equity and debt securities, an acute contraction in the availability of credit and the failure of a number of leading financial institutions. As a result, certain government bodies and central banks worldwide undertook unprecedented intervention programs. These events have led to a diminished availability of credit and an increase in the cost of financing, which could hinder the initiation of new leveraged transactions and, could result in further declines in valuations of equity and debt securities, adversely affecting the private investment sector. To the extent these conditions exist, they could adversely impact the investments of clients.

***Greater China Regulatory and Political Risks.*** The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of



these measures benefit the overall Chinese economy, but could also have a negative effect on Portfolio Companies and/or clients. In addition, new reforms or the readjustment of previously implemented reforms in Greater China could have a significant negative effect on clients. Changes in political, economic, social conditions and governmental policies in Greater China could have a substantial impact on clients and include: (a) the promulgation of new laws and regulations; (b) changes in the interpretation or enforcement of those laws and regulations; (c) the introduction of measures to control inflation or stimulate growth; (d) changes in the rate or method of taxation; (e) imposition of protective trade barriers or other policies of China or other countries where they have business relationships and (f) the imposition of additional restrictions on currency conversion and remittances abroad.

***Market Based Economic and Legal Reforms in China.*** China's economy has a centrally planned economy subject to a series of state economic plans adopted by the Chinese government. Over the past 20 years, the Chinese government has been reforming the economic system by transitioning to a more market oriented economy. Such reforms are believed to have resulted in significant economic and social advancement. Many of the reforms are unprecedented and are expected to be refined and improved upon while political, economic and social factors could also lead to further re adjustment.

Despite these reforms, the government continues to exercise a considerable degree of control over China's economic growth through the increased attention to particular industries or companies, and its allocation of resources. Moreover, the legal rules and regulations in China, including with respect to tax laws that apply to foreign entities or foreign investment, are relatively new and are subject to frequent changes. There can be no assurance regarding the trend of these economic reforms or the effects they might have on Portfolio Companies and clients. The presence of suitable investment opportunities for clients could depend, in part, on China's continued liberalization of policies regarding foreign investment and encouragement of private sector initiatives.

Accordingly, government actions or failure to continue with economic liberalization policies in the future (or changes in the government itself) could have a significant impact on economic conditions in China, which in turn could affect Portfolio Companies and clients' returns. Economic reforms enacted in China that have led to more open markets and encouraged foreign investment could be curtailed, stalled or reversed. Changes in policy with regard to taxation, fiscal and monetary policies, repatriation of profits, and other economic regulations are possible, any of which could have an adverse effect on private investments.

Clients could be subject to various laws and regulations applicable to foreign investment in China. Chinese legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, recently enacted laws and regulations might not cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the legal system is a civil law system based on written statutes. The legal system is based in part on government policies and internal rules (some of which might not be published) that might have a retroactive effect. As a result, compliance by HCA, clients or Portfolio Companies with any applicable Chinese laws could be impacted.

**Privatization Risk.** Clients could invest in state owned entities that have been or will be transferred from government to private ownership. It is impossible to predict whether there will be any further privatizations or what the terms or effects of such privatizations might be. There can be no assurance that any privatizations will be undertaken or, if so undertaken, that they will be successfully completed. There can also be no assurance that if a privatization is undertaken, Clients will have the opportunity to participate. Clients should be aware that political changes or changes in economic factors could result in a shift in an Asian jurisdiction's policies on privatization. Should these policies change in the future, there is a possibility that governments determine to return projects and companies to state ownership. In such a situation, the level of compensation that would be provided to the owners of the private companies concerned cannot be accurately predicted but could be substantially less than the amount invested in such companies.

**Currency Risk; Renminbi (“RMB”).** Clients will generally be exposed to significant foreign currency risk in their investments. Certain clients primarily will invest in Portfolio Companies operating in non U.S. currencies (such as RMB). To the extent that the U.S. dollar appreciates relative to these currencies, the U.S. dollar value of these investments is likely to be adversely affected. In addition, if the currency in which clients receive dividends, interest or other types of payments (such as liquidating payments) declines in value against the U.S. dollar before such payments are distributed, the dollar value of these payments could be adversely affected if not sufficiently hedged. Further, the ability of clients and Portfolio Companies to convert freely between the U.S. dollar and the local currencies might be restricted or limited and, in a number of instances, exchange rates and currency conversion are controlled directly or indirectly by governments or related entities.

The value of the RMB against the U.S. dollar and other currencies can fluctuate and is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the Chinese government changed its policy of pegging the value of the RMB to the U.S. dollar to permit the RMB to fluctuate within a band against a basket of certain foreign currencies, determined by the People's Bank of China. Since the adoption of this policy, the value of RMB against the U.S. dollar has fluctuated on a daily basis within narrow ranges. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar could have an adverse effect on the performance of clients' financial position and the value of client investments, and clients' cash flows.

The Chinese government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the country. Under existing Chinese foreign exchange regulations, payments of current account items, such as profit distributions and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from the Chinese State Administration of Foreign Exchange by complying with certain procedural requirements. Approval from the appropriate governmental authorities is required, however, when RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of bank loans denominated in foreign currencies. The government is permitted to, at its discretion, restrict access in the future to foreign currencies for current account transactions. The foreign exchange control system could adversely affect clients' performance and the value of their investments and assets. Clients could be adversely affected by delays in, or a refusal to grant, any required governmental approval for investment or repatriation of equity and debt capital, interest and dividends paid on investments held by clients.

There can be no assurance that clients will be permitted to repatriate capital or profits, if any, over the life of its term.

HCA could cause clients to enter into hedging transactions designed to reduce such currency risks. Furthermore, Portfolio Companies could be subject to risks relating to changes in currency values, as described above. If a Portfolio Company suffers adverse consequences as a result of such changes, clients could also be adversely affected as a result.

***Restrictions on Foreign Investment.*** Foreign investment in the securities of issuers operating in many Asian countries is restricted or controlled to varying degrees. These restrictions or controls could at times limit or preclude foreign investment in certain issuers in certain Asian countries and increase the costs and expenses of clients. Certain Asian countries require governmental approval prior to investments by foreign persons, or limit the amount of investment by foreign persons in a particular company, or limit investment by foreign persons to a specific class of securities of a company that could have less advantageous terms than the classes available for purchase by nationals. Certain countries restrict investment opportunities in issuers or industries deemed important to national interests. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country could impose temporary restrictions on foreign capital remittances abroad. Non convertibility of certain currencies could introduce an additional degree of uncertainty to determining values of investments held by clients. Clients could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital or earnings, as well as by the application of restrictions on investments.

***Public Market Illiquidity and Regulation.*** The securities markets of a number of Asian countries are smaller and may be less liquid than the major securities markets in various developed countries. Downturns in the Asian economies are likely to seriously affect the securities markets in such economies, which could adversely affect client investments. There could be a lower level of monitoring and regulation of the markets and the activities of investors in such markets, and enforcement of existing regulations could be extremely limited. Consequently, should clients make investments through the public markets in Asia, the prices at which clients acquire investments could be affected by other market participants' anticipation of HCA's investments, by trading by persons with material non public information and by securities transactions by brokers in anticipation of transactions by HCA in particular securities.

In addition, in certain countries in Asia, publicly listed securities could be subject to longer "lock up" periods compared to the United States and other developed countries as well as other restrictions on disposition. For example, China's A share market requires a lock up period between one and three years. Also, after the expiration of such lock up period, a shareholder that holds 5% or more of the shares of the relevant listed company is subject to volume restrictions on disposition of shares in a given period. As such, if certain clients invest in a Portfolio Company that is subsequently listed on China's A share market, clients might not be able to fully exit such investment for a long period of time.

***Interdependence of Securities Markets.*** The individual securities markets of Asian countries are, to varying degrees, influenced by economic and market conditions in other securities markets.

Although economic conditions are different in each country, investors' reaction to developments in one country can have effects on the securities of issuers in other Asian countries. There can be no assurance that individual securities markets in many Asian countries will not continue to be affected negatively by events elsewhere, or that such events will not adversely affect the value of client investments.

A slowdown in the economies of the United States, the European Union and certain Asian countries could adversely affect economic growth in other Asian countries, many of which depend on exports to those countries. The economic performance of clients' Portfolio Companies could be adversely affected by any global economic downturn and by any worsening of the economic conditions in one or more Asian countries and other global economies.

***Reporting Standards; Limited Information.*** Companies in some Asian countries are subject to accounting, auditing and financial standards and requirements that differ, in some cases significantly, from those applicable to companies in the United States. In particular, the assets and profits appearing on the financial statements of a company might not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with generally accepted accounting principles in the United States. In addition, for companies that keep accounting records in local currency, inflation accounting rules in some Asian countries require, for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to express items in terms of currency of constant purchasing power while other countries do not permit such restatement. Inflation accounting could indirectly generate losses or profits or disguise true losses or profits. There is generally substantially less publicly available information about companies in some Asian countries than there are reports and ratings published about U.S. companies. In addition, information available to HCA and its clients, including both general economic and commercial information and information concerning specific enterprises or assets, might be less reliable and less detailed than information available in more economically developed countries. As a result of these factors, it is possible that HCA's due diligence activities will provide less information than due diligence reviews of companies in various developed countries. The lower standards of due diligence in certain countries will increase the risk related to client investments in these countries. Furthermore, investments in certain Asian countries are prone to fraud and false reporting practices. In certain cases, entrepreneurs of some companies might deliberately falsify or cover up certain company reports or practices, and HCA and its clients could be misinformed regarding its Portfolio Companies. It is also possible that the entrepreneurs of client Portfolio Companies, after clients have invested in such entities, engage in acts that are in violation of their agreements with the relevant client, or otherwise engage in certain acts that damage the clients' interests. Any of these issues could undermine the performance of clients' investments. While HCA will endeavor to conduct appropriate due diligence in connection with each investment, no guarantee can be given that they will obtain the information or assurances that an investor in a more developed economy would obtain before proceeding with an investment.

***Government Involvement in the Economy; Governmental Interventions.*** For the past several years, many governments of the Asian countries have followed policies of deregulating economic activity, thereby reducing the extent of their involvement in the business sectors of their local economies. Although these policies are continuing, these governments still exercise significant control over their respective economies. Governmental actions concerning the economy could

continue to have an important effect on entities doing business in those countries, and on market conditions, prices and returns on investments.

Extreme volatility and illiquidity in certain Asian markets has in the past led to, and could in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding investments. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when or if these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on clients’ investments.

***Credit Ratings.*** Any downgrade in credit ratings of an Asian country by any international agencies could have a negative impact on the abilities of the government or the companies of the negatively affected country to raise financing and could have an adverse impact on the liquidity positions of such government and companies. This in turn could adversely impact clients and their investments.

***Risks Related to Less Liquid Investments.***

While HCA is generally focused on more liquid investment opportunities, HCA clients may also, from time to time, invest in less liquid opportunities or private-equity opportunities with longer lock-ups. These opportunities pose their own risks, including the following:

***Additional Capital Requirements of Portfolio Companies.*** Certain of the clients’ Portfolio Companies or pooled investment vehicle holdings, especially those in a development, acquisition, or “platform” phase, may require additional financing to satisfy working capital requirements or acquisition strategies. Following its initial investment in a company, a client may be called upon to provide additional capital to, or have the opportunity to increase its investment in, an investment opportunity. Although clients may make a follow-on investment, there is no assurance that those clients and their co-investors (if any) will provide all necessary follow-on capital. The amount of such additional financing will depend upon the maturity and objectives of the particular Portfolio Company. Each such round of financing (whether from a Fund or other investors) is typically intended to provide enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a Portfolio Company may have to raise additional capital at a price unfavorable to the existing investors, including the relevant client, or there may be severe penalties for a failure to fund required contributions. In addition, a client or such other investor may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in a Portfolio Company in order to preserve the Fund’s proportionate ownership when a subsequent financing is planned, or to protect the investor’s investment when such Portfolio Company’s performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of HCA or any Portfolio Company. There can be no assurance that a Portfolio Company will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

**Bridge Financings.** From time to time, a client may lend with respect to an investment or a potential investment on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans would typically be convertible into a more permanent, long-term security. However, for reasons not always in such client's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by that client.

**Availability of Financing.** Clients' ability to invest in Portfolio Companies depends in part on the availability and terms of any borrowings that are required or desirable with respect to such investments. For example, from time to time, the market for private investment transactions has been adversely affected by a decrease in the availability of senior or subordinated financings for transactions. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions, whether due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders, would impair HCA's ability to consummate these transactions and would adversely affect client returns.

**Controlling Interests.** Because of its equity ownership, representation on the board of directors and/or contractual rights, a client may often be considered to control, participate in the management of, or influence the conduct of Portfolio Companies. The designation of HCA's professionals as directors and exercise of control over a Portfolio Company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of fiduciary duties, violation of laws and governmental regulations (including securities laws), and other types of liability, for which the limited liability generally afforded to investors may be ignored. If these liabilities were to arise, a client may suffer a significant loss, exposing the assets of such client to claims by a Portfolio Company, its other security holders, its creditors, or governmental agencies, which may exceed the value of such client's initial investment in that Portfolio Company.

#### **ITEM 9: DISCIPLINARY INFORMATION**

To HCA's knowledge, after due inquiry, none of HCA, its affiliates, or any of their respective management personnel has been involved in, or subject to, any disciplinary events or legal actions that would be material to a client's or prospective client's evaluation of HCA's advisory business or the integrity of HCA's management.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither HCA nor any member of its management is registered, or has an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant (an "FCM"), a commodity pool operator (a "CPO"), a commodity trading advisor ("CTA"), or an associated person of a registered FCM, CPO, or CTA. HCA and certain of its affiliates act as CPOs for their clients, but they are exempt from registration with the Commodity Futures Trading Commission (the "CFTC") pursuant to CFTC Rule 4.13(a)(3) under the U.S. Commodity Exchange Act. This exemption is based primarily upon the clients' limited commodity interest trading. Unlike registered CPOs, HCA and its relevant affiliates are not required to deliver to investors disclosure documents or certified annual reports contemplated by

CFTC rules applicable to registered CPOs. Likewise, HCA and certain of its affiliates act as CTAs for some of their clients, but are exempt from registration as CTAs and therefore are not required to satisfy certain requirements contemplated by CFTC rules applicable to registered CTAs.

All qualifying HCA personnel (and qualifying personnel of the non-U.S. affiliates discussed in Item 4) are treated as “access persons” by HCA within the meaning of Rule 204A-1 under the Advisers Act, and are subjected to HCA’s Code of Ethics. Please see Item 11, “*Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading*” below for additional information about HCA’s Code of Ethics.

An HCA affiliate, Hillhouse Capital Management, Ltd. (“HCM”) is also an SEC-registered investment adviser. While HCA and HCM, from time to time, invest in similar strategies or companies, HCA-advised clients generally focus on publicly-listed (or similarly liquid) investment opportunities, while HCM-advised clients largely focus on private (or otherwise less liquid) investment opportunities, including venture capital, private equity, private debt and buyout transactions. Therefore, investment results may differ as between HCA’s clients and HCM’s clients. To address these conflicts of interests, HCA has adopted policies and procedures, including an allocation policy. (See “*Investment Allocations and Related Conflicts*” in Item 4 for more information.)

HCA, HCM and other entities are members of what we refer to as “Hillhouse Capital Group,” which is a multinational group of related advisory entities. Hillhouse Capital Group may engage in and provide a broad range of banking, advisory and investment services to their clients and customers. We believe that clients will generally benefit from the relationships and activities resulting from these services, which are expected to generate attractive investment opportunities and analytics. Nevertheless, situations may arise in which the interests of Hillhouse Capital Group will conflict with the interests of clients or Fund investors, such as:

- **Investments by Other Hillhouse Capital Group Clients.** As a result of the expansive nature of the Hillhouse Capital Group’s business, clients of the various members of the Hillhouse Capital Group are likely to invest in companies that could compete with, are customers of, or are service providers or suppliers to, the Portfolio Companies of one or more other clients. This would give rise to certain conflicts of interest. First, the various members of the Hillhouse Capital Group could take actions for their clients and their Portfolio Companies for commercial reasons that have adverse consequences for other clients or their Portfolio Companies, such as seeking to increase market share at the expense of a Portfolio Company of another client (as a competitor), withdrawing business from a Portfolio Company of another client in favor of a competitor that offers the same product or service at a more competitive price (as a customer), increasing prices in lock step with other enterprises in the industry (as a supplier) or commencing litigation against a Portfolio Company of another client (in any capacity). Secondly, one member of the Hillhouse Capital Group could obtain information while dealing with its clients and Portfolio Companies that it is prohibited from acting on or disclosing to another member of the Hillhouse Capital Group as a result of confidentiality requirements or applicable law, even though such action

or disclosure would be in the clients' interests. In addition, to the extent not restricted by confidentiality requirements, the Hillhouse Capital Group would ordinarily seek to apply the experience obtained by managing each client to benefit other clients.

- **Restrictions Arising from Activities of Other Hillhouse Funds.** The Hillhouse Capital Group regularly obtains confidential information regarding various target companies and other investment opportunities. If a member of the Hillhouse Capital Group receives confidential information with respect to a company, the other members and their clients are likely to therefore face, as a result of securities law prohibitions on trading on the basis of material non-public information or applicable industry conventions, restrictions on their ability to pursue a transaction with that company or dispose of an investment. Moreover, the confidentiality agreements members of the Hillhouse Capital Group enter into often include provisions, such as "standstills," that would prevent other clients from acquiring or disposing of investments, potentially for extended periods.

In addition, HCA and other members of the Hillhouse Capital Group trade securities and debt instruments in the secondary market. In the absence of information barriers, the Hillhouse Capital Group's receipt of non-public information about a particular company would, as a result of securities laws or applicable industry conventions (such as with respect to secondary loan trading), generally restrict the trading activities of the entire Hillhouse Capital Group with respect to that company. In certain circumstances, the Hillhouse Capital Group will have an incentive not to take certain actions that would impede the operation of certain clients, including, for example, where such clients might wish to, or are actively seeking to, trade out of any investment. In light of these consequences, the Hillhouse Capital Group could decline to receive non-public information on a company or otherwise pursue an investment opportunity for a client if doing so would prevent other clients from trading securities or debt instruments currently in their portfolio or of interest to them.

In addition, in the event that multiple clients invest in a single Portfolio Company, each client could be subject to regulatory or legal restrictions or constraints that might not have applied had such other clients not also invested in the same issuer. Hillhouse Capital Group does not generally erect information barriers to restrict the transfer of confidential information with respect to certain companies to avoid the restrictions described in the preceding paragraphs with respect to such companies. However, in instances where temporary barriers are erected our clients' ability to benefit from Hillhouse Capital Group's expertise outside any such barrier will be limited. In addition, in the event that a temporary information barrier is breached, even if inadvertently, clients will likely face the same restrictions on its investment activities as they would have faced had the temporary information barrier not been established in the first place.

- **Time and Attention of Personnel.** Members of Hillhouse Capital Group share certain personnel and other resources. Shared personnel include administrative



personnel as well as professionals who provide portfolio advice. Such shared personnel of Hillhouse Capital Group may have conflicts of interests in allocating their time and resources between the members of Hillhouse Capital Group. Different performance or management compensation structures or incentives apply to shared personnel in certain circumstances, which also creates a conflict of interest. HCA has adopted policies and procedures, including a Code of Ethics, to address these conflicts of interest.

- **Strategic Business Partners.** The Hillhouse Capital Group has formed and will continue to form relationships with third-party strategic partners to allow clients to take advantage of their expertise, often in particular industries, sectors and/or geographies. These strategic partners often have close business relationships with the Hillhouse Capital Group and provide services that are similar to, and that overlap with, services the Hillhouse Capital Group provides to clients, including sourcing, conducting due diligence on or developing potential investments, as well as structuring, managing, monitoring and disposing of investments.

The Hillhouse Capital Group determines the compensation of its strategic partners on a case-by-case basis, and this compensation would take the form of one or more of the following: cash payments from the Hillhouse Capital Group, a client or a Portfolio Company; grants of carried interest generated by a client; stock option or equity grants in a Portfolio Company; profits interests in a Portfolio Company; and/or other similar payments from the Hillhouse Capital Group, a client or a Portfolio Company.

This creates a conflict of interest because the Hillhouse Capital Group has an incentive to structure compensation under strategic business partnerships so that clients bear the costs (directly or indirectly) instead of the Hillhouse Capital Group. The Hillhouse Capital Group could also offer strategic partners the opportunity to co-invest alongside clients in certain investments, in some cases regardless of whether such partner played a significant role in sourcing or managing the specific investment.

HCA is also associated with (or may directly or indirectly own or control) businesses established by, involving or seeded by its current and former personnel (including but not limited to other asset managers, investment consultants, advisors and Portfolio Companies) and other similar strategic relationships (collectively, with Hillhouse Capital Group, the “Hillhouse Network”). In certain circumstances, members of the Hillhouse Network share resources such as technology infrastructure and office space in addition to back office personnel. Members of the Hillhouse Network from time to time compete for transactions in the same or similar securities, industries and/or sectors or take conflicting positions with respect to a particular security, industry and/or sector. Legal, regulatory and/or operational barriers may limit the members of the Hillhouse Network from coordinating in such activities and transactions.

In addition, HCA, its principals, or other members of the Hillhouse Network may (and currently do) provide services (including investment advisory services) to Portfolio Companies or affiliates of Portfolio Companies. HCA, its principals, or such other members of the Hillhouse

Network may (and currently do) directly or indirectly benefit from fees paid in respect of such services, and these fees generally are not repaid or rebated to clients. While HCA will generally seek to engage advisors and service providers on behalf of Portfolio Companies on the basis of the quality of advice and other services provided, the potential for HCA or its principals to benefit from fees paid to members of the Hillhouse Network by Portfolio Companies creates an incentive for HCA to influence Portfolio Companies to engage the services of members of the Hillhouse Network.

Without limiting the generality of the foregoing, members of the Hillhouse Network perform investment advisory services, for compensation, for Portfolio Companies in which clients hold an equity or other economic interest. In such a case, HCA, its affiliates or members of the Hillhouse Network will receive the fixed and incentive compensation agreed to with clients and the Portfolio Company. The compensation received at the Portfolio Company level, in the aggregate, is believed and expected to be commensurate with fees charged by other third-party alternative investment managers. Nonetheless, this arrangement presents a conflict of interest in that HCA, through its clients' ownership interest in a Portfolio Company, could have influence on the Portfolio Company to engage HCA or other member of the Hillhouse Network.

HCA has adopted policies and procedures, including, without limitation, a Code of Ethics, to address such conflicts of interests arising from its relationships with the other members of the Hillhouse Network.

In addition, certain members of HCA's management constitute and/or serve as the directors of the Fund general partners, Funds, and various investments and investment vehicles of the Funds. Each of these relationships creates a conflict of interest. HCA addresses any such conflict of interest by negotiating all of its investment management agreements with its clients on arm's-length terms and disclosing the terms to Fund investors.

Different performance and management fees are charged for substantially similar products HCA manages or advises, which also creates a conflict of interest. Please see Item 5, "*Fees and Compensation*" above for information regarding how HCA is compensated by its clients, the conflict of interest created by allocating investment opportunities among clients, and how HCA addresses such conflict of interest.

HCA does not recommend or select third-party investment advisers for its clients. None of HCA, HCM, or any other affiliate receives compensation, directly or indirectly, from any of the others for any recommendation of the other. In addition, none of HCA, HCM, or any other affiliate, directly or indirectly, pays or receives compensation to or from third parties in connection with recommending advisory services.

Other conflicts not discussed above may arise in connection with HCA's advisory business.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **General Code of Ethics**

HCA expects its employees to be responsible for maintaining the highest ethical standards when conducting business. In keeping with these standards, HCA's employees must always place its clients' interests ahead of their own. Moreover, HCA's employees should adhere to the spirit as well as the letter of the law and be vigilant in guarding against anything that could inappropriately skew their judgment.

Pursuant to Rule 204A-1 under the Advisers Act, HCA has adopted a Code of Ethics (the "Code") which sets forth standards of business and personal conduct for all HCA employees, and addresses conflicts of interest that may arise from personal trading by employees or gifts and entertainment received or provided by employees. The Code sets forth, among other things, standards for the purpose of deterring wrongdoing and promoting: (i) honest and ethical reporting; (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents; (iii) compliance with applicable laws, rules, and regulations; (iv) prompt internal reporting of violations of the Code; and (v) accountability for adherence to the Code. Clients or potential clients may obtain a copy of the Code free of charge by writing to HCA's Chief Compliance Officer at the address on the cover page of this Brochure.

As discussed in Item 10, qualifying personnel of the non-U.S. affiliates discussed in Item 4 are treated as "access persons" by HCA within the meaning of Rule 204A-1 under the Advisers Act, and are subjected to the Code.

### **Interest in Client Transactions**

Clients of HCA and its affiliates (such persons, the "Other Hillhouse Investors") from time to time hold investments similar to or the same as those made or proposed to be made by other HCA clients. Investments held by Other Hillhouse Investors may be in the same or similar securities as those held by HCA's other clients, but acquired at different times, at lower or higher prices or valuations, and on different terms than those upon which HCA's clients acquire an investment. The different prices paid for, or terms of, securities held by the Other Hillhouse Investors creates conflicts of interest. HCA has adopted an aggregation and allocation policy to help assure investment opportunities are recommended or allocated in a fair and equitable manner. As described more fully in Item 5 under "*Fees and Compensation*," HCA takes various factors into account in making recommendation and allocation decisions.

Please see Item 5, "*Fees and Compensation*," and Item 10, "*Other Financial Industry Activities and Affiliations*," above for a discussion of the conflict of interest created by allocating investment opportunities among client accounts and how HCA addresses the conflict of interest.

### **Personal Trading**

The Code is designed to assure that the personal securities transactions, activities, and interests of HCA's employees do not interfere with their judgment in advising HCA's clients. HCA discourages its employees from personal trading due to the conflicts of interest (real and

apparent) that such trading may present. Employees must seek pre-clearance for certain reportable personal securities transactions and provide post-trading details of all approved personal trades. Employees also must provide HCA with detailed information regarding their reportable personal securities holdings, which they must update on a quarterly basis. Although employees are not prohibited from personal trading, employees are prohibited from short-term trading or speculation, and employees must present any investment opportunities suitable for any investment strategy of HCA's clients to such clients prior to engaging in any transaction related thereto for personal benefit. To minimize the risk of conflicts of interests, employees and their immediate family members may not, directly or indirectly, make personal trades in any security, company, asset, or investment product (i) located in or having a substantial business relation to Asia or (ii) under research, traded in, or contemplated to be traded in by HCA, in each case without the consent of the Chief Compliance Officer.

### **Service on Boards of Directors**

Representatives of HCA, HCM, or their other affiliates, from time to time, serve on the boards of directors of Portfolio Companies and other companies. A HCA representative serving as a director for a company has fiduciary duties to the company, as well as to HCA's clients. These separate fiduciary obligations may create conflicts of interest that must be mitigated to ensure the HCA representative serving as director does not breach his or her fiduciary obligations. In addition, if HCA obtains material, non-public information by virtue of a representative serving as a director of a company, HCA generally would be precluded from trading or making a recommendation with respect to the securities of such company. HCA has adopted internal policies and procedures to address conflicts of interest that arise from time to time in connection with service on the board of directors of a company.

### **Other Business Ventures**

HCA, its affiliates and its clients will engage in other business ventures to the extent not prohibited by agreements with its clients, independently or with others, including ventures involving investing in securities or managing or participating in other investment funds, or pursuing co-investments with HCA's clients or otherwise investing in Portfolio Companies independently of its clients. Other ventures undertaken by HCA and its affiliates in certain circumstances are competitive with its clients. Conflicts of interest arise as a result of such activities, including in allocating management time, services or functions and allocating investment opportunities.

In addition, as discussed above, HCA and its affiliates provide investment advisory services to Co-Investment Arrangements and/or Portfolio Companies, and also invest directly or indirectly in investment opportunities. HCA recognizes the conflicts in these situations and relies upon its allocation and other internal policies and procedures to ensure fair and equitable allocation of investment opportunities, and to address other potential conflicts of interest.

Other conflicts not discussed above may arise in connection with the management and operation of HCA's clients.

## **ITEM 12: BROKERAGE PRACTICES**

HCA provides discretionary and non-discretionary advice to its clients. HCA makes broker recommendations to certain of these clients. HCA chooses various brokers for more efficient and/or less expensive transactions, or for non-financial relationship reasons. HCA endeavors to recommend or select brokers that provide the best execution for securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances ("Best Execution"). In recommending and/or selecting brokers to effect portfolio transactions, HCA considers various factors, including, without limitation: price; quality of execution, including the reliability, promptness, level of accuracy and confidentiality in executing orders; extensiveness of the broker's distribution network; commission rates or other transaction costs; HCA's access to the broker's trading desk; the broker's familiarity with HCA's investment practices; and the value of certain brokerage or research services. HCA does not consider whether it receives referrals from a broker-dealer or third party in recommending or selecting a broker. In any event, non-discretionary account clients are not under any obligation to select the broker that HCA has recommended.

### **Directed Brokerage**

Clients sometimes request that HCA use a particular broker-dealer to effect transactions in recognition of services the clients receive from the broker-dealer or from a third party. Agreement to any such request by a client must be pre-approved by HCA's Chief Compliance Officer. A client's direction of brokerage services may cost the client more money and may prevent the client from receiving the most favorable execution of the client's transactions.

### **Soft Dollar Arrangements**

While HCA currently does not have any formal soft dollar arrangements, HCA may enter into arrangements whereby HCA receives research or other products or services (other than execution) from a broker or other third party in connection with client securities transactions, known as "soft dollar benefits." These soft dollar benefits would be received in connection with commission fees paid to those brokers to execute client transactions. These research products and services would be intended to provide HCA with valuable research and services that HCA would otherwise have to produce or purchase from third parties with its own funds.

Any transaction in which soft dollar benefits are being received will be carefully evaluated to determine that the transaction complies with HCA's duty to seek Best Execution. However, as a result of any soft dollar benefits HCA receives, HCA may have an incentive to select or recommend a broker based on receipt of soft dollar benefits.

Section 28(e) of the Securities Exchange Act of 1934 establishes a safe harbor allowing investment managers to use client funds, by way of commission dollars, to purchase certain "brokerage and research" services. Pursuant to this safe harbor, the brokerage and research services, if any, must provide HCA with lawful and appropriate assistance in the performance of its investment decision-making responsibilities. Further, HCA will make a good faith determination that the amount of commissions paid by clients is reasonable in light of the value

of the brokerage or research services received. This means that clients may pay commissions to a broker in an amount greater than the amount another broker might charge.

HCA would only enter into soft dollar arrangements if it believes that the products or services it may obtain through soft dollar arrangements would benefit all of its relevant client accounts, rather than benefitting just one account. HCA currently does not require soft dollar benefits to be allocated proportionately to the amount of soft dollar benefits generated by each client account. Therefore, it is possible that such soft dollar benefits may provide a benefit to some clients who have not generated a proportionate share of commissions used to pay for these benefits. However, it is also possible that clients may benefit from these arrangements to a greater extent than the commissions they generated.

HCA has instituted certain procedures governing soft dollar benefits. Soft dollar benefits may be received from a broker in consideration of directing transaction business on behalf of a client to the broker only if:

- The soft dollar products or services fall within the Section 28(e) safe harbor;
- The soft dollar products or services are of demonstrable benefit to HCA's clients;
- HCA seeks to affirm that the soft dollar product or service assists in the investment decision-making process and the commissions paid are reasonable in relation to the products or services received;
- Transaction execution is consistent with Best Execution standards and brokerage rates are not in excess of customary full-service brokerage rates;
- Disclosure is made to HCA's clients of its practices for receiving the soft dollar products or services; and
- The client(s) has consented in writing to the receipt of soft dollar products or services.

### **Trade Aggregation**

HCA generally aggregates its client orders when doing so will result in a better overall price for its clients' trades and as otherwise consistent with the terms of its allocation policies. Aggregation or "bunching" describes a procedure whereby an investment manager combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities generally arise when more than one client is capable of purchasing or selling a particular security based on investment objectives, net asset value, available cash, lifespan of HCA's clients and other factors. Unless inconsistent with or prohibited by local law, regulations or exchange rules, HCA will not aggregate orders among clients of HCA and/or its affiliates.

HCA does not aggregate or bunch certain client orders of A Share Investments since A Share Investments are generally processed separately with respect to each client.

### **ITEM 13: REVIEW OF ACCOUNTS**

HCA reviews and evaluates its clients' investment objectives and performance on a quarterly basis. HCA also reviews strategies to ensure compliance with investment objectives and restrictions. Reviews are primarily conducted by the relevant portfolio manager and may

periodically be conducted by an Investment Committee that is comprised of HCA's Chief Investment Officer, other senior members of HCA's research team.

## **Client Reports**

HCA's Fund investors receive an annual report containing audited financial statements following the end of the Fund's fiscal year. Fund investors also receive relevant tax information for the Fund in which they are invested. In addition, HCA's third-party administrator delivers to investors an unaudited statement of an estimate of the account and account balance(s) and any capital contributions or withdrawals since the preceding month-end generally within 30 days after the end of each calendar month or as soon thereafter as is reasonably possible. These written financial statements and reports typically do not include a listing of portfolio investments.

In connection with making QFII Investments, HCA's clients are required to engage a custodian to assist with holding client assets, reporting, and other related activities. HCA urges clients to carefully review statements and reports received from their broker-dealers, banks and other qualified custodians and to compare any account statements received from HCA against information received from their qualified custodian. To the extent requested by HCA's managed account clients' or its managed account clients' custodian, HCA provides a written copy of its transaction reports or records related to such client's accounts to assist such client or clients' custodian with reconciliation of information. Within 30 days after the end of each calendar month or as soon thereafter as is reasonably possible, HCA or one of its affiliates delivers an unaudited statement of an estimate of such client's account and account balance(s) and any capital contributions or withdrawals by such client since the preceding month-end.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Neither HCA nor a related person of HCA, directly or indirectly, compensates any person for client referrals. Should HCA determine to enter into a solicitation arrangement for client referrals, HCA will disclose the arrangement in writing as required by Rule 206(4)-3 under the Advisers Act and will comply with all other applicable requirements of the Rule.

No person, other than HCA's clients, provides HCA with an economic benefit for providing advisory services to its clients. Please see Item 12, "*Brokerage Practices*" above for a discussion of certain soft dollar benefits that HCA may receive in connection with certain brokerage relationships.

Related persons of HCA, from time to time, serve as directors on the board of a public or private company in which one or more of HCA's clients invest. In certain circumstances, HCA receives director's fees in connection with such service. Item 11, "*Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading*," further describes HCA's process for addressing conflicts of interest created by its related persons serving as directors.

## **ITEM 15: CUSTODY**

HCA is deemed to have custody over certain of its clients' assets under Rule 206(4)-2 of the Advisers Act (the "Custody Rule") because of its authority to access client assets and its role as a

general partner of a Fund. The term “custody” is defined under the Custody Rule as holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. HCA does not physically hold client assets. Instead, HCA maintains client securities and funds over which it has custody with a “qualified custodian” in accordance with the Custody Rule. Client funds and securities are held with a bank, broker-dealer or other independent, qualified custodian. HCA’s Chief Compliance Officer is responsible for ensuring that any qualified custodian with custody of client assets is properly qualified. Further, HCA may satisfy the audit provision of Rule 206(4)-2 under the Advisers Act - the Custody Rule - through an annual audit of the relevant clients. Where required, audited financial statements are prepared and delivered to underlying investors in accordance with the Custody Rule. Please see Item 13, “*Review of Accounts*” above for further information about client reports and account statements delivered to underlying Fund investors.

#### **ITEM 16: INVESTMENT DISCRETION**

HCA provides advisory services to managed account clients on both a discretionary and non-discretionary basis. As noted above under Item 7, “*Types of Clients*,” all clients must enter into written investment advisory agreements with HCA before establishing an advisory relationship with HCA.

Pursuant to written investment management agreements with clients and the organizational documents of the Funds, HCA has discretionary authority to manage assets on behalf of the Funds and its other clients, including authority to determine which investments are bought and sold and the amounts appropriate for each client. Certain of HCA’s clients place limits on HCA’s investment advice; any limitation on HCA’s authority is described in the written investment management agreements and/or the Funds’ governing documents. HCA only purchases and sells securities or other financial instruments consistent with the Funds’ and its other clients’ objectives.

#### **ITEM 17: VOTING CLIENT SECURITIES**

HCA has and will accept proxy voting authority to vote client securities. This creates a potential conflict of interest because of the possibility of HCA voting client securities to further its own interests at the expense of its clients’ interests. HCA takes seriously its responsibility to exercise proxies on behalf of clients and have adopted written policies and procedures to do so in a manner consistent with Rule 206(4)-6 promulgated under the Advisers Act. These policies and procedures are reasonably designed to ensure that proxies are voted in the best interest of HCA’s clients, which generally means voting proxies with a view to enhancing the value of client securities.

The financial interest of HCA’s clients is the primary consideration in determining how proxies should be voted. Further, as the decision to invest in a company normally represents confidence in the company’s management, HCA will typically give serious consideration to management recommendations. HCA will generally support management recommendations regarding internal operations and those without significant economic effects. Conversely, management proposals that are likely to have significant economic effects, involve management interests or where HCA lacks confidence in the management team will be subject to greater scrutiny on a



case-by-case basis. The following is a brief summary of principles, rather than rules, that reflect the long-term approach that guides (but does not obligate) HCA's investment and proxy voting decisions regarding common proxy proposals.

1. Board of Directors: HCA will generally support resolutions that promote the effectiveness of boards in acting in the best interest of shareholders. HCA generally supports the election of a majority of independent directors.
2. Auditors and Auditor Compensation: Where all members of a company audit committee are independent, HCA will generally support the election of directors, the appointment of auditors, and the approval of the auditor compensation recommended by the board of directors.
3. Changes in Capitalization: HCA recognizes the need for the management of a company to have flexibility to issue or repurchase shares to meet changing financial conditions. HCA will generally support changes in capitalization when a reasonable need for change is demonstrated. HCA is, however, aware that new shares may dilute the ownership interest of shareholders, and HCA will not generally support changes resulting in excessive dilution of existing shareholder value.
4. Corporate Restructuring, Mergers, and Acquisitions: HCA believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, HCA will analyze such proposals on a case-by-case basis, weighing heavily the views of its research analysts that cover the company and its investment professionals managing the portfolios in which the stock is held.
5. Management Compensation: HCA's goal is to support compensation arrangements that are tied to long-term corporate performance and shareholder value. These arrangements should better align management's interests with those of shareholders and should induce management to purchase and hold equity in the company. Stock option plans that are overly generous or excessively dilutive to other shareholders generally will not be supported.
6. Other Issues: HCA will address business issues specific to a company or those raised by shareholders of a company on a case-by-case basis with a focus on the potential impact of the vote on value for its clients.

Procedurally, HCA will take reasonable measures under the circumstances to obtain knowledge of meetings and other events giving rise to solicitation of proxies, assure that proxies are received in sufficient time for HCA to take action, vote proxies, and return the proxies to the parties soliciting them in time to be counted. Clients may direct (in certain cases) the vote of HCA in a particular solicitation, obtain information from HCA about how it voted clients' securities and obtain a copy of HCA's proxy voting policies and procedures by writing to Hillhouse Capital Advisors, Ltd., Attn: Chief Compliance Officer, at the address on the cover page of this Brochure.

If a HCA representative serves on the board of directors for a Portfolio Company in which a client invests, unique conflicts of interest in relation to proxies may exist. In such circumstances,

HCA's Chief Compliance Officer or its designee will undertake a review prior to any vote by the proxy recipient to determine whether a material conflict of interest exists between the applicable HCA representative and the interests of the client, or between the HCA representative and the client and company shareholders. In the event a material conflict of interest is identified, the Chief Compliance Officer or his or her designee will take such steps as he or she deems necessary to determine how to vote the proxy in the best interests of the relevant client. In each instance, when exercising their voting discretion, HCA's representatives will seek to avoid any direct or indirect conflict of interest between the client(s) and their voting decisions.

#### **ITEM 18: FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair HCA's ability to meet its contractual commitments to clients.