

## TALOMON CAPITAL LIMITED

33 St. James's Square, London, SW1Y 4JS, United Kingdom

[www.talomon.com](http://www.talomon.com)

March 2020

This brochure provides information about the qualifications and business practices of Talomon Capital Limited (“**Talomon Capital**”, the “**Adviser**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this brochure, please contact Peter Grigorey, Talomon Capital Limited’s Chief Operating Officer and Chief Compliance Officer (“**CCO**”), at (0203 908 2501 or by email at [peter.grigorey@talomon.com](mailto:peter.grigorey@talomon.com)). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

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

**Item 2: Material Changes**

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This brochure forms part of Talomon's annual update filing with the SEC due in respect of the period ending December 2019

There has been no material change to our ADV since the previous update in March 2019

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**Item 4: Advisory Business**

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Talomon Capital is a private limited company incorporated in the United Kingdom. The Firm was established in January 2017 by its founding director, Jussi Nyrola. Talomon Capital is wholly owned by Jussi Nyrola. The Firm's principal office is located at 33 St James's Square, London, SW1Y 4JS, United Kingdom. Talomon Capital is authorised and regulated to carry on an investment business by the United Kingdom's Financial Conduct Authority.

The Firm provides investment advisory services to clients on a discretionary basis. Talomon Capital's discretionary advisory services are offered to clients through the Talomon Value ICAV, an Irish domiciled umbrella fund, with two sub-funds – the Talomon Value Fund and the Talomon Value Long Fund, each privately pooled investment vehicle (from here on in referred to as the **"Funds"**) as well as through managed account structures.

The Funds are managed in accordance with each of its own characteristics and is not tailored to the individual requirements of each investor in the Funds (each an **"Investor"** and collectively the **"Investors"**). Information about the Funds can be found in their offering documents, including the confidential Prospectus and Supplements for each sub-fund.

The Firm currently also provides discretionary advisory services to a Separately Managed Account client (the **"Segregated Account"**).

The Fund, and Segregated Account's (collectively referred to as the **"Clients"**), investment objectives are to identify and invest in undervalued securities and pursue investment opportunities that seek to maximise asset value or create market opportunities on a medium to long-term basis.

***Assets under Management***

As of December 31, 2019, the Firm managed approximately USD \$418.5m of Regulatory Assets Under Management on a discretionary basis.

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**Item 5: Fees and Compensation**

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***The Fund(s)***

Talomon Capital receives an annual management fee (the **"Management Fee"**) from the Funds calculated and accruing at the Valuation Point and payable monthly in arrears at the following maximum annual rates:

Talomon Value Long Fund:

Management Fee - Class A: 2% of NAV; Classes F1 and F2: 1.5% of NAV; Class F3: 1% of NAV; and Management Class 1.25% of NAV.

Talomon Value Fund:

Management Fee –

Class A:

1.5% of NAV 1.5% of NAV in respect of the first €50 million

1.0% of NAV in respect of any amount invested over €50 million

Class B:

1.25% of NAV 1.5% of NAV in respect of the first €50 million

0.75% of NAV in respect of any amount invested over €50 million

Class F1 & F2:

1.5% of NAV

Class F3:

1.0% of NAV

Management Class:

0% of NAV

The Fund also pays the costs and expenses of (i) all transactions carried out by them or on their behalf and (ii) the administration of the Fund, including:

- (a) the charges and expenses of legal advisers and auditors;
- (b) brokers' commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions;
- (c) all taxes and corporate fees payable to governments or agencies;
- (d) Fund directors' fees (if any) and expenses;
- (e) interest on borrowings, including borrowings from the prime brokers;
- (f) communication expenses with respect to investor services and all expenses of meetings of Investors and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents;
- (g) the cost of insurance (if any) for the benefit of the Fund directors;
- (h) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business;
- (i) the cost of maintaining the listing of the class A shares on the Irish Stock Exchange and/or any other exchange;
- (j) costs incurred with brokers and other intermediaries in arranging access for the Firm to the senior management of corporate issuers; and
- (k) all other organisational and operating expenses.

Such fees and expenses are charged at normal commercial rates. Each Fund bears its pro rata share of any fees and expenses incurred by the Funds.

The amount of the fees and expenses charged to the Fund will depend on a number of factors including, but not limited to, portfolio turnover, level of borrowings and transaction costs. There are no maximum amounts in respect of such fees and expenses borne (directly or indirectly) by Investors in the Fund.

The Firm currently also provides discretionary advisory services to a Separately Managed Account client (the "Segregated Account").

Unless specified otherwise, from hereinafter the Client and Segregated Account will be collectively referred to as the “Clients”.

The Firm receives an Investment Management Fee of 1% from the Segregated Account

#### **Item 6: Performance-Based Fees**

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Talomon Capital receives a performance allocation (the “**Performance Fee**”) from the Fund(s) in respect of each series of Shares for each Calculation Period (as described below).

All of the Fund(s) fees are based on the appreciation in the Net Asset Value per Share of that series at the end of the relevant Calculation Period above the Net Asset Value per Share as at the start of that Calculation Period.

Talomon Capital also receives a performance Fee of 10% from the SMA

#### **Talomon Value Fund**

The Performance Fee in respect of each series of Class A Shares is 20 per cent, Class B Shares is 17.5%, Class F1 Shares will be equal to 20 per cent, Class F2 Shares will be equal to 17.5%, class F3 shares will be equal to 17.5% and the Management Class is not subject to a performance fee. Fees are deducted from the Fund’s accounts by the administrators instructing the Fund’s custodian(s).

#### **Talomon Value Long Fund**

The Performance Fee in respect of each series of Class A Shares is 20 per cent, Class F1 Shares will be equal to 20 per cent, Class F2 Shares will be equal to 17.5%, class F3 shares will be equal to 17.5% and the Management Class is not subject to a performance fee. Fees are deducted from the Fund’s accounts by the administrators instructing the Fund’s custodian(s).

Talomon Capital has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this fees conflict from influencing the allocation of investment opportunities among clients.

#### **Item 7: Types of Clients**

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The Firm’s clients are the Funds and a Segregated Account. The Funds advised by Talomon Capital relies on the 3(c)(7) exemption. Investors must meet the requirements for a “qualified purchaser” under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

The minimum initial investment in the Talomon Value Fund is €100,000 for the Management share class, €1m for Class A shares, €3m for Classes F1 and F3, and €20m for Class F2. , in any event, the minimum initial investment amount will never be less than the amount set out in the Central Bank of Ireland’s AIF Rulebook (currently Euro 100,000 or its foreign currency equivalent). This requirement will be met where an investor's aggregate investment across all Funds of the ICAV equals €100,000 (or its foreign currency equivalent).

The minimum initial investment amounts in the Talomon Value Long Fund are as follows:

- €100,000 for the Management share class;
- €1m for Class A EUR shares;
- \$1m for Class A Dollar shares;
- €3m for Class F1 EUR shares;
- \$3m for Class F1 Dollar shares;
- €20m for Class F2 EUR shares;
- \$20m for Class F2 Dollar shares;
- €3m for Class F3 EUR shares;
- \$3m for Class F3 Dollar shares.

In any event, in respect of both Funds, the minimum initial investment amount will never be less than the amount set out in the Central Bank of Ireland's AIF Rulebook (currently Euro 100,000 or its foreign currency equivalent). This requirement will be met where an investor's aggregate investment across all Funds of the ICAV equals €100,000 (or its foreign currency equivalent).

The minimum amount of additional subscriptions per Investor is €100,000 (for the Management share class) or €1m/\$1m, for other share classes as appropriate to the share class currency, or such lesser amount as the directors of the Fund may in any particular case determine. These requirements will not apply to direct or indirect subscriptions for shares in the Fund by the Firm (or any of its directors, employees, or connected persons).

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

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Talomon Capital's core investment philosophy is to invest in public companies with a view to understanding each of the investments and the industry and market trends that apply to them on a deep operational level. To achieve this, we will carry out proprietary primary and secondary research to evaluate new investments and to monitor existing ones, applying the mind-set of a long-term business owner in the investment process

Using this bottom-up and deep fundamental investment approach we will seek to build a portfolio of long investments consisting of high quality businesses that are benefiting from medium to long term positive trends in their industries and are trading at a reasonable valuation in comparison to their future cash flow generation prospects. We seek to identify and sell short companies that are facing medium to long-term challenges either in their businesses or industries and are trading at excessive valuation levels relative to their future cash flow generation prospects.

Talomon Capital will manage a portfolio of high-conviction investments with capital concentration in what it perceives to be the best ideas. The portfolio is expected to be constructed in a relatively concentrated manner typically with approximately 10-15 long investments and 10-15 short investments in order to maximise the return potential of the Clients.

The Clients will be exposed to one month rolling FX contracts mainly to the Euro and US Dollar but may also be exposed to other global currencies through their investments denominated in those currencies. In normal circumstances, the Clients will not seek to hedge against currency fluctuations in non-Euro denominated portfolio investments. However, they may do so in exceptional circumstances where the Advisor has determined that market conditions give rise to a high level of currency risk arising from non-Euro denominated portfolio investments

The clients may use financial derivative instruments and investment techniques for hedging and/or investment purposes. Futures (including financial future contracts) may be used to hedge against market risk, to change the clients' interest rate sensitivity or to gain exposure to an underlying equity market. Forward contracts may be used to hedge or to gain exposure to an increase in the value of an asset, currency or deposit. Foreign exchange contracts may be used to reduce the risk of adverse market changes in exchange rates. Options may be used to hedge or achieve exposure to a particular market instead of using a physical security. Contracts for differences may be used to gain access to a single stock underlying equity. Subject to an upper limit of 100% of the Net Asset Value of the Fund, it is expected that 50% of the Net Asset Value of the clients will be subject to any Securities Financing Transactions.

***Risk of Loss Factors***

Investing in securities involves risk of loss that Investors should be prepared to bear. Investors should consider the following factors before investing in the Fund or establishing an SMA with the Firm. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund or when establishing an SMA with the Firm. Prospective investors should consult their professional advisers and review the legal documents for the Fund before deciding to subscribe for shares.

***Business Risk***

There can be no assurance that the Fund or SMAs will achieve their investment objectives. The investment results of the clients are reliant upon the success of the Firm.

***Concentration of Investments***

The Firm's policy of each client is to diversify its investment portfolio to an extent though, generally, the Clients' portfolios will be comprised of a relatively concentrated number of high conviction securities. Clients could be subject to significant losses if they hold large positions in a particular investment that declines in value.

***Liquidity***

In some circumstances, investments may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. Accordingly, the clients' ability to respond to market movements may be impaired and the clients may experience adverse price movements upon liquidation of their investments. Settlement of transactions may be subject to delay and administrative uncertainties.

***Currency Exposure***

The Funds' Shares are denominated in Euro and Dollars and Shares are issued and redeemed in these currencies. Certain amounts of the assets of the Fund may, however, be invested in securities and other investments which are denominated in currencies other than Euros/Dollars. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Firm may seek to hedge the foreign currency exposure of each of the Classes of share. However, the Funds are necessarily subject to foreign exchange risks. In addition, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value in the Euro/Dollar, as the case may be, and such other currencies.

***Short Selling***



Clients' investment portfolios may include short positions. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to clients of buying those securities to cover the short position. There can be no assurance that the security necessary to cover the short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. In addition, if a sufficient number of market participants have entered into a short position, the short position may not react in the same way as a security would with no or limited short interest. In the case of a market downturn the short position may therefore not provide the investment return the Firm expected.

There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short with purchase on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

Due to regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted and/or more onerous disclosure requirements in respect of short positions have been implemented. The levels of restriction and disclosure vary across different jurisdictions and are subject to change in the short to medium term. Such restrictions and/or disclosure requirements have made it difficult and, in some cases, impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions or have increased the risk for such participants to do so. Accordingly, the Firm may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of the Firm to fulfil the investment objectives of clients may be constrained.

#### Derivatives

Clients may from time to time utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of their investment policies. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery.

Clients may also sell covered and uncovered options on securities. To the extent that such options are uncovered, clients could incur an unlimited loss.

#### Leverage

Clients may employ leverage for the purpose of making investments. The use of leverage creates special risks and may significantly increase client's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase clients' exposure to capital risk. Any investment income and gains earned on investments made through the use of leverage that are in excess of the costs associated therewith may cause the Net Asset Value of the Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the Net Asset Value of the Shares may decrease more rapidly than would otherwise be the case.

Clients' use of leverage, including borrowings, will not exceed 200% (for the Talomon Value Fund) or 130% (for the Talomon Value Long Fund) of their Net Asset Value as calculated in accordance with the gross and commitment approach prescribed under Alternative Investment Fund Managers Directive. Leverage may be achieved through borrowing, financial derivative instruments and/or entering into margin lending agreements.

#### **Item 9: Disciplinary Information**

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The Firm has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

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

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The Firm does not have any financial industry activities or affiliations that create a material conflict of interest. The management and employees of Talomon Capital plan to dedicate substantially all of their professional efforts to the Firm and currently have no significant outside business interests.

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

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##### ***Participation or Interest in Client Transactions***

We serve as the investment adviser to the Clients. Employees, affiliates of the employees, and relatives of the employee may make investments in the Fund. We may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Clients through the Performance Fee and/or a direct investment interest in the Fund. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

##### ***Code of Ethics & Personal Trading***

We have adopted a Code of Ethics and a Personal Account Trading Policy that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which any principal or employee has investment discretion.

The foundation of the Code of Ethics and Personal Account Trading Policy is based on the underlying principles that:

- Employees must at all times place the interests of the clients first;
- Employees must make sure that all personal securities transactions are conducted in accordance with the Code of Ethics and Personal Account Trading Policy; and
- Employees should not take inappropriate advantage of their position at Talomon Capital.

Talomon Capital employees (and members of their immediate households) are not permitted to privately trade on their own account. The spirit of the Code of Ethics and the Personal Account Trading Policy is to minimise any conflicts of interest.

All Talomon Capital employees must attest to not trading on their own account via their quarterly attestations which are reviewed and signed by the CCO. These records are used to monitor compliance with the foregoing policies.

Employees must obtain pre-approval from the CCO before engaging in any outside business activities or receiving an allocation of an Initial Public Offering.

#### ***Insider Trading Policies and Procedures***

Talomon Capital maintains Insider Trading policies and procedures (the “**Insider Trading Policies**”) that are designed to prevent the misuse of material, non-public information. Among other things, such policies seek to control and monitor the flow of inside information to and within Talomon Capital, as well as prevent trading based on inside information. On a periodic basis, our employees are required to certify to their compliance with the Compliance Manual, Code of Ethics and Personal Account Trading Policy, including the Insider Trading Policies.

Our Code of Ethics and Personal Account Trading Policy are available to Investors (including prospective investors) upon request.

#### ***Privacy Policy***

We are committed to maintaining the confidentiality, integrity and security of Investors’ personal information and we maintain a privacy policy which is provided to all new Investors and will be distributed to Investors on an annual basis.

It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about Investors or former investors to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about Investors to those employees with a legitimate business need for the information. We maintain security practices, physical, electronic, and procedural safeguards to guard Investor’s non-public personal information. Please contact the CCO for more information.

**Item 12: Brokerage Practices**

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As an investment adviser and a fiduciary to our clients, we require that our clients' interests be placed first and foremost, and our trading practices and procedures prohibit unfair trading and seek to disclose and avoid any actual or potential conflicts of interests, or resolve such conflicts in the clients' favour. We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all clients and that no client is advantaged or disadvantaged over any other.

***Aggregation***

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate client transactions where possible and when advantageous to clients. Clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

***Allocation***

Our allocation policy prohibits any allocation of trades in a manner that would result in our proprietary accounts, affiliated accounts, or any particular client or group of clients receiving more favourable treatment than other clients.

***Best Execution***

As an investment advisory Firm, we have a fiduciary duty to seek best execution for client transactions (i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances). As a matter of policy and practice, Talomon Capital will seek to obtain best execution for client transactions.

***Principal Trading***

We do not engage in any principal transactions.

**Item 13: Review of Accounts**

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***Review of Accounts***

The portfolios managed by the Firm are reviewed at a minimum on a monthly basis to assure conformity with investment objectives and guidelines.

***Reporting***

The Firm provides Investors in the Fund and Segregated Account with monthly reporting directly as well as the administrators independently once the books reconciled monthly between the twop that include portfolio holdings and performance information. In addition, realized gains/losses, interest and dividends earned are reported annually to Investors in the Fund in the form of audited financial statements.

**Item 14: Client Referrals and Other Compensation**

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Neither Talomon Capital nor any related person receives any economic benefits from third parties in connection with the provision of investment advice to our clients. Additionally, neither Talomon Capital nor any related person is directly or indirectly compensated by any third party for investor referrals. Notwithstanding the foregoing, the Firm may, from time to time, receive minor non-monetary benefits from service providers in connect with its investment advisory business, such as gifts and/or entertainment. The Firm has implemented a gifts and entertainment policy, whereby gifts and/or entertainment whether given or receive by the Firm's staff above a certain value must be approved by the Chief Compliance Officer before giving or receipt.

**Item 15: Custody**

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Talomon will not have physical custody of any client assets. It does not have "deemed" custody as it has no authority over the assets of the Talomon Funds, other than the investment advisory authority pursuant to the relevant investment advisory agreement, and no authority to withdraw client assets on its own instruction.

**Item 16: Investment Discretion**

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Talomon Capital possesses discretionary portfolio management authority over the clients' assets with respect to asset allocations and direct investments as per the advisory agreements and offering documents. Prior to assuming full discretion in managing a client's assets, we enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Pursuant to the terms of our investment management agreements, Talomon Capital has the authority to determine:

- (i) the securities to be purchased and sold for the client accounts (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) ;
- (ii) the amount of securities to be purchased or sold for the client accounts;
- (iii) The broker or dealer to be used for a purchase or sale of securities for a client's account; and
- (iv) Commission rates to be paid to a broker or dealer for a client's securities transactions.

**Item 17: Voting Client Securities**

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Talomon Capital has established proxy voting policies and procedures since we are required to vote proxies for certain investments and on corporate actions.

To the extent Talomon Capital has been delegated proxy voting authority on behalf of its clients, Talomon Capital complies with its proxy voting policies and procedures that are designed to ensure that, in cases where Talomon Capital votes proxies with respect to client securities, such proxies are voted in the best interest of the clients. The Investors in the Fund and Segregated Account may not direct voting of proxies.

**Item 18: Financial Information**

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Talomon Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.