

Cairn Capital Limited

Form ADV Part 2

31 March 2021

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This brochure provides information about the qualifications and business practices of Cairn Capital Limited. If you have any questions about the contents of this brochure, please contact us directly at +44 (0)20 7259 4800 or via email at ADVII@cairncapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cairn Capital Limited is also available on the SEC's website at www.adviserinfo.sec.gov.

Cairn Capital Limited is registered as an overseas investment adviser with the SEC. Please note that registration does not imply any certain level of skill or training.

Summary of Material Changes
to Form ADV Part 2 dated 31 March 2020

Paragraph 1.A.: The percentage of share capital owned by Mediobanca S.p.A. has been updated and reference to a sale and purchase agreement entered into by Cairn Capital Group Limited has been added..

Paragraph 1.B.: Minor changes have been made to this section to reflect developments in relation to the focus of the business of Cairn Capital Limited and the closing of the corporate debt advisory business in 2019.

Paragraph 1.E.: Assets under management have been updated to reflect the position as at 31 December 2020.

Paragraph 2.A.: Reference to the charging of fixed periodic fees or fees payable on completion of a mandate have been deleted as a result of the closing of the corporate debt advisory business.

Paragraph 2.D.: This paragraph has been amended to delete reference to certain fees potentially being payable in advance as that is no longer the case following the closing of the corporate debt advisory business.

Paragraph 7.B.: This has been amended as Cairn Capital Limited has applied to withdraw registration as a commodity trading adviser.

Paragraph 10.B.: Minor changes have been made to this paragraph to reflect changes in staffing levels.

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1. Advisory Business (Item 4)

- A. Cairn Capital Limited (“Cairn Capital”) is registered as an overseas investment adviser with the SEC (801-66019). Cairn Capital was established in February 2004 in the United Kingdom and is a wholly-owned subsidiary of Cairn Capital Group Limited, which was also established in the United Kingdom in February 2004. Cairn Capital delivers a broad range of credit market services to clients and investors including pension funds, insurance companies, banks, money managers, corporations and funds of funds.

On 31 December 2015 Mediobanca S.p.A. (“Mediobanca”) acquired 51% (by capital and voting rights) in Cairn Capital Group Limited (“CCGL”). The majority of the remaining 49% was owned by the management and staff of Cairn Capital with STAR Capital Partners Investments LLP holding a minority stake. Since that date, Mediobanca has acquired shares from minority shareholders and pursuant to rights issues in December 2019 and January 2021. As a result, as at 31 March 2021 its ownership has increased to 83.81%. The remaining 16.19% is owned by the management and staff of Cairn Capital with STAR Capital Partners Investments LLP holding a reduced minority stake. The holders of the share capital not owned by Mediobanca have the option to put their shares to Mediobanca on 31 December 2021.

On 29 January 2021 a Share and Business Sale and Purchase Agreement was entered into between Bybrook Capital LLP (the “Business Seller”), two individuals as owners of the Business Seller (the “Bybrook Owners”) and CCGL, as purchaser, under which:

- (i) the Business Seller agreed to sell and CCGL agreed to purchase the business of Bybrook Capital LLP (together with the assets of the business); and
- (ii) one of the individuals agreed to sell and CCGL agreed to purchase the entire issued share capital of Bybrook Capital Management Limited, a company incorporated in the Cayman Islands.

The acquisition is conditional upon, amongst other things, required regulatory approvals.

If the acquisition is approved, the business of the Business Seller will be merged into the business of Cairn Capital, the Business Owners will become shareholders in CCGL and the ownership of Mediobanca will decrease to approximately 63%.

Cairn Capital is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom.

Cairn Capital’s principal office is located in London, United Kingdom.

- B. Cairn Capital provides asset management and investment advisory services to clients. Cairn Capital’s focus, based on its highly specialised credit markets capability, is in the sectors of leveraged finance and private debt, commercial real estate debt, asset backed securities (“ABS”), collateralised loan obligations (“CLO”), collateralised mortgage backed securities (“CMBS”) and structured credit more generally.

The asset management services provided by Cairn Capital generally involve the management of the asset portfolios for the client, including the selection of assets to be acquired and assets to be disposed of, monitoring the assets in the portfolio and arranging any currency and interest rate hedging which Cairn Capital considers to be necessary.

Cairn Capital also provides structuring and advisory services relating to asset portfolios under which Cairn Capital does not have discretion to manage the assets of the client but provides advice as to how that should be done. The advisory services provided by Cairn Capital are usually of a longer-term nature involving monitoring and advising on a portfolio of assets.

In portfolio management and advisory engagements, including both those with discretionary and non-discretionary investment authority, Cairn Capital will generally review portfolio assets on a regular basis and make decisions or recommendations, as applicable, for future portfolio actions with respect to individual securities (or the portfolio as a whole) based on an analysis of current market values and trends, fundamental value, security specifics, technical flows and any other factors relevant to expected performance.

In 2014, Cairn Capital established Cairn Loan Investments LLP ("CLI") as an independent UK limited liability partnership to build on Cairn Capital's successful CLO management business. CLI is the collateral manager for eight European CLO and has invested in the most junior tranche of notes issued by each CLO and committed to hold those notes for the duration of the CLO to satisfy European risk retention requirements. CLI has reached the end of its drawdown period and is unable to launch new CLOs. Accordingly, Cairn Capital has established Cairn Loan Investments II LLP ("CLI II") which follows the same model as CLI. As at 31 March 2021, CLI II is the collateral manager for two European CLO and one pre-securitisation warehouse. CLI II has invested in the most junior tranche of notes issued by each CLO and committed to hold those notes for the duration of the CLO to satisfy European risk retention requirements. CLI II has also invested in the junior tranche of notes issued in the pre-securitisation warehouse.

Both CLI and CLI II are independently funded by their respective members and are not affiliates of Cairn Capital. However, Cairn Capital has seconded its CLO portfolio management team to CLI and CLI II, which team is responsible for the portfolio management and credit decisions. Cairn Capital also provides supporting functions to CLI and CLI II under services agreements (including credit research, systems development, legal and compliance, operations, finance and risk management).

Historically, Cairn Capital has also provided successor portfolio management services to closed end vehicles (for example, collateralised debt obligations) across the range of credit products, where Cairn Capital has been mandated to replace the original collateral manager. Within the parameters established by the original transaction structure and portfolio collateral, Cairn Capital aimed to deliver, where possible, enhanced outcomes to investors and creditors. However, few of those transactions remain and Cairn Capital is no longer actively seeking such opportunities.

- C. Cairn Capital's advisory services are tailored to the individual needs of clients. Advisory mandates are individually negotiated and as part of those negotiations the needs of the client will be addressed and the client will be able to impose any restrictions the client wishes to impose, including restrictions on investing in certain securities or types of securities.
- D. Cairn Capital does not participate in wrap fee programs.

- E. As at 31 December 2020, Cairn Capital managed assets on a discretionary basis of approximately U.S.\$1,840,871,029 and on a non-discretionary basis of approximately U.S.\$91,389,086. In addition, as at that date, Cairn Capital managed certain legacy assets, comprised of CDO transactions, of approximately U.S.\$90,267,876.

2. Fees and Compensation (Item 5)

- A. The fees charged by Cairn Capital vary from client to client, are negotiable and are determined by reference to a number of factors including the expected activity, target return and risk profile, degree of expertise and responsibility required of Cairn Capital to meet its obligations and market levels.

The fees for discretionary asset management are generally paid monthly or quarterly in arrear and generally include two elements, a base fee which is paid by reference to the value of the assets under management and a performance or incentive fee which represents a percentage of any excess returns achieved over prescribed hurdle levels.

Fees for advisory services where Cairn Capital does not have discretion to manage the assets of the client vary depending upon a number of factors including the size of the asset portfolio concerned, the complexity of the portfolio and the degree of expertise and responsibility required. Fees for such services are generally based upon a percentage of the assets contained within the portfolio for which Cairn Capital is providing advisory services and may include a specified minimum fee or specified minimum term.

- B. For discretionary asset management mandates, Cairn Capital is generally paid out of the assets under management pursuant to the mandate although a client may elect to be billed directly for fees incurred. Where fees are paid out of the assets under management, Cairn Capital does not have authority simply to deduct such fees from the assets under management. Any such fees are required to be agreed and approved by the client or by a third party on the client's behalf such as, in the case of a private fund managed by Cairn Capital, the administrator appointed by the fund to provide administrative services in connection with the fund. Fees for advisory services are billed directly to the client.
- C. In connection with discretionary investment management services, clients may pay other fees and expenses, depending on the nature of the services, including custodian fees, prime brokerage fees, fees of the administrator and directors' fees. See paragraph 9 below for a discussion of Cairn Capital's brokerage practices.
- D. Cairn Capital does not require its clients to pay fees in advance.
- E. Neither Cairn Capital, nor any of its officers or employees, accepts compensation for the sale of securities or other investment products.

3. Performance Based Fees and Side-By-Side Management (Item 6)

Cairn Capital provides investment management and advisory services to a range of clients and, accordingly, circumstances may arise in which Cairn Capital, an affiliate of it or a supervised person (as defined by the SEC) may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties or of Cairn Capital. For example, under discretionary asset management transactions Cairn Capital may receive fees based, in part, on a performance or incentive fee

which represents a percentage of any excess returns achieved over prescribed hurdle levels, while at the same time providing portfolio advisory services to other clients in which fees are fixed or calculated solely as a percentage of assets. In such circumstances, Cairn Capital or its supervised persons will have an incentive to favour accounts for which Cairn Capital receives a performance based fee over accounts for which Cairn Capital receives a fixed fee or a fee calculated solely as a percentage of assets. These conflicts are addressed by the adoption by Cairn Capital of an allocation policy which requires Cairn Capital to allocate orders fairly and not give unfair preference to any client, independent of the fee structure.

If Cairn Capital acts for a client in circumstances where it has a material interest or conflict of interests Cairn Capital will take reasonable steps to ensure that the client is treated fairly. In order to identify circumstances in which Cairn Capital, an affiliate of it or a supervised person may have a material interest in a transaction with or for a client or where a conflict of interest may arise between the client's interests and those of other clients or counterparties or of Cairn Capital, the legal and compliance group within Cairn Capital works to ensure that potential conflicts of interest and related issues are identified and dealt with swiftly and at an appropriate level within Cairn Capital. Any actual or potential conflict of interest is initially discussed by the Chief Legal Officer and/or Chief Compliance Officer with the relevant personnel and, if the issue cannot be immediately resolved by such discussion, is referred to the Conflicts of Interest Committee ("COIC") of Cairn Capital. The COIC will determine what action should be taken in order to resolve or manage the conflict. Such action may include declining to act in the particular matter.

Cairn Capital provides guidance and training in conflict matters in order to ensure that all relevant employees are kept aware of and up to date on applicable regulations and internal policies. With certain exceptions, because of the size of Cairn Capital and the fact that the employees are located on a single floor, Cairn Capital does not seek to operate information barriers and policies designed to ensure that price sensitive and/or confidential information held by employees does not pass to other employees. In situations where Cairn Capital receives information which is or may be price sensitive, Cairn Capital will generally regard itself and all employees as restricted. For example, where Cairn Capital elects to be private in respect of a loan which Cairn Capital proposes to acquire for a fund or other entity to which it provides investment management services and receives private information as a result, Cairn Capital will regard itself as restricted in respect of any publicly traded securities of the relevant entity or a related entity, if material, and the entity will be placed on the restricted trading list maintained by Cairn Capital.

Under its Conflicts of Interest policy, Cairn Capital is not under an obligation to disclose that it, an affiliate or a supervised person has or may have a material interest in a particular transaction with or for a client or that in a particular circumstance a conflict of interest or duty may exist, where Cairn Capital has managed such conflicts to ensure, with reasonable confidence, that the risk of damage to the client's interests will be prevented. Such steps may include relying on a policy of independence under which every relevant employee must disregard any material interest or conflict of interest when advising a customer or dealing for a customer in the exercise of discretion. In addition, in accordance with the Code of Ethics, staff are required to disclose all actual or potential conflicts to Compliance. Cairn Capital is not under any obligation to account to a client for any profit, commission or remuneration made or received from or by reason of transactions or circumstances in which Cairn Capital, its affiliates or a supervised person has a material interest or where in particular circumstances a conflict of interest or duty may exist. It is Cairn Capital's policy to disclose generally the existence of potential conflicts of interest where practicable or appropriate. Where Cairn Capital is unable to manage a conflict to ensure, with

reasonable confidence, that the risk of damage to the client's interests will be prevented it will disclose to its client the material interest or conflict of interest that it, its affiliate or a supervised person has, or may have, whether generally or in relation to a specific transaction, before it advises the client or before it deals on behalf of the client in the exercise of discretion in relation to the transaction. Cairn Capital will record this disclosure and record the steps taken to ensure that the customer does not object to that material interest or conflict of interest. From time to time, a client agreement entered into by Cairn Capital may require Cairn Capital to disclose all potential or actual conflicts of interest to the client whether or not Cairn Capital is able to manage such conflicts to ensure, with reasonable confidence, that the risk of damage to the client's interests will be prevented.

4. Types of Clients (Item 7)

Cairn Capital generally provides investment advice to professional and institutional investors including, but not limited to, banking institutions, pension funds, insurance companies, pooled investment vehicles (e.g. hedge funds and other unitised pooled funds), corporations, partnerships, money managers, state or municipal government entities and other government authorities.

Cairn Capital has no established minimum client or account size for Cairn Capital to build or pursue a relationship.

5. Methods of Analysis, Investment Strategies and Risk of Loss (Item 8)

- A. In managing or advising on specific assets or portfolios of assets (or derivatives relating to assets) Cairn Capital carries out extensive analysis relating to an individual position, groups of positions or the aggregate portfolio.

At an individual position level Cairn Capital will carry out fundamental credit research as to the quality or strength of the cash flows of the creditor to which the position relates. In the case of a corporate asset this will include the prospects of the company, a view of the sector in which the company operates, the sensitivity of the earnings of the company to external factors and any other factors that may affect the company's ability to service its debts on a timely basis. In the case of structured credit or asset backed securities the underlying exposure will be to a pool of collateral (for example credit card receivables or mortgages) and the fundamental research will relate to the performance of that collateral pool under certain base case and stressed assumptions. The fundamental research is carried out by the credit research team.

Cairn Capital will also:

- (i) analyse the structure of the issuing entity to which exposure is being taken to determine the ranking of the position relative to other creditors;
- (ii) analyse the technical flows in the overall market as well as a particular security or position to determine whether market positioning has the potential to affect the price of a security from technical flows;
- (iii) analyse the liquidity of a position based on trading volumes and factor that into judging the appropriate size of a position for a particular mandate;

- (iv) at a sectoral level, judge whether exposures taken to a regional or industrial sector are appropriate and what factors may affect performance of borrowers in that sector including regulatory or governmental activity; and
- (v) at a portfolio level, analyse correlations between assets to determine overall risk positioning and may use index based transactions to adjust portfolio beta.

Cairn Capital is committed to adopting and implementing responsible investment principles in a manner that is consistent with its fiduciary responsibilities to its clients. In furtherance of this Cairn Capital has adopted an ESG policy which sets out Cairn Capital's approach to the management of environmental, social and governance (ESG) issues, including the principles which it aspires to. The policy is supported by a set of procedures which have been implemented in order to integrate these principles into Cairn Capital's activities. CCGI is a signatory to the UN-supported Principles for Responsible Investment (PRI). The PRI is a global, collaborative network of investors established in 2006 in recognition of the increasing relevance of ESG issues within the investment process.

- B. Cairn Capital manages strategies on an active basis and does not follow benchmarks. Strategies are tailored to a particular client's aims and can be long only or long biased (where index and single name shorts can be used to manage overall beta but the client's portfolio cannot be short on an overall basis).

In all cases, the investment strategy will be agreed with the client and suitable limits, loss tolerances and return targets agreed.

Securities and derivatives trading are speculative and involve substantial risk of loss. However, in Cairn Capital's opinion, its strategies for evaluating credit risk and for developing appropriate models and assumptions to measure actual and expected security performance do not involve any significant or unusual risks to clients. Cairn Capital's primary strategies do not involve frequent trading of securities.

- C. Cairn Capital's advisory recommendations for clients are based on an evaluation of the client's needs, risk tolerance, regulatory requirements and other factors specific to that client and therefore differ substantially from one client to another. Portfolio advisory engagements will generally be focused on a specific asset class or group of asset classes, but even within a general asset class category Cairn Capital will not primarily recommend any particular type of security except in the event that a client specifically requests such a focus and Cairn Capital agrees to accept the mandate under those conditions. In any investment advisory or investment management mandate there is a risk of loss which Cairn Capital seeks to quantify and ensure that the returns for taking on that risk are adequate. This will depend upon the analysis described above as well as the returns available.

6. Disciplinary Information (Item 9)

Neither Cairn Capital, nor any of its officers or employees, has any disciplinary history or disciplinary actions pending.

7. Other Financial Industry Activities and Affiliations (Item 10)

- A. Neither Cairn Capital, nor any of its officers or employees, is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Cairn Capital is registered as a commodity pool operator with the US Commodity Futures Trading Commission and is a member of the US National Futures Association.
- C. Cairn Capital's ultimate parent company, Mediobanca, has made available to Cairn Capital seed capital which has been allocated to and deployed in investment funds or pooled investment vehicles managed by Cairn Capital and other investment vehicles established by Cairn Capital. As part of the allocation and deployment of that seed capital, Cairn Capital has agreed to grant favourable fee terms to Mediobanca. However, Cairn Capital will not grant other favourable terms to Mediobanca (such as liquidity terms or the provision of information) without full disclosure of any such terms to other investors in the relevant pool or vehicle.

From time to time, Cairn Capital in its capacity as investment manager for investment funds or pooled investment vehicles may enter into securities, loan, foreign exchange or other derivatives transactions with Mediobanca. Such transactions are entered into on arm's length terms and any conflict of interest arising from such transactions is managed by application of the stringent policies and procedures that Cairn Capital has adopted, including its obligation to obtain best execution for clients.

In connection with the marketing of certain of the pooled investment vehicles managed by Cairn Capital or in respect of which it has had investment management responsibility delegated to it, Cairn Capital benefits from arrangements with members of the Mediobanca group of companies to raise capital for the vehicles for which such members are compensated from the fees otherwise payable to Cairn Capital. Such arrangements are not considered to create a material conflict of interest with clients.

Save as mentioned in this paragraph, neither Cairn Capital, nor any of its officers or employees, has any relationship or arrangement that is material to Cairn Capital's advisory business or to its clients with any related person.

- D. Cairn Capital does not recommend or select other investment advisers for its clients and receive compensation directly or indirectly from those advisers or have other business relationships with those advisers that create a material conflict of interest.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item 11)

- A. Cairn Capital, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Investment Advisers Act of 1940), has adopted a written Code of Ethics covering all supervised persons. Cairn Capital's Code of Ethics requires high standards of business conduct, compliance with

federal securities laws, reporting and recordkeeping of personal securities transactions. This includes pre-approval of transactions, where appropriate, as well as annual holdings reviews and ongoing reviews of employee personal trading activity. Further, employees are not permitted to participate in or have a financial interest in client transactions and portfolio managers and research analysts are not permitted to invest in the same securities as are traded for clients. Employees are subject to disciplinary actions and/or possible sanctions for a failure to comply with Cairn Capital's Code of Ethics. Cairn Capital will provide a copy of the Code of Ethics to any client or prospective client upon request.

Cairn Capital is authorised and regulated by the FCA in the United Kingdom. As a result of this regulation, Cairn Capital is subject to certain principles for business, senior managers are required to be approved by the FCA for the performance of their senior management functions, employees performing a certification function (which includes the giving of investment advice and the provision of investment management services) are required to be certified by Cairn Capital to perform that function and all employees are subject to the FCA's Code of Conduct. The principles to which Cairn Capital and its staff are subject may be summarised as follows:

- (i) Cairn Capital must conduct its business with integrity, due skill, care and diligence, maintain adequate financial resources, observe proper standards of market conduct, manage conflicts of interest fairly, take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement, arrange adequate protection for clients' assets when it is responsible for them and deal with its regulators in an open and cooperative way;
 - (ii) individuals must act with integrity, due skill, care and diligence, be open and cooperative with the FCA and other regulators, pay due regard to the interests of customers and treat them fairly and observe proper standards of market conduct; and
 - (iii) a senior manager must (a) take reasonable steps to ensure that the business of Cairn Capital for which he/she is responsible is controlled effectively, (b) take reasonable steps to ensure that the business of Cairn Capital for which he/she is responsible complies with the relevant requirements and standards of the regulatory system, (c) take reasonable steps to ensure that any delegation of his/her responsibilities is to an appropriate person and that he/she oversees the discharge of the delegated responsibility effectively and (d) disclose appropriately any information of which the FCA would reasonably expect notice.
- B. From time to time, Cairn Capital in its capacity as investment manager for investment funds or pooled investment vehicles may enter into securities, loan, foreign exchange or other derivatives transactions with Mediobanca including in respect of securities issued by Mediobanca. Such transactions are entered into on arm's length terms and any conflict of interest arising from such transactions is managed by application of the stringent policies and procedures that Cairn Capital has adopted, including its obligation to obtain best execution for clients.
- C. Cairn Capital or a related person may from time to time invest in securities issued by funds managed by Cairn Capital which securities Cairn Capital may recommend to

clients. Such investments may include investments by CCGL as part of deferred bonus arrangements operated by CCGL, by Mediobanca pursuant to the seed capital arrangements referred to above and by employees of Cairn Capital. Such investments are not generally considered to give rise to material conflicts of interest. Any conflict of interest that may arise will be managed by application of the stringent policies and procedures that Cairn Capital has adopted.

- D. Neither Cairn Capital nor any related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that Cairn Capital or a related person buys or sells the same securities for its own (or the related person's own) account.

9. Brokerage Practices (Item 12)

- A. Cairn Capital does not have client assets in its possession (or under its control). In the case of discretionary portfolio mandates, Cairn Capital relies on clearing brokers, third-party broker-dealers, custodians and other counterparties who are aware that Cairn Capital is authorised to effect transactions on behalf of the client.

The factors considered by Cairn Capital in selecting brokers and counterparties and determining the reasonableness of their commissions and charges include the following:

- (i) the credit rating and credit standing of the broker/countryparty;
- (ii) the ability of the broker/countryparty to offer speedy and efficient execution in a broad range of securities and products;
- (iii) transparency in pricing and whether the pricing offered is competitive by reference to other market participants; and
- (iv) the credit lines, collateral and other transaction terms offered by the broker/countryparty.

The value of any products, research and services given to Cairn Capital or a related person is not a factor considered by Cairn Capital in selecting brokers and counterparties and determining the reasonableness of their commissions and charges. Under the regulations to which Cairn Capital is subject, Cairn Capital has elected to pay out of its own resources for investment research from financial institutions which may also be brokers and counterparties used by Cairn Capital.

As a company authorised and regulated by the FCA, Cairn Capital is required, when providing the service of investment, portfolio or collateral management, to comply with the obligation to act in accordance with the best interests of its clients when placing orders with third parties for execution that result from decisions by Cairn Capital to enter into transactions in financial instruments on behalf of its clients. This is reflected in Cairn Capital's Execution Policy, which is made available to clients of Cairn Capital.

Cairn Capital does not routinely recommend, request or require that a client direct Cairn Capital to execute transactions through a specified broker-dealer. Should a client instruct Cairn Capital to direct the client's brokerage transactions to a particular broker-dealer, Cairn Capital will require the client to acknowledge that this may prevent Cairn Capital from being able to obtain the best possible result for the execution of the transaction.

- B. Cairn Capital may carry out a client order in aggregation with another client order only if the following conditions are met:
- (i) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and
 - (ii) it has disclosed either orally or in writing to each client whose order is to be aggregated, either specifically or in the client agreement, that the effect of aggregation may work to its disadvantage in relation to a particular order.

Cairn Capital's policy is to aggregate orders when Cairn Capital has the opportunity to do so and the above conditions are met. If Cairn Capital does not aggregate orders when it has the opportunity to do so it is possible that the costs to a client whose order was not aggregated may be greater than if the order had been aggregated because, for example, aggregation would have resulted in a larger transaction size and lower transaction costs as a result.

10. Review of Accounts (Item 13)

- A. Given the nature of its business, Cairn Capital does not have standard formal rules dictating the frequency of reviews of client accounts and client agreements.
- B. Instead, the accounts of Cairn Capital are monitored and reviewed on an ongoing basis so that any action which Cairn Capital considers to be necessary or advisable can be determined and implemented on a timely basis. For individual positions in certain accounts stop loss triggers may be agreed at the time that the position is entered into. A strong risk management discipline is observed and risk profiles and limits are actively monitored and reviewed. The accounts and positions of the funds and other clients whose accounts consist of or include corporate or financials positions are monitored and reviewed by the corporates and financials portfolio management team (which includes two portfolio managers) and the research team (which includes five credit researchers). The accounts and positions of clients whose accounts consist of or include asset backed securities, real estate debt or structured finance debt are monitored and reviewed by the structured finance team (which includes one analyst and five portfolio managers who have different specialisations). All transactions in such accounts, other than transactions meeting certain pre-approved criteria, require the approval of the investment committee of Cairn Capital. The accounts and positions of clients whose accounts consist of or include loans are monitored and reviewed by the loans team (which includes two portfolio managers) and the research team in London, assisted by a dedicated team of researchers based in Mumbai, India. All transactions in such accounts require the approval of the investment committee of the company. In addition, Cairn Capital maintains a transaction compliance group of two employees who are responsible for checking that any transactions in a client's account comply with any investment restrictions and limitations applicable to the account (such as limitations imposed by the transaction documents on the nature of the assets that may be acquired, including limitations on asset types, minimum credit ratings, the volume of trading, industry types and geographical concentrations).
- C. The documentation entered into by Cairn Capital with its clients provides for the provision of detailed reports to Cairn Capital's clients. Such documentation is individually negotiated and as such the nature and frequency of the reports to be provided varies.

The reports are generally required to be provided quarterly or monthly and provide details of the assets included in the client's portfolio, the performance of the portfolio and other relevant information required by the documentation entered into by Cairn Capital. In addition, in the case of a number of Cairn Capital's clients, the company provides "informal" (in the sense that they are not mandated by the legal documentation) regular reports to investors.

11. Client Referrals and Other Compensation (Item 14)

Cairn Capital, as a matter of policy and practice, may compensate persons, i.e., individuals or entities, for the referral of advisory clients to Cairn Capital provided appropriate disclosures and regulatory requirements are met. Such referral and compensation arrangements will generally be specific to a particular situation.

Under the SEC cash solicitation Rule (Rule 206(4)-3) and comparable rules adopted by most states, investment advisers may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions are met under the rules.

Cairn Capital has adopted various procedures to monitor and ensure Cairn Capital's policy is observed, implemented and updated, which include the following:

- (i) Cairn Capital's Chief Compliance Officer and Chief Legal Officer will review and approve the relevant person's background, compensation matters and related matters.
- (ii) Cairn Capital will restrict and monitor political contributions made by Cairn Capital and covered associates to government officials and/or candidates.
- (iii) If a potential conflict of interest is discovered during the initial and on-going due diligence of the relevant person, the agreement may be terminated to avoid any further potential conflicts of interest.

12. Custody (Item 15)

As a matter of policy and practice, Cairn Capital does not maintain custody of client assets, nor do its employees. It is Cairn Capital's policy that all funds, securities and other assets of each of its clients be maintained in the name of the respective client and held for safekeeping by a bank, broker/dealer or other custodian handling each client's respective account. Cairn Capital will not intentionally take custody of funds and/or securities.

13. Investment Discretion (Item 16)

Cairn Capital accepts discretionary authority to manage portfolios of assets on behalf of clients.

In the majority of discretionary mandates, Cairn Capital may be engaged to manage a portfolio on behalf of a client with the goal of providing a positive investment return over time while meeting the client's objectives with respect to asset class, risk profile and other parameters. In these cases, Cairn Capital will generally have full investment authority to buy and sell assets, enter into appropriate interest rate or currency hedges as required and make other decisions in connection with managing the portfolio. In such engagements, Cairn Capital's policy and practice is to enter into an agreement with the client which details the investment objectives and parameters and then on an ongoing basis provide disclosure to the client of Cairn Capital's views, decisions and actions with respect to portfolio assets.

14. Voting Client Securities (Item 17)

Cairn Capital, as a matter of policy and practice, has no authority to vote proxies on behalf of clients in the case of non-discretionary advisory mandates. Cairn Capital may offer assistance as to proxy matters upon a client's request and in certain portfolio advisory mandates will be explicitly engaged to provide such advice, but the client in non-discretionary mandates always retains the proxy voting responsibility. Cairn Capital's policy of not having proxy voting responsibility in non-discretionary mandates is disclosed to clients.

In the case of discretionary advisory mandates and asset management engagements, Cairn Capital will exercise, or refrain from the exercise of, any voting or other rights attaching to the investments comprised in a portfolio as Cairn Capital in its absolute discretion thinks fit. This policy will be explicitly disclosed to clients in the agreement between Cairn Capital and the client.

15. Financial Information (Item 18)

Cairn Capital does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Cairn Capital may in some cases have discretionary authority to manage portfolios on behalf of clients but will not have custody of client assets.