

# **Southern Ridges Capital (USA) LLC**

**Suite 23B, 767 Fifth Avenue, NY 10153**

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**This brochure provides information about the qualifications and business practices of Southern Ridges Capital (USA) LLC. If you have any questions about the contents of this Brochure, please contact us at +6598572241 or by email at [sherwin.lin@southernridgescapital.com](mailto:sherwin.lin@southernridgescapital.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 Southern Ridges Capital (USA) LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration as an investment adviser does not imply that Southern Ridges Capital (USA) LLC or any of its principals or employees possess a particular level of professional competence, education or special training in the investment advisory business or any other business.**

**Item 2: Material Changes**

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This is Southern Ridges Capital (USA) LLC's initial brochure filing. Therefore, there are no material changes applicable at this time. Material changes relating to the information contained in this Brochure will be included in subsequent filings.

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## Item 4: Advisory Business

### Advisory Firm

Southern Ridges Capital (USA) LLC (“**SRC US**”) is a Delaware limited liability company formed on September 17, 2020. The sole owner and member of SRC US is Southern Ridges Capital Pte. Ltd. (“**SRC Singapore**”) which is owned and controlled by the following parties.

Southern Ridges Partners Pte. Ltd.	10.75%
Mohit Khurana	66.75%
BCM Holdings Limited	22.50%

SRC US intends to act as a sub-investment adviser to the Southern Ridges Master Macro Fund (the “**Master Fund**”) and its feeder fund, Southern Ridges Macro Fund (collectively with the Master Fund, the “**Funds**”). The Funds are exempted companies incorporated with limited liability under the laws of the Cayman Islands. The Funds have not been and will not be registered under the United States Investment Company Act of 1940, as amended, and the sale of their interests will not be registered under the Securities Act of 1933, as amended.

SRC Singapore acts as investment manager to the Funds and delegates all investment management rights to the sub-advisor – SRC US. SRC Singapore and SRC US will be referred to collectively as “**SRC**” or “**Group**” in this brochure.

### Types of Services Offered

The principal activity of SRC US is to provide discretionary investment management services, including investment advisory services, to the Master Fund. SRC US and SRC Singapore have entered into a sub-advisory agreement (the “**Subadvisory Agreement**”) that governs SRC US’s investment and trading activities. The Sub-advisory Agreement authorizes SRC US to conduct investment activities such as portfolio management, risk management, research, and trading from its offices in New York City for the ultimate benefit of the Funds and future clients of SRC.

The investment objective of the Master Fund is to deliver absolute returns over the medium term with the expertise of an experienced team, supported by rigorous research and analytic tools. SRC US provides delegated investment management and advisory services to the Master Fund based on specific investment objectives and strategies. The Fund’s offering documents (as amended and supplemented from time to time) set forth the investment guidelines and/or the types of investments in which the Fund may invest.

### Ability to Tailor Services and Impose Restrictions

The investment objectives and strategy for the Funds are described in the Funds’ offering documents. SRC US provides investment management and advisory services to the Funds, pursuant to the Subadvisory Agreement, based on the specific investment objectives and strategies of the Funds and does not provide services individually to investors in the Funds (the “**Investors**”). Since SRC US does not provide tailored advice to the Investors, the Investors should consider whether the Funds’ investment strategies are in line with their risk tolerances. The Funds may from time to time enter into side letter agreements or other similar agreements (“**Side Letters**”) providing Investors with additional and/or different rights and benefits.

**Wrap Fee Programs**

SRC US does not participate, sponsor, or act as a portfolio manager for any wrap fee programs.

**Client Assets**

As of December 31<sup>st</sup>, 2020, SRC had approximately US\$532,181,944.06 of assets under management. Because (i) SRC US provides its advisory services to SRC Singapore, by means of the Subadvisory Agreement, on a discretionary basis and for the general benefit of the Funds and (ii) SRC US's services are not restricted to any particular portfolio or account, SRC US may be deemed to concurrently be managing all of the clients assets managed by SRC Singapore.

## Item 5: Fees and Compensation

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SRC US will receive payment from SRC Singapore for providing sub-advisory services to the Funds. The sub-advisory fees payable to SRC US by SRC Singapore represent a portion of the fees received by SRC Singapore from the Funds. The fees, compensation, and expenses applicable to the Funds are set forth in detail in their respective governing agreements.

### Management Fee

Investors in the Funds managed by SRC Singapore are charged a fee for investment management services based on assets under management (the “**Management Fee**”), which is set forth in the Funds’ offering documents. SRC Singapore receives an annual management fee of 1.5% to 2% per annum in respect of the net asset value (“**NAV**”) of the relevant class of shares or interests. The Management Fee is payable monthly in arrears as soon as practicable after the end of each calendar month. SRC Singapore may, in its sole discretion, waive, rebate, or decrease the Management Fee that is payable in whole or in part, in respect of certain Investors. The Funds may from time to time enter into Side Letters providing for changes in management fees.

### Performance Based Compensation

In addition to Management Fees, SRC Singapore receives performance-based compensation in the form of a performance fee or performance allocation (the “**Performance Fee**”) which is set forth in the Funds’ offering documents. The Performance Fee will accrue monthly as at the close of business on each valuation day and generally will be paid annually in arrears. Investors redeeming as of a date that is not the fiscal year end for a Fund will be assessed a Performance Fee calculated on a “crystallized” basis.

SRC Singapore in its sole discretion, may reduce, waive, rebate, or modify the Performance Fee with respect to certain investors. The Funds may from time to time enter into Side Letters providing for changes in Performance Fees. **Other Costs and Expenses**

The Funds bear all costs and expenses related to their investments and operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, interest and commitment fees on debit balances or borrowings, borrowing charges on securities sold short, costs of any liability insurance obtained on behalf of the Funds or the Board of Directors, custody fees, costs of any litigation or investigation involving the Funds activities, indemnification expenses, research and investment consultancy expenses, the Management Fee, remuneration of independent directors of the Funds, out of pocket expenses incurred by directors of the Funds, the Performance Fee, the fees and expenses of professionals providing services to the Funds (excluding all fees payable by SRC Singapore to SRC US in connection with the provision of investment management or similar services to the Funds), including legal, audit, accounting, tax, administration, fees and expenses of the members of the Board of Directors, regulatory costs, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes, corporate fees payable to governments or agencies, regulatory filing and license fees, all fees payable to third party service providers in connection with trade confirmation, holdings and order reconciliation, communication or information expenses with respect to Investor services, expenses of meetings of Investors and of preparing, printing and distributing financial and other reports, proxy forms, offering memoranda and similar documents, the cost of obtaining and maintaining any future listing of the Funds’ shares or interests on any stock exchange and any extraordinary fees and expenses incurred by SRC on behalf of the Funds. Such expenses are generally shared by all of the Investors; provided, however, that certain expenses related to a particular series or class of shares or interests will only be applied to such series or class.

If, in the future, SRC manages multiple client accounts, a portion of the Funds' operating expenses may be shared with other investment entities or accounts managed by SRC on an equitable basis.

**Sales Compensation**

SRC and its supervised persons do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments for the Funds. SRC and its supervised persons do not receive (directly or indirectly) sales commissions in connection with sales of interests in the Funds.

**Item 6: Performance-Based Fees and Side-By-Side Management**

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As discussed in **Item 5** above, SRC Singapore generally will be entitled to receive performance-based compensation (the Performance Fee) in connection with investment advisory services provided to the Funds.

SRC will manage the Fund and the Master Fund and will manage other funds and/or accounts and will remain free to provide such services to additional funds and accounts, including for their own accounts, in the future. SRC may vary the investment strategies employed on behalf of the Master Fund from those used for itself and/or for other clients. No assurance is given that the results of the trading by the SRC on behalf of the Master Fund will be similar to that of other funds and/or accounts concurrently managed by SRC.

The Performance Fee, however, does create or potentially exacerbate a conflict of interest between SRC and the Funds in that it creates an incentive for SRC to trade and invest the Funds' capital in a manner that is intended to generate larger, short term profits, which could increase the risk present in the Funds' portfolio at any given time. Such potential conflict of interest is mitigated by the employment of a risk management framework by SRC, the details of which are set out in Item 8 as well as in the Fund's offering documents.



**Item 7: Types of Clients**

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SRC US currently provides investment advisory services for the ultimate benefit of the Funds through the Subadvisory Agreement. Investors in the Fund primarily include but are not limited to Institutional Investors.

The minimum initial investment amount for the Funds is generally US\$1,000,000 and the minimum subsequent investment amount is US\$100,000.00. In certain circumstances, minimum investment amounts may be amended by a Funds' directors in consultation with SRC.

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

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**Investment Strategy and Objective**

The Master Fund employs a global macro strategy, with a particular focus on, but not limited to, the Asia region. The Master Fund has the flexibility to invest in a wide range of instruments including, but not limited to, listed equities, preferred stocks, equity-related instruments, debt securities and obligations (which may be below investment grade), currencies, commodities, futures (including index futures), options, warrants, swaps, and other derivative instruments. Derivative instruments may be exchange-traded or over-the-counter. The Master Fund may engage in short sales, margin trading, hedging and other investment strategies. The Master Fund may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective.

The investment objective of the Master Fund is to deliver absolute returns over the medium term with the expertise of an experienced team, supported by rigorous research and analytic tools.

SRC expects return generation to be a function of a well-managed investment process which correlates to the delivery of strong absolute returns over the medium term. The investment process is focused on the identification of experienced portfolio managers, a strong emphasis on research, and the development and utilization of quantitative tools in areas including capital allocation and trading optimization. The Master Fund will primarily invest in rates and foreign exchange using cash & derivative instruments. SRC aims to manage its market, credit, and liquidity risk proactively, and to manage the portfolio such that trades can be unwound in a time to satisfy redemption requests received by the Funds.

**Risk Factors**

An investment in the Funds involves a high degree of risk. There is no guarantee that implementation of the investment objective or strategy with respect to the assets will not result in losses to holders of participating shares.

Listed below are some of the key risks associated with an investment in the Funds. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in the Funds' investment strategies. For a complete explanation of the Funds' investment strategies and their associated risks, Investors and prospective investors are encouraged to read the Funds' offering documents and consult their own advisers before deciding whether to invest in the Funds. Investments should only be made if the nature of investments and risks of investment are understood.

No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

Operational risk

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people, and systems, or from external events.

SRC believes that the entire framework of manuals, documented workflows and operating procedures form the basis of the internal control systems within the Group.

Prospective investors should be aware that since SRC has only a limited operating history, there may be significant exposure to any operational weakness of SRC's business systems.

Regulatory/Legal risk

The Master Fund may make investments based on, or enter into contracts described by, significant legal documents. Such documents may include (but are not limited to) prospectuses and other offering documents as well as over-the-counter derivative contracts. SRC will generally seek the advice of legal counsel, experts, professional and other consultants on material matters; notwithstanding, there can be no guarantee that any advice given will be accurate, that a contract will be validly executed by the relevant counterparty or that a contract will ultimately prove to be enforceable against the relevant counterparty.

Legal and regulatory changes in various jurisdictions could occur during the lifetime of the Master Fund which may adversely affect it. Should any of those laws change over the term of the Master Fund, the legal requirements to which the Master Fund may be subject could differ materially from the current requirements. The Master Fund may be subject to tax in jurisdictions outside of the Cayman Islands in respect of investment made in those jurisdictions.

Availability of Investment Strategies

The success of the Master Fund's investment activities depends on the ability of SRC to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Master Fund involves a high degree of uncertainty. No assurance can be given that SRC will be able to locate suitable investment opportunities in which to deploy all of the Master Fund's assets or to exploit discrepancies in the securities and derivatives markets. Market factors including, but not limited to, a reduction in market liquidity or the pricing inefficiency of the markets in which the Master Fund seeks to invest, may reduce the scope for the Master Fund's investment strategies.

The Master Fund may be adversely affected by unforeseen events involving, without limitation, such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

Contagious Diseases

An outbreak of the highly pathogenic avian influenza caused by the H5N1 virus ("**avian flu**"), the H1N1 virus ("**swine flu**"), the ASF virus ("**African swine fever**"), Severe Acute Respiratory Syndrome ("**SARS**"), Middle East Respiratory Syndrome ("**MERS**"), the Covid-19 disease caused by the SARS-CoV-2 virus ("**COVID-19**") or other contagious disease may have an adverse effect on the economies of different regions in the world. In the past, large parts of Asia experienced outbreaks of avian flu and swine flu. An effective vaccine may not be discovered in time to protect against a potential avian flu or swine flu pandemic or to mitigate against COVID – 19. In 2003, Hong Kong experienced an outbreak of SARs, a highly contagious form of atypical pneumonia, which seriously interrupted economic activity and the demand for goods throughout Asia. In 2015, South Korea experienced an outbreak of MERS which is a viral respiratory infection with similar clinical features to SARS.

There is currently an outbreak of COVID-19 globally, which has seriously interrupted economic activity globally. While COVID-19 is still spreading and the final implications of the pandemic are difficult to estimate at this stage, it is clear that it will affect the lives of a large portion of the global population and cause significant effects. COVID – 19 has so far led to national holidays being extended and personnel being placed in quarantine and/or leave of absence, the closure of transport links for affected regions, and the implementation and enforcement of quarantine and lockdowns of affected regions.

The continued spread of COVID-19 or an outbreak of avian flu, swine flu, SARS, MERS, or other contagious diseases or the measures taken by the governments of affected countries against the spread of COVID-19 or such potential outbreaks or the perception that an outbreak of avian flu, swine flu, SARS, MERS, or some other contagious disease may occur again, and may have an adverse effect on economic conditions in different regions of the world.

#### Cybersecurity Risk

The Fund, the Master Fund, SRC and their service providers, including banks, broker dealers, custodians and their affiliates, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviours, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorised release of confidential information, unauthorised asset transfers and various other forms of cybersecurity breaches. Cyber-attacks affecting the Fund, the Master Fund, SRC or their service providers may adversely impact the Fund. For instance, cyber-attacks may interfere with the processing or execution of the Master Fund transactions, cause the release of confidential information, including private information about Shareholders, subject the Fund, the Master Fund, SRC or their affiliates to regulatory fines or financial losses, or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful withdrawal or transfer of funds) affecting any of the Fund's or the Master Fund's key service providers, such as SRC, banks, broker dealers, custodians or other counterparties holding assets of the Fund or the Master Fund, may cause significant harm to the Fund and the Master Fund, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which the Master Fund may invest. These risks could result in material adverse consequences for such issuers and may cause the Master Fund's investments in such issuers to lose value.

#### Commodity Futures Trading

Commodity futures trading is speculative and commodity futures prices can be highly volatile. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, and national and international political and economic events. Changing prospects occasioned by unexpected events make it difficult to forecast supplies of commodities. Demand is also difficult to forecast due to such factors as variable world production patterns, unexpected purchases by non-US countries and continued changes in domestic needs. Financial instrument futures prices are influenced primarily by changes in interest rates. Non-US currency futures prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations.

**Volatility and Leverage:** Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

**Daily Price Fluctuation Limits:** Commodity exchanges limit daily price fluctuations in certain commodity futures contracts. For contracts that have a price limit, no trades may be executed at prices beyond the "daily limit" during the trading day. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither initiated nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund

from promptly liquidating unfavourable positions and subject the Master Fund to substantial losses.

#### Concentration of Investments

The Fund will invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Fund and will accordingly not diversified directly.

The Master Fund may from time to time hold relatively few investments. The Master Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected (including as a result of default by the issuer).

#### Counterparties Risk

The Master Fund is subject to the risk of the inability of any counterparty (including any prime broker or custodian) to perform with respect to transactions, whether due to insolvency, bankruptcy, or other circumstances. The Master Fund is subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. Recent well-publicised weaknesses in certain financial institutions may be indicative of increased counterparty risk. In the event of any counterparty (including a prime broker or custodian) entering an insolvency procedure, the Master Fund could experience delays in liquidating its positions and incur significant losses, including the loss of that portion of the Master Fund's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Master Fund seeks to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. During an insolvency procedure (which may last many years) the use by the Master Fund of assets held by or on behalf of the relevant prime broker, custodian or counterparty may be restricted and accordingly (a) the ability of SRC to fulfil the investment objective may be severely constrained, (b) the Fund may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Master Fund is likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor) and accordingly the Master Fund may be unable to recover such assets from the insolvent estate of the relevant prime broker, custodian, or counterparty in full, or at all.

#### Custody Risk

There are risks involved in dealing with custodians or prime brokers who hold assets of the Master Fund and who settle the Master Fund's trades. Securities and other assets deposited with custodians or prime brokers may not be clearly identified as being assets of the Master Fund, and hence the Master Fund may be exposed to a credit risk with regard to such parties. In some jurisdictions, the Master Fund may only be an unsecured creditor of its prime broker or custodian in the event of bankruptcy or administration of such broker. Further, there may be practical, or time problems associated with enforcing the Master Fund's rights to its assets in the event of the insolvency of any such party (including sub-custodians or agents appointed by the custodian in jurisdictions where sub-custodians are not available).

Recent apparently significant losses incurred by many hedge funds in relation to the bankruptcy and/or administration of financial institutions illustrate the risks incurred in both derivatives trading and custody and prime brokerage arrangements. Assets deposited with prime brokers or custodians which are fully paid (being those not held by the prime broker as margin) may be held in segregated safe custody in accordance with the prime brokerage and custodian agreements. Assets held as collateral by the prime brokers or custodians in relation to facilities offered to the Master Fund and assets deposited as margin with the custodians and

prime brokers may therefore be available to the creditors of such persons in the event of their insolvency.

The banking and other financial systems in some jurisdictions may not be well developed or well regulated. Delays in transfers by banks may result, as may liquidity crises and other problems arising as a result of the under-capitalisation of the banking sector as a whole.

#### Derivatives

The Master Fund may utilise both exchange-traded and over-the-counter (“OTC”) derivatives, including, but not limited to, futures, forwards, swaps, options, and contracts for differences, as part of its investment approach. 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. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as there is no exchange market on which to close out an open position. The derivatives markets are frequently characterised by limited liquidity, which may make it difficult, as well as costly, to close out an open position to realise gain or to limit loss. It may not be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. The price at which a derivative instrument may be liquidated or sold, should the Master Fund wish or be compelled to do so, may be materially different from the price at which it is valued. 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.

The Master Fund may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Master Fund could incur an unlimited loss.

The Master Fund is also dependent on the willingness of counterparties to enter into off-exchange contracts with it. Failure to identify or delay in identifying such counterparties could limit the ability of the Master Fund to carry on its business.

#### Emerging Markets

Where the Master Fund invests in equities or other securities of companies incorporated in, or whose principal operations are in, emerging markets, additional risks may be encountered. These include:

- (A) **Currency Risk:** the currencies in which investments are denominated may be unstable and/or subject to significant depreciation and/or may not be freely convertible.
- (B) **Country Risk:** the value of the Master Fund’s assets may be affected by political, legal, economic and fiscal uncertainties, and existing laws and regulations may not be consistently applied.
- (C) **Market Characteristics:** emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than

more established markets and are not highly regulated, and settlement of transactions may be subject to delay and administrative uncertainties.

- (D) Custody Risk: custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Master Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.
- (E) Disclosure: less complete and reliable fiscal and other information may be available to investors.

Investment in the securities of issuers based in emerging markets involves a greater degree of risk than an investment in securities of issuers based in more developed countries. Among other things, emerging market securities investment may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favourable tax provisions, and a greater likelihood of severe inflation, unstable or not freely convertible currency, war and expropriation of personal property as compared with investments in securities of issuers based in more developed countries. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets are not generally as efficient as those in more developed countries.

In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighbouring exchange. Volume and liquidity levels in emerging markets may be lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices, and requirements comparable to those applicable to issuers based in more developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

Some emerging markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in more developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries. Custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Master Fund will not be recognised as the owner of securities held on their behalf by a sub-custodian.

With respect to any emerging market country, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income (whether with prospective or retrospective effect), limitations on the removal of funds or other assets of the Master Fund, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Master Fund's investments in those countries. The economies of individual emerging countries may differ favourably or unfavourably from the economy of a developed country in such respects as



growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. The economies of emerging countries are generally heavily dependent upon international trade and have therefore been and may 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. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of certain of these countries may be based, predominantly, on only a few industries, may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Many emerging markets have underdeveloped capital market structures where the risks associated with holding currency are significantly greater than in other less inflationary markets. Currency exchange rates are highly volatile and subject to severe event risks as the political situation with regard to the relevant foreign government may itself be volatile. Moreover, if the cash flow of the assets is contingent, it may be difficult to quantify the attendant cross-currency risk, compounding the risk of changes in underlying currencies by the other risks in the portfolio. Correlations between these risks are difficult to quantify and, therefore, difficult to hedge. An inaccurate estimation of the correlation may lead to a faulty hedge and a consequent loss in the portfolio. In highly volatile markets, predictions of correlation based on historical data can diverge dramatically from observed market moves. The Master Fund may invest in unlisted emerging market securities and may be exposed to emerging market currencies, which may involve a high degree of business and financial risk that could result in substantial losses. Because of the relative absence of any trading market for these investments, it could take longer to liquidate these positions than would be the case for listed securities or it might not be possible to liquidate them at all.

Although these securities may be resold in privately negotiated transactions, the prices realised on such sales could be less than those originally paid by the Master Fund. Companies whose securities are not listed will not generally be subject to the public disclosure and other investor protection requirements applicable to listed securities.

#### Eurozone Crisis

As a result of the crisis of confidence in the markets which has caused bond yield spreads (the cost of borrowing in the debt capital markets) and credit default spreads (the cost of purchasing credit protection) to increase, most notably in relation to certain Eurozone countries, certain countries in the European Union (the "EU") have had to accept "bailouts" from banks and lines of credit from supra-governmental agencies such as the International Monetary Fund and the recently created European Financial Service Facility (the "EFSF"). The European Central Bank has also been intervening to purchase Eurozone debt in an attempt to stabilise markets and reduce borrowing costs.

It is possible that a country may leave the Eurozone and return to a national currency, and as a result leave the EU and/or that the euro, the European single currency, will cease to exist in its current form and/or lose its legal status in one or more countries in which it currently has such status. The effect of such potential events on the Master Fund is impossible to predict.

#### Financing Arrangements; Availability of Credit

Borrowings may be an integral part of the Master Fund's strategies and may include, but not be limited to, the use of securities margin, futures margin, or the notional principal amounts of swap transactions. There can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances.



Where the Master Fund makes use of such borrowings to initiate long or short positions and the positions decline in value, it will usually be subject to a “margin call”, pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. In some cases, a margin call may be made even if the relevant positions have not declined in value. The Master Fund would normally satisfy such margin calls in cash or US Treasury bills and, to the extent that such assets were insufficient, would liquidate other assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, SRC might not be able to liquidate assets quickly enough to pay off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of the Master Fund in order to enable the Master Fund to satisfy its obligations to that lender.

As a general matter, the banks and dealers that may provide financing to the Master Fund may vary their respective policies relating to margin, financing, security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers to one or more of these policies, or the imposition of other credit limitations or restrictions may be applied retrospectively to existing contracts as well as prospectively to contemplated future dealing. Whilst SRC will seek to limit the rights of lenders to apply such retrospective changes, any such limitation will be subject to the agreement of the relevant lender, which may not be forthcoming. Retrospective changes may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Prospective changes may result in the inability of SRC to fulfil the investment objective. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Master Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the Master Fund’s equity.

The Master Fund could also be subject to a “margin call”, pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the securities over which the broker has been granted security to compensate for the decline in value. A “margin call” can essentially be made at the discretion of the relevant broker, even if the securities over which that broker has been granted security to secure the Master Fund’s margin accounts have not declined in value. In the event of a sudden drop in the value of the Master Fund’s assets, SRC may not be able to liquidate assets quickly enough to pay off the margin debt. In such a case, the relevant broker may liquidate additional assets of the Master Fund, in its sole discretion, in order to satisfy such margin debt.

#### Force Majeure

The Fund, the Master Fund and SRC are each subject to the risks of the effects of events of force majeure outside of their reasonable control which may include, but shall not be limited to: any strike lockout or other industrial action or any shortage of or difficulty in obtaining labour, fuel, raw materials or components; any destruction, temporary or permanent breakdown, malfunction or damage of or to any premises, plant, equipment (including computer systems) or materials; any breach of contract, default or insolvency by or of any third-party, other than a company in the same group as the party affected by the force majeure, or an employee or officer of that party or company; any action taken by a governmental or public authority of any kind, including imposing an embargo, export or import restriction, rationing, quota or other restriction or prohibition; any civil commotion or disorder, riot, invasion, war, threat of or preparation for war; or any accident, fire, or explosion, (other than

in each case, one caused by a breach of contract by or assistance of the party concerned) storm, flood, earthquake, subsidence, epidemic, pandemic or other public health crisis, other natural physical disaster, or governmental policies, laws, regulations or other measures in response to any of the above events.

#### Leverage and Borrowing

The Master Fund may employ leverage, including through the use of borrowings, for the purpose of making investments. The level of interest rates at which the Master Fund can borrow will affect the operating results of the Master Fund. If the Master Fund leverages its assets to borrow additional funds for investment purposes, the Master Fund will be required to pledge its assets to secure such borrowings, potentially reducing the Master Fund's liquidity. The Master Fund may also, in effect, borrow funds through entering into repurchase agreements and may leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. Investments made by the Master Fund may also contain a significant amount of leverage.

SRC will consider any inherent leverage in such investments in assessing the leverage to be applied in respect of the Master Fund's overall portfolio. The use of leverage may significantly increase the Master Fund's investment risk; whilst leverage creates an opportunity for greater yield and total return, at the same time, it will increase the Master Fund's exposure to capital risk and interest costs. 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. Any limitation on the availability of borrowing facilities may have a detrimental effect on the Master Fund's ability to maintain its intended level of leverage. On a winding up, as Shareholders rank for repayment after all other creditors, they may not get back their full investment if there are insufficient funds to discharge creditors (including such Shareholders who have redeemed their Shares but have not been paid their redemption proceeds in full).

In an unsettled credit environment, the Master Fund may find it difficult or impossible to obtain leverage. In such event, the Master Fund could find it difficult to implement its strategy. In addition, in an unsettled credit environment it may be more likely that any leverage obtained may be terminated (or the collateral requirements changed) on short notice by the lender, which could result in the Master Fund being forced to unwind positions quickly and at prices below what SRC deems to be fair value for the positions.

#### Liquidity and Market Characteristics

The Master Fund may be adversely affected by a decrease in the market liquidity for the instruments in which it invests which may impair the Master Fund's ability to adjust its positions. The size of the Master Fund's positions may magnify the effect of a decrease in market liquidity for such instruments.

In some circumstances, certain of the Master Fund's investments may be relatively illiquid making it difficult or impossible to acquire or dispose of them at the prices quoted on the various exchanges or at the prices which SRC considers to reflect their then value. Accordingly, the Master Fund's ability to respond to market movements may be impaired and the Master Fund may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Master Fund may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading

on national securities exchanges or in the over-the-counter markets. The Master Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, concerns about terrorism and war, property and commodity prices and national and international conflicts or political circumstances, as well as natural circumstances, may affect the price level, volatility and liquidity of securities, which could result in significant losses for the Master Fund.

The prices of investments that may be held by the Master Fund tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Master Fund of borrowed securities and leveraged investments.

Furthermore, to the extent that interest rate assumptions underlie the hedging of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Master Fund to additional costs and losses.

#### Market Disruptions

The Master Fund may incur major losses in the event that disrupted markets and/or other extraordinary events affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from the disconnection from historical prices during periods of market disruption 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. The financing available to the Master Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Fund. In 1994, in 1998 and again in the “financial crisis” of 2007 to 2009, a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of investment vehicles focused on credit-related investments. However, because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment vehicles suffered heavy losses even though they were not heavily invested in credit-related investments.

In addition, the global financial markets may undergo further fundamental disruptions in the future, which could result in renewed governmental and/or supra-governmental interventions which may be materially detrimental to the performance of the Master Fund, and hence the Fund. Furthermore, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Master Fund, and such events may result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Master Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Master Fund to close out positions.

#### OTC Transactions – Regulation

There has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular, in response to the recent financial crisis. The leaders of the G20 have agreed that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through

central counterparties, that OTC derivative contracts should be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements.

In the United States, the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which became law in July 2010, includes provisions that comprehensively regulate the OTC derivatives markets for the first time. Key provisions of the Dodd-Frank Act require rulemaking by the SEC and the CFTC, not all of which has been proposed or finalised as at the date of this Private Placement Memorandum. As a result, investors should expect future changes in the regulatory environment.

The Dodd-Frank Act will require that a substantial portion of OTC derivatives must be executed on regulated markets and submitted for clearing to regulated clearing houses. Certain types of interest rate swaps and credit default index swaps are already subject to mandatory clearing. When OTC trades are submitted for clearing, they become subject to minimum initial and variation margin requirements set by the relevant clearing house, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called “end-users”, the Master Fund does not expect to be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Master Fund may execute the majority of its OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore such dealers will be subject to clearing and margin requirements notwithstanding whether the Master Fund is subject to such requirements. Where OTC derivative dealers are required to post margin to the clearing houses through which they clear their customers’ trades instead of using such margin in their operations, as they currently are allowed to do, the dealers’ costs are further increased, which costs are expected to be passed through to other market participants in the form of higher fees and less favourable dealer marks. Although central clearing is expected to decrease the credit risk involved in bi-laterally negotiated OTC derivatives transactions, central clearing would not make the contracts risk-free.

The SEC and the CFTC may also require a substantial portion of derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Such requirements may make it more difficult and costly for investment funds, including the Master Fund, to enter into highly tailored or customised transactions. They may also render certain strategies in which the Master Fund might otherwise engage impossible or so costly that they will no longer be economical to implement.

OTC derivative dealers and major OTC derivatives market participants will be required to register with the SEC and/or the CFTC. Dealers and major swap participants will be subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are exchange-traded or cleared. OTC derivatives dealers either currently are or soon will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements may increase the overall costs for OTC derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. The overall impact of the Dodd-Frank Act on the Master Fund is highly uncertain, and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although the Dodd-Frank Act will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearing house, certain of the derivatives that may be traded by the Master Fund may remain principal-to-principal or OTC contracts between the Master Fund and third parties entered into privately. The risk of counterparty non-performance can be significant in the case of these OTC instruments, and “bid-ask” spreads may be unusually wide in these heretofore substantially unregulated markets. While the Dodd-Frank Act is intended in part to reduce these risks, its success in this respect may not be evident for some time after the Dodd-Frank Act is fully implemented, a process that may take several years.

European Union Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or “EMIR”), which came into force on 16 August 2012, introduces uniform requirements in respect of OTC derivative contracts by requiring certain “eligible” OTC derivatives contracts to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of OTC derivatives contracts to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives contracts which are not subject to mandatory clearing. These requirements include the exchange of collateral by the parties, including by the Master Fund.

While many of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of this Private Placement Memorandum. It is as yet unclear how the OTC derivatives market will adapt to the new regulatory regime. Accordingly, it is difficult to predict the full impact of EMIR on the Master Fund, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. The Directors and SRC will continue to monitor the position. However, prospective investors and Shareholders should be aware that the regulatory changes arising from EMIR may in due course adversely affect the Master Fund’s ability to adhere to its investment approach and achieve its investment objective.

#### OTC Transactions and Securities Financing Transactions

To the extent not mitigated by implementation of the Dodd-Frank Act and/or EMIR or collateral arrangements, if at all, the risks posed by OTC derivatives contracts, which can be extremely complex and may involve leveraging of the Master Fund’s assets, include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risks (the characterisation of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty). Similar risks are posed by securities financing transactions.

For OTC derivatives that are cleared through a clearing house, there is the additional risk that the clearing house may become insolvent or lack the financial resources to assure performance in the event of a clearing house member’s default.

The Master Fund may receive collateral from and may deliver collateral to a counterparty or broker (a “Counterparty”) by way of title transfer or by way of security interest and, in certain circumstances, where the Master Fund delivers collateral to a Counterparty, may grant a right of reuse of such collateral to such Counterparty. The treatment of such collateral will vary according to the type of transaction and its contractual terms, the jurisdiction in which the Counterparty is located, and the assets are traded, the legal status of the collateral and applicable law.

Where collateral is delivered by way of title transfer, the Master Fund will be exposed to the creditworthiness of the Counterparty and, in the event of insolvency, the Master Fund will rank as an unsecured creditor in relation to any amounts transferred as collateral in excess of the Master Fund’s exposure to the Counterparty.

Where assets are delivered pursuant to a security interest or cash is protected pursuant to the FCA’s Client Money Rules, such assets and cash should be protected from the insolvency of the Counterparty but subject to the Counterparty complying with its obligations pursuant to the terms of the agreement with the Master Fund and applicable law.

Where the Counterparty exercises a right of use in respect of financial instruments provided to it by the Master Fund as collateral, the Master Fund’s rights in respect of such financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant arrangement. The relevant financial instruments will not be held by the Counterparty in accordance with client asset rules or similar rights and so will not be segregated from the Counterparty’s own assets or held on trust for the Master Fund. In the event of the Counterparty’s insolvency or default, the Master Fund’s claim for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant arrangement and applicable law and, accordingly, the Master Fund may not receive such equivalent financial instruments or recover the full value of the financial instruments. Further, in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to the Counterparty any rights the Master Fund may have to take any action against the Counterparty, such as to terminate the relevant agreement, may be subject to a stay by the relevant resolution authority and/or the Master Fund’s claim for delivery of equivalent financial instruments may be reduced (in part or in full) or converted into equity and/or a transfer of assets or liabilities may result in the Master Fund’s claim being transferred to different entities.

Where collateral is held by a custodian, on the insolvency or default of the custodian, the relevant financial instruments should, subject to the terms of the relevant agreement and applicable law, be unavailable to its general creditors. However, in the event of an irreconcilable shortfall following the default of a custodian, the Master Fund may share in that shortfall proportionately with the custodian’s other customers.

Collateral arrangements may be subject to a number of operational risks, including the failure of the Master Fund to call for collateral where it is entitled to do so, the failure of the Counterparty to call for the correct amount of collateral or failure to redeliver any excess collateral and settlement failures.

In the event that the Master Fund attempts to realise collateral following the default by a Counterparty, there may be no or limited liquidity or other restrictions in respect of the relevant collateral and any realisation proceeds may not be sufficient to off-set the Master Fund’s exposure to the Counterparty and the Master Fund may not recover any shortfall.

#### Price Fluctuations

The value of Shares and the income (if any) derived from them can go down as well as up.



Prime Broker and Custodian to the Master Fund

Legal and beneficial title to assets of the Master Fund may be transferred to the Prime Broker and Custodian. In relation to the Master Fund's right to the return of assets equivalent to those of the Master Fund's investments which any Prime Broker borrows, lends, charges, takes legal and beneficial ownership of or otherwise uses for its own purposes, the Master Fund will rank as one of the Prime Broker's unsecured creditors. In the event of the insolvency of such Prime Broker the Master Fund might not be able to recover such equivalent assets in full.

An insolvency of a Prime Broker or Custodian might also make it difficult for the Master Fund to transfer and utilise assets held with the relevant Prime Broker or Custodian and thus cause severe disruption to the trading of the Master Fund. This may be the case even when assets are clearly identified as belonging to the Master Fund.

In addition, the Master Fund's cash held with a Prime Broker or Custodian may not be treated as client money subject to the protections conferred by the rules of the Financial Services Authority of the United Kingdom and accordingly will not be segregated from the relevant Prime Broker or Custodian's own cash and will be used by it in the course of its investment business. The Master Fund will rank as an unsecured creditor in relation to such cash.

The Master Fund's assets may be held in one or more accounts maintained for the Master Fund by its Prime Broker(s), Custodian(s) or at other brokers, which may be located in various jurisdictions. Such local brokers and the Prime Broker(s) and Custodian(s), as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a Prime Broker, a Custodian or any of its sub-custodians, agents or affiliates, or a local broker, it is impossible to generalise about the effect of their insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any of the Prime Broker(s) or Custodian(s) or such other service providers would result in a loss to the Master Fund, which could be material.

Any securities of the Master Fund held by a prime broker or custodian may be held in a general client or "omnibus" account together with the securities of other clients. The use of an omnibus account could result in the Master Fund bearing losses as a result of a shortfall in the omnibus account that would not have ensued had its securities been held in a designated client account. Moreover, under contractual arrangements relating to the operation of the omnibus account, the Master Fund may be restricted from voting its securities as it wishes under arrangements relating to the operation of the omnibus account.

Moreover, the Master Fund will be subject to the risk that a prime broker and custodian may be unable to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of any one prime broker and custodian defaulting on its obligations to the Master Fund, the effects of such a default may have consequential negative effects on other prime brokers and custodians with whom the Master Fund deals. The Master Fund and, by extension, the Fund may, therefore, be exposed to systemic risk when the Master Fund deals with prime broker and custodian whose creditworthiness may be interlinked.

Prime Brokers and Custodian Insolvency

The Master Fund is at risk of the Prime Brokers and/or Custodian entering into an insolvency procedure. During such a procedure (which may last many years) the use by the Master Fund of assets held by or on behalf of the Prime Brokers and/or Custodian may be restricted and accordingly: (a) the ability of SRC to fulfil the investment objective may be severely constrained; (b) the Fund and/or the Master Fund may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares; and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Master Fund is likely to be an unsecured creditor in relation to certain assets and accordingly the Master Fund may be unable to recover such assets from the insolvent estate of the Prime Brokers and/or Custodian in full, or at all.

Regulatory Risks of Hedge Funds

The regulatory environment for hedge funds is evolving and changes therein may adversely affect the value of investments held by the Master Fund and/or the ability of the Master Fund to obtain the leverage it might otherwise obtain or to continue to implement its investment approach and achieve its investment objective. In addition, securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. In addition, the regulatory or tax environment for derivative and related instruments and funds that engage in such transactions is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by the Master Fund. The effect of any future regulatory or tax change on the Fund and/or the Master Fund is impossible to predict.

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Act, is considered periodically by the US Congress, as well as by the governments of non-US jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Fund, the Master Fund, SRC, the markets in which the Master Fund will trade and invest or the counterparties with which it does business may be instituted in the future. Any such laws or regulations may materially adversely affect the Master Fund’s ability to implement its investment approach and achieve its investment objective, as well as require increased transparency as to the identity of the Shareholders.

The Dodd-Frank Act seeks to regulate markets, market participants and financial instruments that previously have been unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. The Dodd-Frank Act could result in certain investment strategies in which the Master Fund proposes to engage or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the Dodd-Frank Act may materially adversely affect the Master Fund’s ability to implement its investment approach and achieve its investment objective.

In addition, securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and self-regulatory organisations, including but not limited to the CFTC, and exchanges are authorised to take extraordinary actions in the event of market emergencies including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of swaps, futures and/or other derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental, regulatory, and judicial actions. The effect of any future



regulatory change on the Fund and/or the Master Fund could be substantial and adverse including, for example, increased compliance costs, terms relating to margin, increased disclosure requirements, the prohibition of certain types of trading and/or the inhibition of the Master Fund's ability to implement its investment approach and achieve its investment objective.

UK's vote to leave the EU may adversely affect the Fund and SRC

In a referendum held in June 2016, the United Kingdom electorate voted to leave the European Union. On 31 January 2020, the Government of the United Kingdom formally withdrew from the European Union. The future economic and political relationship between the United Kingdom and the European Union (and between the United Kingdom and other countries) is uncertain, and a period of economic and political uncertainty is continuing in the United Kingdom, in the rest of the European Union and globally. The United Kingdom's exit from the European Union is expected to result in regulatory changes, which may be adverse to SRC. The ultimate nature and extent of the impact of these events on the Master Fund, any Fund and SRC are uncertain, but may be significant.

The effects on the United Kingdom, European and global economies of the exit of the United Kingdom (and/or other European Union member states) from the European Union, or the exit of one or more European Union member states from the European Monetary Area and/or the redenomination of financial instruments from the Euro to a different currency, are impossible to predict and protect fully against in view of:

- (a) economic and financial instability in the United Kingdom and in European Union member states;
- (b) the severity of the recent global financial crisis;
- (c) difficulties in predicting whether the current signs of recovery will be sustained and at what rate;
- (d) the uncertain legal position;
- (e) the impact of macro geopolitical considerations including concurrent European Union trade negotiations with other non-European Union states and heightened flows of displaced persons from outside the European Union;
- (f) the difficulty in predicting the approach of other European Union member states to negotiation of the United Kingdom's withdrawal from the European Union and the establishment of a legal framework for ongoing relations; and
- (g) the fact that many of the risks related to the business are totally, or in part, outside of SRC's control.

However, any such event may result in: (a) significant market dislocation, (b) heightened counterparty risk, (c) an adverse effect on the management of market risk and, in particular, asset and liability management due, in part, to redenomination of financial assets and liabilities, (d) a material adverse effect on the ability of SRC to invest the Fund, and (e) increased legal, regulatory or compliance burden for SRC, the Master Fund and/or the Fund, each of which may have a material adverse effect on the operations, financial conditions, returns, or prospects of SRC, the Master Fund and/or the Fund in general. Any adverse changes affecting the economies of the countries in which the Fund conducts its business (including making investments) and any further deterioration in global macro-economic conditions could have a material adverse effect on the Fund's prospects and/or returns.

Risks Associated with Options Trading

The Master Fund may sell and purchase call or put options.

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of an unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security plus the premium received and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Service Providers

Neither the Fund nor the Master Fund has any employees, and each is therefore reliant upon the performance of third-party service providers for its executive function. SRC and the Administrator and their respective delegates, if any, perform services that are integral to the operations of the Fund and the Master Fund. Failure by any service provider to carry out its obligations in accordance with the terms of its appointment or without exercising due care and skill could have a materially detrimental impact on their operations. The termination of their relationship with any third-party service provider, and any delay in appointing a replacement for such service provider, may have a material adverse effect on the performance of the Master Fund.

The Master Fund may also rely on models provided by third parties for the assessment of risks assumed in portfolios or instruments, including risk modelling firms. The impacts predicted by such models may prove inaccurate or inadequate in certain unexpected or new situations and, if relied on by SRC may result in substantial losses for the Master Fund.

Absent a direct contractual relationship between the relevant Shareholder and the relevant Service Provider, a Shareholder generally has no direct rights against a Service Provider and there are very limited circumstances in which a Shareholder could bring a claim against a Service Provider. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Fund or the Master Fund by a Service Provider is, prima facie, the Fund, or the Master Fund, respectively.

Short Selling

The Master Fund may sell securities short or engage in swap transactions that replicate a short selling transaction. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no guarantee that securities necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the relevant 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 event of a market downturn, the short position may therefore not provide the investment return that SRC 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 purchases on the open market at a disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

There is also a risk that securities borrowed in connection with a short sale will, following any corporate activity on the part of the relevant issuer, including, but not limited to, merger and acquisition activity, corporate restructuring, or the entity demerging subsidiaries, become the securities of a different issuer and that the Master Fund will be required to deliver securities of a different issuer or additional securities. In such event the relevant short position may therefore not provide the investment return that SRC expected.

As a consequence of 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, SRC may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of SRC to fulfil the investment objective of the Master Fund may be constrained.

#### Trading in Futures Contracts, Options, Foreign Exchange, and Leveraged Foreign Exchange Transactions

The risk of loss in trading futures contracts, options, foreign exchange and leveraged foreign exchange transactions can be substantial. In particular: (i) if the Master Fund purchases or sells a futures contract or leveraged foreign exchange transaction, the Master Fund may sustain a total loss of the Master Fund's position. If the market moves against the Master Fund's position, the Master Fund may be called upon to deposit a substantial amount of additional margin funds on short notice in order to maintain its position. If the Master Fund does not provide the required funds within the specified time, its position may be liquidated at a loss, and the Master Fund will be liable for any resulting deficit in its account; (ii) under certain market conditions, the Master Fund may find it difficult or impossible to liquidate a position; (iii) the placement of contingent orders by the Master Fund or SRC authorised by the Master Fund, such as a 'stop-loss' or 'stop limit' order, will not necessarily limit the Master Fund's losses to the intended amounts, since market conditions may make it difficult or impossible to execute such orders; (iv) a 'spread' position may not be less risky than a simple 'long' or 'short' position; (v) the high degree of leverage that is often obtainable in futures and leveraged foreign exchange trading can work against the Master Fund as well as for the Master Fund. The use of leverage can lead to large losses as well as gains; (vi) the Master Fund is subject to substantial charges

for management and advisory fees. It may be necessary for the Master Fund to make substantial trading profits to avoid depletion or exhaustion of its assets.

#### Trading strategies

There can be no assurance that the specific trading strategies utilised for the Master Fund will produce profitable results. Profitable trading is often dependent on anticipating trends or trading patterns. Markets subject to random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor which may lessen major price trends (such as governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, could also be detrimental to profits. The best trading strategy, whether based on fundamental or technical analysis, will not be profitable if there are no trends of the kind it seeks to follow. No assurance can be given that the techniques and strategies of SRC, or any other portfolio manager engaged by SRC, will be profitable in the future.

#### Transaction Costs

The Master Fund's investment approach may involve a high level of trading and turnover of the Master Fund's investments which may generate substantial transaction costs which will be borne by the Master Fund.

**Item 9: Disciplinary Information**

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There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of SRC US's advisory business or the integrity of its management.

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

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**Broker Dealer Registration Status**

None of SRC US or any of its management persons are registered as broker-dealers or registered representatives of broker-dealers, and no applications are pending to register SRC US or any of its management persons with the SEC as a broker-dealer or a registered representative of a broker-dealer.

**Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

SRC US is registered as a commodity pool operator (a “CPO”) with the United States Commodity Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”).

SRC Singapore is registered as a CPO with the CFTC and NFA. Certain personnel who may be deemed management persons of SRC Singapore, including the Principal, are registered with the NFA as associated persons of SRC Singapore.

**Material Relationships or Arrangements with Industry Participants**

As discussed above, SRC Singapore is registered as a CPO with the CFTC and the NFA (NFA ID 0517081). SRC Singapore is also filing as an Exempt Reporting Adviser (CRD No. 299146) with the SEC since 2018. SRC Singapore is also registered with the Monetary Authority of Singapore (“MAS”) and holds the Capital Markets Services (CMS) licence.

SRC US and SRC Singapore may use shared personnel for certain services. Such shared personnel may have conflicts of interest in allocating their time and resources among the various SRC affiliates; however, such conflict is mitigated by the fact that SRC US currently provides advisory services solely to the Funds. Different compensation structures or incentives also may apply to shared personnel, which may also create a conflict of interest. SRC US has adopted a unified compliance program, including a Code of Ethics, to address potential conflicts of interest. Please see **Item 11**, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below for additional information regarding SRC US’s Code of Ethics.

All qualifying SRC personnel are treated as “access persons” by SRC US within the meaning of Rule 204A-1 under the Investment Advisers Act of 1940 and are subjected to SRC US’s global Code of Ethics. Please see **Item 11**, “Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading” below for additional information about SRC’s Code of Ethics.

**Other Material Relationships**

SRC US does not recommend or select other investment advisers for its clients in return for compensation directly or indirectly from those advisers.

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

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**Code of Ethics**

In order to address conflicts of interest, SRC has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “**Advisers Act**”) which is applicable to all SRC affiliates, subadvisors, managers, members, and employees (collectively, “**Employees**”), irrespective of their geographic location or the regulatory status of their specific employer.

The Code of Ethics generally sets the standard of ethical and professional business conduct that the Firm requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code of Ethics sets forth SRC’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that the Firm and each of its Employees owe to Investors.

The Code of Ethics is circulated at least annually to all Employees, and each Employee at least annually must certify that he or she has received and followed the Code of Ethics and any amendments thereto. The Firm will provide a copy of the Code of Ethics to any client, prospective client, or Investor, free of charge, upon request.

**Participation or Interest in Client Transactions**

SRC US serves as sub-adviser to the Funds. Employees, affiliates of the Employees, and relatives of the Employees may make investments in the Funds and are charged a management fee by SRC SG as investors thereto. As such, the sub-advisory fee earned by SRC US for the sub-advisory services furnished to the Funds may be deemed indirect compensation whose source can be traced, partly, to the invested Employees, invested affiliates of the Employees, and/or invested relatives of the Employees. While the Firm believes that in substantially all situations these relationships are useful in aligning the interests of management and Employees with those of investors in a Fund, the Firm acknowledges conflicts of interests may arise when it or its Employees (or their affiliates/relatives) participate alongside Client transactions (in this case via direct investment in the Funds), and confirms such conflicts are limited in effect by adequate disclosure in the Funds’ governing documents and investment management agreement(s) as well as by suitably-designed internal governance controls.

**Principal Transactions / Cross Trades**

In a “principal transaction,” an investment adviser, acting for its own account, buys a security from, or sells a security to, a client’s account. SRC US does not intend to engage in principal transactions. If, in the future, SRC US manages multiple client accounts, SRC US may engage in cross trades only if the transaction acts in the best interests of the clients involved, and when the transaction is expressly permitted by the clients. To the extent that cross trades may be viewed as principal transactions due to the ownership interest in the Funds or other client by SRC US and/or its Employees, SRC will comply with the requirements of Section 206(3) of the Advisers Act.

**Personal Account Dealing**

All Employees of the Firm and its affiliates must provide copies of brokerage statements to SRC's compliance team on a semi-annual basis ("**Compliance**"). These records are used to monitor compliance with the Firm's Compliance Manual and Code of Ethics.

The personal account dealing policy requires that:

- trades are subject to a general 30-day minimum holding period;
- securities cannot be traded if they are on the Firm's restricted list;
- a Covered Person (defined below) may not purchase a security in an initial public offering available to the Fund without preclearance from Compliance;
- Compliance will consider the volume of both personal and the Firm's trading when reviewing trade preclearance requests to determine whether trading may affect market prices.

The policy extends to the trading of Employees and certain other persons who have a relationship with the Firm or its personnel ("**Covered Persons**"). Covered Persons must obtain written authorization from Compliance prior to purchasing, selling, or transferring certain types of securities, or exercising any option which is traded on exchanges in certain markets. Employees may not participate in any initial public offerings or limited offerings of investments in private companies before obtaining authorisation from Compliance.

Any request for an exception under this policy must be submitted in writing to a Compliance Officer with sufficient information for consideration. A copy of the Compliance Manual will be provided upon request.



**Item 12: Brokerage Practices**

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**Best Execution**

SRC US has responsibility for selecting brokers to execute trades and negotiating commissions paid with respect to the Funds' transactions.

SRC US's primary consideration in placing transactions with particular brokers is to obtain execution in accordance with best execution standards. SRC US will also evaluate a variety of criteria and use good faith judgment in seeking to obtain execution of portfolio transactions at commissions that are reasonable in relation to the brokerage and research services provided.

Criteria deemed relevant include: price, the size and type of the transaction; the reasonableness of compensation to be paid, including spreads and commission rates, which shall not be in excess of customary full service brokerage rates; the speed and certainty of trade executions, including broker willingness to commit capital; the nature and character of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such market or securities; the availability of liquidity in the security, including the liquidity and depth afforded by a market center or market-maker; the reliability of a market center or broker; the trader's assessment of whether and how closely the broker will follow the trader's instructions to the broker; the degree of anonymity which a particular market or broker can provide; the potential for avoiding market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability and financial condition of the firm; arrangements for payment of Master Fund expenses; and the provision of additional brokerage and research goods and services.

**SOFT COMMISSION ARRANGEMENTS**

SRC does not currently maintain soft dollar or soft commission arrangements with any third-party service provider(s), although the Fund's governing documents afford SRC the ability to enter into such arrangements should the opportunity arise and the Firm deems such arrangements prudent and in the best interests of the Fund.

As such, SRC and its affiliates may receive goods or services from a broker or a dealer in consideration of directing transaction business on behalf of the Funds to such broker or dealer provided that: (a) the goods or services can reasonably be expected to assist in the provision of investment services to the Funds, (b) transactions are executed on the best available terms, taking into account the market at the time for transactions of the kind and size concerned, (c) SRC does not enter into unnecessary trades in order to achieve a sufficient volume of transactions to qualify for soft dollars

Services may take the form of benefits including (a) specific advice as to the advisability of dealing in, or of the value of any investments, (b) research and advisory services, (c) economic and political analyses, (d) portfolio analyses, including valuation and performance measurements, (e) market analyses, (f) data and quotation services, (g) computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis, and (h) custodial services in relation to the investments managed for the Funds.

The goods and services that SRC is permitted to receive may not include (a) travel, (b) accommodation, (c) entertainment, (d) general administrative goods and services, (e) general office equipment or premises, (f) membership fees, (g) employee salaries, (h) direct money

payments or (i) any other goods and services as may be prescribed from time to time in any code or guideline issued regulatory authorities.

The Funds may be deemed to be paying for these services with “soft” or commission dollars. Although SRC believes that the Funds will demonstrably benefit from the services obtained with “soft” dollars generated by trades, the Funds do not benefit from all of these “soft” dollar services because SRC or its affiliates also derive substantial direct or indirect benefits from these services, particularly to the extent that SRC uses “soft” or commission dollars to pay for expenses SRC would otherwise be required to pay itself.

SRC intends generally to consider the amount and nature of research, execution and other services provided by brokers, as well as the extent to which such services are relied on, and attempts to allocate a portion of its brokerage business on the basis of that consideration. The investment information received from brokers, however, may be used by SRC and its affiliates in servicing other accounts and not all such information may be used by SRC in connection with the Funds. SRC believes that such an allocation of brokerage business may help the Funds to obtain research and execution capabilities and provides other benefits to the Funds.

The relationships with brokerage firms that provide “soft” dollar services to SRC may influence SRC’s judgement in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute brokerage transactions. The brokerage commissions that SRC pays to those firms, however, do not differ materially from and are not in excess of customary full brokerage commissions that it pays to other firms for comparable services.

The services obtained by SRC are generally expected to be of a type that would qualify as brokerage or research services under Section 28(e) of the United States Securities Exchange Act of 1934, as amended (“**Section 28(e)**”). However, because the Master Fund’s trades will, in some circumstances, be executed with dealers on a “principal basis”, the services received by SRC discussed above will not fall within the safe harbour provided by Section 28(e). In general, only those services received by SRC as a result of trades that are executed by its brokers on an agency basis (or, in certain limited circumstances, a “riskless principal” basis) will qualify for the safe harbour provided by Section 28(e). The transactions of the Master Fund which are entered into on its behalf by SRC and executed by brokers on a principal basis will not fall within Section 28(e). Under Section 28(e), certain research and/or brokerage services may be obtained with soft dollars generated by the Master Fund and used by SRC in servicing the Master Fund or other clients of SRC. Importantly, there may be other circumstances under which soft dollars generated by certain transactions directed by SRC or its affiliates do not fall within the parameters of the Section 28(e) safe harbour.

SRC has entered into agreements on behalf of the Funds with certain broker-dealers that act as prime brokers and execution brokers on behalf of the Funds. From time to time, SRC personnel may speak at conferences sponsored by those brokers and which may be attended by potential investors interested in investing in hedge funds. These conferences may be a means by which SRC can be introduced to potential investors in the Funds.

Currently, neither SRC nor the Funds compensate the brokers for organizing these “capital introduction” events or for investments ultimately made by prospective investors attending such events (although either may do so in the future). However, while continuing to place primary consideration in placing transactions with particular brokers in accordance with best execution standards, these events as well as the other services provided by a broker may be a factor in deciding whether to use that broker for brokerage, financing and the other activities conducted by the Funds.

**Item 13: Review of Accounts**

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**Review of Accounts**

The Funds are reviewed by Compliance to ensure that the structure and individual securities held are suitable and consistent with the objectives and strategies. In addition, Compliance also monitors the Funds to help ensure conformity with investment objectives and guidelines. SRC engages in active management and frequent transactions and, accordingly, performs daily trade and cash reconciliation.

SRC has also engaged the administrator to prepare monthly unaudited investor statements of the Funds' performance for the month.

**Reporting to Clients**

The Funds will prepare the annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). Copies of the audited financial statements will be issued to all Investors within 120 days of the Funds' fiscal year-end, ending on December 31.

The Firm will prepare and issue an investor newsletter on a monthly basis. The administrator will issue monthly account statements to Investors.

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

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Currently, neither SRC US nor its affiliates receive any economic benefit from anyone, other than the Funds, for providing investment advice and other advisory services to clients.

In the event SRC US or its affiliates engage third party marketers in the future, due diligence and background checks will be carried out prior to engagement to ensure that applicable regulatory registrations are in place and that they have adequate controls and procedures to monitor compliance with selling procedures and suitability requirements.

**Item 15: Custody**

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SRC US is subject to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all Investors within 120 days of the end of its fiscal year, as discussed above.

**Item 16: Investment Discretion**

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SRC US possesses discretionary portfolio management authority over the Master Fund with respect to managing the investments as per the advisory agreements and offering documents in place between each Fund and SRC Singapore and the Subadvisory Agreement.

**Item 17: Voting Client Securities**

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Where SRC US and its affiliates have responsibility for voting proxies, SRC will take measures reasonably designed to ensure that they are voted in the best interest of Investors in the Funds, which generally means voting with a view to enhancing the value of Master Fund securities. The financial interest of Investors in the Fund is the primary consideration in determining how their proxies will be voted. SRC US and its affiliates may also refrain from voting in certain circumstances.

**Item 18: Financial Information**

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There is no financial condition that is reasonably likely to impair SRC US's ability to meet its contractual and fiduciary commitments to clients.

SRC US has not been the subject of a bankruptcy proceeding.



**Item 19: Requirements for State-Registered Advisers**

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Not applicable.