

# FORM ADV PART 2A

## **TRIUM CAPITAL LLP**

**CRD Number 306112**

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This Brochure provides information about the qualifications and business practices of Trium Capital LLP.

If you have any questions about the contents of this Brochure, please contact us at +44 20 7959 7185 or email at [fredrik.ostlund@trium-capital.com](mailto:fredrik.ostlund@trium-capital.com). You may also visit our website at [www.trium-capital.com](http://www.trium-capital.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about TRIUM CAPITAL LLP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on the Financial Conduct Authority's website at <http://www.fca.org.uk/>.

Registration of an Investment Adviser does not imply that Trium Capital LLP or any of its principals or employees possesses a particular level of skill or training in investment advisory business or any other business.

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**Item 2: Material changes**

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This is the first brochure issued by Trium Capital LLP.

This Brochure will be updated on an annual basis and any material changes to it will be identified in this section.

**Item 3: Table of contents**

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#### Item 4: Advisory Business

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TRIUM CAPITAL LLP ("TCL", "Firm", "Investment Manager") is an independent investment manager, authorised and regulated by the Financial Conduct Authority (the "FCA") in the United Kingdom.

TCL has two corporate partners, Trium Holdings Ltd and Facet Capital Ltd. Trium Holdings Ltd is in turn owned by a Jersey Trust (over 35%), David Bamber (25%) and Shenan Dhanani (13%) and other individuals all with less than 10%. The Jersey Trust is the only external investor.

The Firm is the investment manager of the following Private Funds that are eligible for US investors:

Trium Khartes Fund (Cayman Islands AIF)  
Trium Khartes Master Fund (Cayman Islands AIF)  
Trium Khartes Fund Delaware LP (United States AIF)

Collectively, the "Trium Khartes Fund".

TCL provides discretionary investment management services for private funds, and managed accounts. TCL focuses on Alternatives and ESG UCITS strategies. It offers a number of investment products including Cayman Domiciled Hedge Funds and Liquid Alternative & Long Only UCITS Funds.

In relation to Private Funds eligible for US investors, the Firm had under its discretion regulatory assets under management totalling USD \$25m, as at December 2021.

#### Item 5: Fees and Compensation

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The fees for the Trium Khartes Fund are outlined below:

	<b>Class F Founders' Shares Class</b>	<b>Class S Standard Shares Class</b>
<b>Management fee rate</b>	1.00% p.a	1.50% p.a

In each case payable monthly in arrears based upon the prevailing monthly Net Asset Value. Such fees shall be allocated to the relevant Class of Investor Shares.

	<b>Class F Founders' Shares Class</b>	<b>Class S Standard Shares Class</b>
<b>Performance fee rate</b>	10%	20%

Performance fees crystallise annually on December 31<sup>st</sup> and are subject to a High-Water Mark.

For managed account mandates fees are agreed on a client-by-client basis.

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

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Performance fees for the Trium Khartes Fund are outlined below:

	<b>Class F Founders' Shares Class</b>	<b>Class S Standard Shares Class</b>
<b>Performance fee rate</b>	10%	20%

Performance fees crystallise annually on December 31st and are subject to a High-Water Mark. For managed account mandates performance fees are agreed, where applicable, on a client-by-client basis.

## Item 7: Types of Clients

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The Funds are only eligible for professional investors. The principal types of professional investors include:

- Pension Funds
- Asset Managers
- Family offices

The minimum investment amount accepted is USD 100,000.

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

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### Methods of Analysis

The process for the generation of ideas for the Trium Khartes Fund is as follows:

1. Deal announcement, reviewed by the Investment Team.
2. The team collates all publicly available information about the deal into the strategies research management system and identify key issues for further research.
3. The Portfolio Manager ascertains the risk factors involved in the deal and inputs them into the strategy's research management system.
4. Based on the risk factors identified, the Investment Team discuss the potential outcomes of the deal and compare that to the spread available.
5. If there are no unresolved issues and the risk-reward is attractive, an investment might be made. Wake-up and sell levels are utilised to monitor the deal in the event the current risk-reward is not attractive.
6. If there are unresolved issues, there will be significant discussion between the Portfolio Manager and Analyst as to the materiality of the issues and whether the potential returns compensate for the added risk.
7. Further work is done over time by the Portfolio Manager and Analyst to conduct deep-dive research on those unresolved issues.
8. As research is being done, the Portfolio Manager will also evaluate the potential risk in the context of the existing risks in the portfolio, and whether an investment will diversify the risk factors within the portfolio. A position may be initiated where we believe the potential return

compensates for the added risk in the portfolio and that the risk being added is not already over-represented in the portfolio.

### **Investment Strategies**

The strategy for the Trium Khartes Fund is a global equity event driven strategy focused primarily on merger arbitrage and equity events.

The investment strategy focuses on delivering uncorrelated returns by trading equity deal risk and hard catalyst corporate events across the globe. The portfolio is generally divided between a “clean” deal portfolio that generates a baseline level of returns across the cycle and a “complex” deal portfolio where we conduct in-depth research in merger and other hard catalyst situations.

The strategy is expected to perform best when merger spreads are wide or if there is a good volume of mergers, acquisitions, and other corporate events. We see the opportunity to generate strong risk-adjusted returns over the next several years to be a strong one for the strategy as merger activity picks up post-pandemic. With increased CEO and business confidence, we are seeing more strategic deals being announced and believe this will result in a structural uplift in the opportunity set.

The strategy at large performs worst during periods of extreme market stress where the market starts to fear deals will not complete. Our approach to risk management will, in the first instance, seek to quickly rebalance the portfolio early to avoid deals that are most at risk. Second, we seek to size exposures and manage the portfolio such that even if we do encounter a deal break, the overall downside will be limited in these periods. Lastly, an overlay portfolio hedge will be deployed to seek to reduce the portfolio volatility in the short-term. Typically returns rebound strongly after these periods e.g. in Q2 & Q3 of 2020.

### **Risk of Loss Factors**

#### Investment Risks

##### *Transaction Collapse*

When engaging in transactions, there is a risk that the counterparty may not complete their agreed upon contractual obligations, a cost shortfall may occur and that an expense may be incurred without the completion of the transaction as a result, such as the costs of, *inter alia*, undertaking due diligence or obtaining reports in relation to the potential investments. In addition, conditions precedent may not be satisfied, and transactions may be aborted after expenses have been incurred. These may include aborted legal or valuation fees. To the extent that any such costs are borne by the Master Fund then this will negatively impact the returns of the Master Fund and the Fund.

##### *Availability of Investment Strategies*

One of the key objectives of the Master Fund is to identify and invest in undervalued and overvalued securities or derivatives thereof (“misvalued securities”). The identification of investment opportunities in misvalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised or exploited.

A reduction in market liquidity or the pricing inefficiency of the markets in which the Master Fund seeks to invest, as well as other market factors, will reduce the scope for the Master Fund’s investment approach. While purchases of undervalued securities and short sales of overvalued securities offer opportunities for above-average capital appreciation, these investments may involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund’s investments may not adequately compensate for the business and financial risks assumed.

Although the Master Fund will make investments in securities which the Investment Manager believes to be misvalued, there can be no assurance that the securities purchased and sold will in fact be misvalued. In addition, the Master Fund may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Master Fund's capital may be committed to the securities, thus possibly preventing the Master Fund from investing in other opportunities.

#### *Concentration of Investments*

The Fund invests all of its Investable Assets in the ordinary shares of the Master Fund and, accordingly, the Fund is not diversified. Although the Master Fund will seek to diversify its investment portfolio, the Master Fund may at certain times hold relatively few investments. The Master Fund could be subject to significant losses if it holds a large position in a particular investment that experiences an adverse price movement or is otherwise adversely affected, including by default of the issuer.

#### *Inside Information*

From time to time the Investment Manager or its affiliates may be in possession of material, non-public information, inside information or other confidential information concerning the issuer of securities or other instruments in which issuer the Master Fund has considered investing, has invested or may consider investing. The possession of such information may limit or restrict by law the ability of the Investment Manager to buy or sell such securities or other instruments, including at times when the Investment Manager might otherwise wish to cause the Master Fund to buy or sell such securities or other instruments.

#### *Borrowing and Leverage*

The Master Fund may employ leverage, including through the use of borrowings, for the purpose of making investments and/or, in the case of borrowings, meeting redemptions. The use of leverage creates special risks and may significantly increase the Fund's or the Master Fund's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will incur interest costs and will increase the Fund's and the Master Fund's exposure to losses on investments. Even if investments made through the use of borrowings are profitable if the interest costs of borrowing are greater than the income and gains earned on such investments, the borrowing will overall have a negative impact on the Net Asset Value of the Master Fund.

If the Master Fund leverages its assets to borrow additional funds for investment purposes, the Master Fund may 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. The Investment Manager will look to any such inherent leverage in assessing the leverage to be applied within the portfolio overall.

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. As the holders of Shares 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).

#### *Hedging*

The Investment Manager, on behalf of the Master Fund, may employ various hedging techniques designed in an attempt to minimise certain types of loss in portfolio positions. A substantial risk remains, nonetheless, that such techniques will not always be possible to implement and when possible, will not always be effective in limiting losses and may also result in additional costs.

Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but the Investment Manager, on behalf of the Master Fund, may establish other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' values. Such hedge transactions also limit the opportunity for gain if the value of a portfolio position should increase. Moreover, it may not be possible for the Investment Manager to hedge against a fluctuation that is so generally anticipated that the Investment Manager is not able to enter into a hedging transaction at a price sufficient to protect from the decline in value of the portfolio position anticipated as a result of such a fluctuation. In addition, the Investment Manager may choose not to engage in a hedging transaction for a number of reasons, including if the expense associated with such hedging transaction is perceived as being too costly.

The successes of the Investment Manager's hedging transactions for the Master Fund are subject to the Investment Manager's ability to correctly predict market fluctuations and movements. Therefore, while the Investment Manager may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the Master Fund than if the Investment Manager had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

#### *Corporate Actions*

The Master Fund may be entitled to take part in corporate actions such as shareholder or bondholder votes in respect of certain investments but may be prevented from doing so in certain circumstances including, but not limited to, where the relevant security transaction has not settled and/or where the relevant security is subject to a repurchase transaction or rehypothecation. In addition, where a Prime Broker would be required to take such actions on behalf of the Master Fund, the Master Fund may not be able to require that Prime Broker to act upon its instructions in a timely manner, or at all. The Master Fund is under no obligation to take part in such actions and may elect not to do so.

#### *Currency Exposure*

Certain of the assets of the Master Fund may be invested in securities and other investments which are denominated in currencies other than the base currency of the Master Fund. Accordingly, the value of the Master Fund and such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Investment Manager may, in its discretion, seek to hedge the foreign currency exposure of the Master Fund, but the Master Fund is necessarily subject to foreign-exchange risks.

The Master Fund utilises such instruments as the Investment Manager deems appropriate including, but not limited to, stock market index futures and put options, when seeking to hedge against currency fluctuations. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Master Fund wishes to use them or will be able to be liquidated when the Master Fund wishes to do so. Moreover, in most emerging countries the markets for certain of these hedging instruments are not highly developed and in many emerging countries no such markets currently exist. In addition, the Master Fund may choose not to enter into hedging transactions with respect to some or all of its positions. Currency exchange costs will be incurred when the Master Fund changes investments from one currency to another.

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 an imperfect hedge and a consequent loss in the portfolio. It should also be noted that, in highly volatile markets, predictions of correlation based on historical data can diverge dramatically from observed market moves.



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.

In addition, prospective investors whose assets and liabilities are predominately in currencies other than the currency in which their Shares are denominated should take into account the potential risk of loss arising from fluctuations in value between the currency in which their Shares are denominated and such other currencies.

### *Financing Arrangements*

As a general matter, the banks and dealers that may provide financing to the Master Fund can apply essentially discretionary margin, “haircuts”, 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 in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, government, regulatory or judicial action, 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. 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 from a broker, meaning that 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, the Investment Manager might 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 the margin debt.

Whilst the Investment Manager has taken steps to mitigate these risks, there can be no assurance that the Master Fund will be able to maintain adequate financing arrangements under all market circumstances.

### *Short-Selling*

The Master Fund may sell investments short. Short-selling may involve trading on margin and may also 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 difficulty covering the short position and a theoretically unlimited loss. There can be no guarantee that investments necessary to cover a short position will be available for purchase. Purchasing investments to close out a short position can itself cause the price of the relevant investments to rise further, thereby exacerbating the loss.

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

### *Equities and Equity Instruments*

The Master Fund may trade equities, equity instruments (including equity-linked securities and equity-based derivatives) and may engage in trading equity indices, the values of which vary with an issuer's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political and other factors, influence the value of equities.

Certain equity-linked financial instruments in which the Master Fund may trade are referenced to underlying equities but incorporate other components, such as duration, strike price and premiums, that may result in the Master Fund's positions being unprofitable even though the Investment Manager may have correctly assessed the market value of the underlying equity.

The market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the Master Fund and, consequently, the Net Asset Value per Share.

### *Futures*

The Master Fund will invest in futures. Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. Futures are a type of derivative that have a contingent liability and involve the payment of margin and, accordingly, they are subject to the risks set out under "Risk Factors – Investment Risks – Derivatives" and "Risk Factors – Investment Risks – Contingent Liability Transactions and Trading on Margin".

Futures trading in many contracts on future exchanges (although generally not in currencies) is subject to daily price fluctuation restrictions, commonly referred to as "daily limits", which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day's closing prices. Daily limits may prevent the Master Fund from liquidating a futures position against which the market is moving. A series of "limit moves", in which the market price moves the "daily limit" with little or no trading taking place, could subject the Master Fund to major losses.

### *Exchange-Traded Funds*

Exchange-traded funds ("ETFs") are open-ended funds traded on stock exchanges. ETFs generally provide exposure to indices or to complex portfolios of securities and often carry higher risks than other equity securities. Whilst most ETFs can achieve their objectives by purchasing a diversified pool of assets, some achieve their objectives through the use of derivatives, typically swaps, which carry counterparty risk. If the counterparty does not pay the sums due, the Master Fund will see a reduced return regardless of the performance of the underlying assets. ETFs can also have unique compounding, daily reset and leverage features that may significantly amplify risk, particularly in periods of high market volatility. The value of an ETF may be affected by market values, interest rates, exchange rates, volatility, dividend yields and issuer credit ratings. These factors are interrelated in complex ways, and as a result, any losses or gains achieved by the Master Fund could be magnified.

### *Derivatives*

The Master Fund utilises both exchange-traded and OTC derivatives as part of its investment approach including, without limitation, futures, forwards, options, warrants and swaps (including contracts for differences, credit default swaps and foreign currency swaps). Derivatives are financial contracts whose value is derived from the value of an underlying asset. Derivatives can be highly volatile and expose investors to a high risk of loss.

Derivatives are frequently traded on margin, as described further under “Risk Factors – Investment Risks – Contingent Liability Transactions and Trading on Margin”. 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 derivative 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. Where derivatives are used for hedging purposes, there may be an imperfect correlation between the derivatives and the investments or market sectors being hedged.

Transactions in OTC derivatives may involve additional risk, as there may be no exchange market on which to close out an open position, as described further under “Risk Factors – Investment Risks – OTC Transactions and Securities Financing Transactions”. It may be impossible to liquidate an existing OTC position, to assess the value of an OTC position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery.

#### *Sovereign Debt*

The Master Fund may invest directly, and indirectly through derivative instruments (including swaps and credit default swap indices) or money market funds, in sovereign debt instruments. The issuers of sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the Master Fund may have limited recourse in the event of a default. A sovereign debtor’s willingness or ability to repay principal and pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the sovereign debtor’s policy toward international lenders and the political constraints to which a sovereign debtor may be subject. Furthermore, such entities may be entitled to claim sovereign immunity from any claims made against them should they default on any of their obligations under such loans. This may hinder, or prevent entirely, the recovery of any loss suffered as a result of such default.

#### *Options*

The Master Fund may invest in options, the prices of which depend largely upon the likelihood of favourable price movements in the underlying asset in relation to the exercise (or strike) price during the life of the option. Many of the risks applicable to trading the underlying asset are also applicable to options trading. In addition, there are a number of other risks associated with the trading of options, depending on the type of option in which the Master Fund invests (e.g., whether it is a call option or a put option, whether the Master Fund is long or short, and whether it is an American option, a European option or some other kind of option) and the strategy used with respect to options. In particular, when an option has been purchased, the option cannot be exercised if the price of the underlying asset remains below the strike price (in the case of a call option) or above the strike price (in the case of a put option) until it expires, in which case the purchaser will lose its entire investment (being the premium it paid to purchase the option). When an option is sold, the Master Fund may be required to pay margin to the counterparty, as described under “Risk Factors – Investment Risks – Contingent Liability Transactions and Trading on Margin”. If the Master Fund takes an uncovered short position in a call option (meaning that it has sold or written a call option and does not hold the security that it may be required to sell to the counterparty), the potential loss is theoretically unlimited.

### *Swap Agreements*

Most swap agreements that may be entered into by the Master Fund will calculate the obligations of the parties to the agreement on a “net” basis. Consequently, the Master Fund’s obligations (or rights) under such a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement.

### *Illiquid Investments*

The Master Fund may invest in investments that are or become illiquid, including investments that are unlisted or not traded in an OTC market, investments for which there is otherwise no liquid market or investments that are subject to legal or other restrictions on transfer. Such investments may lack a readily ascertainable market value and the market prices, if any, of such investments tend to be more volatile than liquid investments. The Master Fund may not be able to dispose of such investments readily, or at all, or realise a fair price for them. If the Master Fund is unable to realise all or any part of its interest in such investments for the purposes of funding the payment of redemption proceeds of Shares, substantial redemptions of Shares and/or of Master Fund Shares by other investors in the Master Fund may result in such investments constituting an increasing proportion of the Master Fund’s portfolio. This may result in remaining Shareholders having an increased exposure to such investments and the risks associated therewith. In addition, illiquid investments may incur high transaction costs, particularly in times of market stress. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded.

### *OTC Transactions and Securities Financing Transactions*

The Master Fund may enter into OTC derivative transactions, which are derivative contracts entered into directly with a counterparty rather than traded on an exchange, and Securities Financing Transactions. There are certain similarities between the risks associated with Securities Financing Transactions and OTC derivatives, including total return swaps. 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 (i) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations), (ii) market risk (adverse movements in the price of a financial asset or commodity), (iii) 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), (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud), (v) documentation risk (exposure to losses resulting from inadequate documentation), (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the transaction), (vii) systemic risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system), (viii) 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 (ix) 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).

For transactions 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 (to the extent not re-used) 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 assets are delivered pursuant to a security interest (to the extent not re-used) such assets 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 offset the Master Fund's exposure to the Counterparty and the Master Fund may not recover any shortfall.

#### *Credit Default Swaps*

The Master Fund may take long and short positions in credit default swaps. A credit default swap is a type of credit derivative which allows one party (the "protection buyer") to transfer credit risk of a reference entity (the "reference entity") to one or more other parties (the "protection seller"). The protection buyer pays a periodic fee to the protection seller in return for



protection against the occurrence of a number of events (each a “credit event”) which may be experienced by the reference entity. Credit default swaps carry specific risks including, but not limited to, high levels of leverage, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads, declining liquidity and documentation risks. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a credit event triggering the seller’s payment obligation had occurred. The creation of the ISDA Credit Derivatives Determination Committee (the “Determinations Committee”) in 2009 and the publishing of the Auction Settlement CDS Protocol were intended to reduce this uncertainty and create uniformity across the market for credit default swaps. Market-wide cash settlement protocols applicable to all market-standard credit derivatives have helped to reduce settlement risks by providing that the Determinations Committee both establish an auction to determine a settlement price and identify the deliverable securities for purposes of the auction, although the Determinations Committee may in certain limited circumstances refrain from doing so. In the event the Determinations Committee cannot reach a timely resolution with respect to a credit event or otherwise does not establish a cash settlement auction, there is the risk that the protection buyer may not be able to realise the full value of the credit default swap.

#### *Forward Foreign-Exchange Contracts*

The Master Fund enters into forward foreign-exchange contracts. A forward foreign-exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign-exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered.

The CFTC has been granted authority to regulate all swaps in the United States, including most forward foreign-exchange contracts. Until the CFTC fully implements rules with respect to these transactions, trading by the Master Fund in some forward foreign-exchange contracts will not be regulated by the CFTC and will not be traded on exchanges or subject to mandatory clearing. In addition, some forward foreign-exchange contracts, as well as bona fide spot currency transactions, are not subject to comprehensive regulation by the CFTC.

Certain of the forward foreign-exchange contracts in which the Master Fund engages are effected through the interbank market. Central clearing is offered only in respect of certain types of forward foreign-exchange contracts entered into on this market and, accordingly, if the Master Fund wishes to close out any such contract before the specified date, it will be reliant upon the agreement of the relevant counterparty. There is no limitation as to daily price movements on this market and none of the Master Fund’s counterparties will be required to make or continue to make a market in any forward foreign-exchange contracts. In exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign-exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. The imposition on any counterparty of credit restrictions on the dealing facilities which they agree to provide to the Master Fund may subsequently limit any transactions in forward foreign-exchange contracts. For forward foreign-exchange contracts that are not subject to exchange-trading or clearing, the Fund and the Master Fund will be subject to the risk of the inability or refusal of the Master Fund’s counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Master Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

#### *Repurchase Agreements*

The Master Fund may enter into repurchase agreements with respect to securities. Repurchase agreements involve credit risk, in that the Master Fund’s counterparties may default on their obligations and potentially avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the Master Fund to unanticipated losses. The amount of credit risk incurred by the Master Fund with respect to a particular repurchase agreement will depend in part on

the extent to which the obligation of the Master Fund's counterparty is secured by sufficient collateral.

#### *Contingent Liability Transactions and Trading on Margin*

Many types of derivative contract, including futures, forwards, options, warrants and certain swaps, are contingent liability transactions. Contingent liability transactions are transactions that may require the purchaser to make further payments when the transaction is closed, instead of paying a single amount when the position is entered into. Whether such further payments will be required and/or the amount of such payments is determined by changes in the value of the underlying asset between the transaction being entered into and the position being closed.

The Master Fund will generally be required to post margin to counterparties in respect of derivatives that constitute contingent liability transactions. Margin is an amount of collateral that must be paid to the counterparty in order to secure potential final payment obligations for positions it has entered into. The margin maintained will generally be marked-to-market daily, requiring additional margin to be paid if the relevant position reflects a loss. Conversely, if the position reflects a gain, an amount of the margin may be returned to the Master Fund's account at the counterparty. Counterparties may, in their discretion, increase their minimum margin requirements, particularly in times of significant volatility. This discretion and/or the mark-to-market requirement could suddenly increase very substantially the amount of margin required to be maintained with one or more or all counterparties in order to maintain the position. This would increase the counterparty credit risk to which the Master Fund is exposed with respect to the relevant counterparty and, if the Master Fund is unable to satisfy margin calls, could result in positions being liquidated at a loss at a time when it would not otherwise have chosen to do so.

The low margin amounts normally required for certain types of investments permit a high degree of leverage. Accordingly, as with any leveraged investment, a relatively small price movement in the investment may result in a substantial loss to an investor as a proportion of the capital committed. A trade may result in losses in excess of the amount of margin invested by the Master Fund at the time the position was opened.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when the Master Fund entered into the transaction.

#### *General Economic and Market Conditions*

The success of the activities of the Fund and the Master Fund is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Master Fund's investments. The prices of many derivative instruments are highly volatile. Volatility and liquidity could impair the profitability of the Fund and the Master Fund or result in losses.

#### *Market Disruptions and Governmental Intervention*

The Fund and the Master Fund may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices 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, in the global financial crisis that commenced in 2007 and again during the European sovereign debt crisis starting in 2010, 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 to the Fund. Furthermore, market disruptions caused by unexpected political, military and terrorist events, as well as natural circumstances, such as pandemics, 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.

It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager's ability to implement the Master Fund's investment approach. However, the Investment Manager believes that there is a likelihood of increased regulation of the global financial markets, and that such increased regulation could be materially detrimental to the performance of the Master Fund's portfolio.

National governments, their central banks and supra-governmental agencies and organisations have previously taken, and may in the future take, significant steps to intervene in the financial markets including, but not limited to, through international transactions in its currency or the debt obligations of itself or its nationals through various means, including, without limitation, regulation of the local exchange market, restrictions on foreign investment by residents, limits on flows of investment funds from abroad and debt moratoria. Current and future government, central bank and/or supra-governmental interventions may lead to a change in valuations of securities that is detrimental to the Master Fund's investments. Such intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

#### *Systemic Risk*

Credit risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect intermediaries with which the Master Fund interacts.

#### *Market Liquidity and Leverage*

The Master Fund may be adversely affected by a decrease in 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. Changes in overall market leverage, deleveraging as a consequence of a decision by the Prime Broker or other counterparties with which the Master Fund enters into repurchase/reverse repurchase agreements or derivative transactions, to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect the Master Fund's portfolio.

#### *Eurozone Crisis*

The current economic situation in the Eurozone has created significant pressure on certain European countries regarding their membership of the Euro. Some economists advocate the exit of certain countries from the Eurozone, and political movements in some Eurozone countries also promote their country's exit from the Eurozone for economic or political reasons, or both. It is possible that one or more countries may leave the Eurozone and return to a national currency (which may also result in them leaving the EU) and/or that the Euro will cease to exist in its current form, or entirely, and/or lose its legal status in one or more of the current Eurozone countries.



There are no historical precedents, and the effect of any such event on the Fund and/or the Master Fund is impossible to predict. However, any of these events might, for example, cause a significant rise or fall in the value of the Euro against other currencies; significantly affect the volatility of currency exchange rates (particularly for the Euro) and of the prices of other assets; significantly reduce the liquidity of some or all of the Master Fund's investments (whether denominated in the Euro or another currency) or prevent the Master Fund from disposing of them at all; change, through operation of law, the currency denomination of cash, securities, transactions and/or other assets of the Master Fund that are denominated in the Euro to the detriment of the Master Fund or at an exchange rate that the Investment Manager or the Master Fund considers unreasonable or wrong; adversely affect the Master Fund's ability to enter into currency hedging transactions and/or increase the costs of such transactions (which may prevent the Fund or the Master Fund from allocating losses on currency hedging transactions in accordance with their usual allocation policies, or from protecting certain share classes or sub-classes against exposure to foreign-exchange rates through hedging); affect the validity or interpretation of legal contracts on which the Master Fund relies; adversely affect the ability of the Master Fund to make payments of any kind or to transfer any of its funds between accounts; increase the probability of insolvency of, and/or default by, its counterparties (including, the Prime Broker) and/or result in action by national governments or regulators which may be detrimental or which may serve to protect certain types of market participants at the expense of others. Such factors could, individually or in combination with each other, impair the Master Fund's profitability or result in significant losses, prevent or delay the Master Fund from being able to value its assets and/or calculate the Net Asset Value and affect the ability of the Fund to redeem Shares and make payments of amounts due to investors. Although the Investment Manager and the Directors might be able to identify some of the risks relating to the possible events described above, there might be no practicable measures available to them that would reduce the impact of such events on the Master Fund.

#### *Brexit and the European Union*

The United Kingdom is no longer a member state of the European Union. Despite the negotiation of the UK-EU Trade and Cooperation Agreement in December 2020, the future economic and political relationship between the United Kingdom and the European Union (and between the United Kingdom and other countries) remains uncertain in many respects, and a period of economic and political uncertainty may therefore continue in the United Kingdom and the European Union. The relevant regulatory authorities in the United Kingdom may in the future make changes to their rules which deviate from the standards applicable in the European Union. Such changes may be adverse to the Investment Manager's ability to operate effectively and/or to the Fund and the Master Fund. The on-going negotiations between the United Kingdom and the European Union in respect of their relationship may lead to unpredictable outcomes, such as market volatility or impacting on certain asset classes. Other member states of the European Union may also reconsider their European Union membership. This could result in one or more other countries leaving the European Union, or in major reforms or other changes being made to the European Union or to the Eurozone.

The nature and extent of the impact of these factors on the Fund, the Master Fund and the Investment Manager are uncertain, but may be significant.

#### *Emerging Markets*

If the Master Fund invests in securities of companies incorporated in emerging markets or whose principal operations are in emerging markets or in securities issued by governments or governmental agencies of emerging market countries, additional risks may be encountered. These include (i) the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible, (ii) 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, (iii) 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, (iv) emerging markets carry a higher degree of political risk than developed markets and regulations can

impede repatriation of investment capital or earnings and it may be difficult to obtain and enforce a judgment in certain emerging markets in which assets of the Master Fund have been invested, (v) 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 and (vi) less complete and reliable fiscal and other information may be available to investors.

#### *Effects of Health Crises and Other Catastrophic Events*

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, that result in disrupted markets and/or interrupt the expected course of events, and public response to or fear of such crises or events, may have an adverse effect on the operations of and, where applicable, investments made by the Fund, the Master Fund and the Investment Manager. For example, any preventative or protective actions taken by governments in response to such crises or events may result in periods of regional, national or international business disruption. Such actions may significantly disrupt the operations of the Fund, the Master Fund, the Investment Manager and the other service providers to the Fund and the Master Fund. Further, the occurrence and duration of such crises or events could adversely affect economies and financial markets either in specific countries or worldwide. The impact of such crises or events could lead to negative consequences for the Fund and the Master Fund, including, without limitation, significant reduction in the Net Asset Value of the Master Fund, reduced liquidity of the Master Fund's investments, restrictions on the ability of the Master Fund to value its investments and the potential suspension of the calculation of Net Asset Value and the suspension of issues, redemption and/or exchanges of Shares.

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

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

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

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TCL is authorised and regulated by the FCA in the UK as an Investment Manager. Its Firm Reference Number is 497640. The authorisation that it holds means that the Firm is permitted to provide discretionary management and advisory services to professional clients. The Firm is not permitted to deal with retail clients.

The Firm maintains a record of any potential conflicts of interest, including external appointments held by all staff, including the management persons listed above. This list is updated when necessary and completeness is confirmed on an annual basis.

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

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The Firm has in place a Code of Ethics which sets out the procedures in place governing personal trading. The Code of Ethics is available to clients or prospective clients upon request and includes the following provisions:

- All personal brokerage accounts used by staff and their spouses and dependent children ("related persons") must be notified to the Firm.
- Prior approval may be required before a trade can be executed where a conflict exists.

- Initial and annual self-certification and holdings reports are submitted to the Firm by all staff. These are checked back to the original approvals.

No securities are bought or sold for Funds in which the Firm's related persons have a material financial interest. Such activity is considered to be an alignment of interest between the related persons and the client.

Personal trading rules do not permit related persons to purchase securities for their own accounts at times when the accounts managed are actively trading in such securities.

## **Item 12: Brokerage Practices**

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### **General arrangements**

The rules to which the Firm is subject in the UK forbids it from paying commission to receive services. In particular, should the Firm wish to receive research services, these must be either paid for by the Firm out of its own resources or, by way of a Research Payment Account ("RPA") which is funded by way of a specific research charge to its clients.

In relation to the Trium Khartes Fund, an RPA is used and the annual budget as approved by the Fund Directors, is \$200,000 for 2021/22.

The Firm's investment approach is to use qualitative techniques when deciding upon securities to be traded for the accounts it manages.

The Firm maintains a list of brokers with whom it may deal with. This list is reviewed at least on an annual basis and brokers are added or deleted according to the Firm's view of the quality and cost of the service provided. Brokers are used by the Firm at its own discretion.

### **Best Execution**

Brokerage costs are not paid by the Firm. Brokers build in a spread in respect of execution services provided only. Brokers with whom the Firm trades are therefore selected on the basis of the following execution factors, with particular emphasis being given to the price:

- Price
- Speed
- Likelihood of execution and settlement
- Size
- Nature
- Other considerations relevant to the execution of an order

The Firm is not incentivised to select a more expensive broker over another when executing trades.

Trades are pre-allocated on a client by client basis. Where possible trades will be bulked for execution and average pricing ensuring that pricing across clients is as equitable as possible.

## **Item 13: Review of Accounts**

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The Trium Khartes Fund is subject to periodic review in order to ensure that it remains within the investment guidelines agreed with the client. The frequency of the review is determined by client requirements and can be summarised as follows:

The Fund is reviewed on a monthly basis by the Trium Investment Committee. A Fortnightly Risk Committee is held between the Portfolio Manager and CRO (required for a quorum) and will also generally be attended by one/both COO (Patrick Mang) and Co-Head of Trium (Donald Pepper), where the investment strategy implementation and market conditions, risks and opportunities are discussed.

Statements are sent to clients with accounts on a quarterly basis by the Fund Administrator. These reports contain a detailed analysis of the holdings as at the reporting date and transactions during the period. In addition, the Firm sends a report on either a monthly or quarterly basis which analyses the portfolios risk and return characteristics along with commentary on the market and the portfolio itself.

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

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TCL is not remunerated by any party other than its clients. The Firm receives no economic benefit for providing investment advice or other advisory services to its clients whether directly or indirectly.

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**Item 15: Custody**

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This item does not apply.

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**Item 16: Investment Discretion**

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TCL has discretionary authority to manage the Trium Khartes Fund under an Investment Management Agreement.

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**Item 17: Voting Client Securities**

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The Portfolio Manager will seek to utilise proxy voting where they view this is in the best interest of the investor and will take into account the following guidelines:

- ▶ support a current management initiative if Trium's view of the issuer's management is favourable;
- ▶ vote to change the management structure of an issuer if it would increase shareholder value;
- ▶ vote against management if there is a clear conflict between the issuer's management and shareholder interest;
- ▶ in some cases, although Trium supports an issuer's management, there may be corporate governance issues that Trium believes should be subject to shareholder approval; and/or
- ▶ may abstain from voting proxies when it is determined that the cost of voting the proxy exceeds the expected benefit to its clients.

The Trium Operations Department will pass all proxy voting requests received from the custodian/prime brokers to the relevant Portfolio Managers to determine how to vote each such proxy.

Upon making a decision, the Portfolio Managers will instruct the Head of Operations on how to vote. It is the responsibility of the Head of Operations either to vote the shares or to instruct the custodian/prime broker of the Firm's voting decision in order to update the client's proxy voting record.

The Head of Operations must ensure that the voting of all proxies is completed in a timely manner and must monitor the effectiveness of these policies.

For systematic strategies, which typically have highly diversified portfolios and short holding periods, it is not practical to engage in proxy voting. The Firm's policy is therefore to abstain from proxy voting in these instances.

For securities held on CFD, while there is typically no voting right attached, where Trium view's a vote to be important, Trium will work with the Prime Brokers to seek to ensure a vote is cast. If needed Trium can move the position to a cash position to ensure that the Portfolio Manager has the right to vote.

A copy of Trium's proxy voting policy is available upon request.

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**Item 18: Financial Information**

The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

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

This does not apply.