



## **Astra Asset Management UK Limited**

**35 King Street  
London  
EC2V 8EH  
UNITED KINGDOM**

**2 February 2021**

This “**Brochure**” provides information about the qualifications and business practices of Astra Asset Management UK Limited (hereinafter “Astra”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Mark Murray, by email at [mark.murray@astra-amco.com](mailto:mark.murray@astra-amco.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Astra has applied as an “Investment Adviser Expecting to be Eligible for Commission Registration within 120 Days” with the SEC. Registration as an investment adviser does not imply that Astra or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

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**ITEM 2: MATERIAL CHANGES**

This Brochure is Astra's initial Form ADV Part 2A which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if the Brochure contains material changes from our last update, we will identify and discuss those changes in this section.

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**ITEM 4: ADVISORY BUSINESS**

Astra Asset Management UK Limited (hereinafter “Astra”, “we”, “us”, “our” or the “Firm”) is organized as a limited liability company under the laws of the United Kingdom. Astra was incorporated on 6<sup>th</sup> August 2012 and is authorised and regulated to perform investment management business pursuant to the Financial Services and Markets Act 2000 and is authorised as a full scope Alternative Investment Fund Manager. Anish Mathur is the Chief Investment Officer and principal owner of Astra.

Astra provides investment management, investment advisory, risk management and bespoke structuring services for a number of Alternative Investment Funds, segregated client portfolios and institutional investors.

Astra’s investment strategy focuses primarily on structured credit products. Astra’s investment management team are experienced in the management of structured credit products and while the team retain flexibility to invest in a wide range of instruments generally, the focus is mainly on European and US asset backed securities (“ABS”), collateralised debt obligations (“CDO”), collateralised loan obligations (“CLO”) and other structured credit products and other similar instruments, corporate debt securities and illiquid or esoteric assets that may require longer holding periods to realise value.

Astra has also continued to focus on expanding its business development and structuring platforms to facilitate growth in a robust and sustainable manner. The business development section of Astra’s service offering has expanded to include client service offerings for non-correlated income generated business, securitization and repackaging solutions for institutional investors, Islamic finance and other boutique investment firm service offerings.

Astra currently provides fee only discretionary investment management services to the following pooled trading vehicles:

1. Astra Structured Credit Investments Limited, an exempted company and Alternative Investment Fund domiciled in the Cayman Islands;
2. Triaverun LLC, a Delaware limited liability company;
3. Astra Cumulative Return Investments 2019, a note issuance platform domiciled in the Cayman Islands;
4. 2B LLC, a private fund organised as a Delaware limited liability company.

All Astra’s trading portfolio are managed in accordance with their respective confidential Prospectus, Note Purchase Agreement(s) or Investment Management Agreements as applicable (“**Offering Documents**”). Astra has broad and flexible investment authority with respect to its private investment fund clients. All Astra’s trading portfolio are managed in accordance with the investment strategies specified in their respective confidential Offering Documents.

Each Private Fund’s investment strategy seeks to maximize the Fund’s total return while preserving capital. While Astra retains a flexible approach to invest in a wide range of financial instruments generally, Astra for the private funds under its management and advisement will seek to achieve each Fund’s investment objective through the strategy of investing in fixed

income/structured credit strategy or such other complimentary investment strategies which Astra believes best meet the investment objectives set by the Fund. Investors should consider whether investing in a financial product offered by Astra meets their investment objectives and risk tolerance prior to investing. We do not tailor our advisory services to the individual needs of any particular investor.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended.

We do not currently invest in any Wrap Fee Programmes.

**Regulatory Assets Under Management**

As of date of this Brochure, Astra has \$148,027,057 in regulatory assets under management on a discretionary basis.

**ITEM 5: FEES AND COMPENSATION**

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The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

Depending on the investment strategy and depending on the extent to which a structured solution is implemented to meet the bespoke needs of the investor, Astra may charge management fees, performance fees, administrative fees, collateral management fees, structuring or origination fees or such other advisory fees as may be agreed between Astra and the investor. For pooled investment vehicles Astra would typically charge management fees of between 1.5% and 3% per annum of the net asset value of the investment.

Although management and performance fees are generally non-negotiable Astra, in its sole discretion, may waive or modify any management or advisory fee or any other fee for any investor.

***Other Types of Fees or Expenses***

Astra is authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm.

The Fund/SMA pays the costs and expenses of (i) all investment and operating expenses incurred by the Fund/SMA relating to the sourcing, development and execution of deals and proposed deals for the Fund, including legal, tax and accounting expenses; (ii) the cost of procuring an administrator, custodian, depository, auditors or other service providers as are necessary or desirable for the Fund/Astra to meet its regulatory obligations and (iii) the administration of the Fund, including (a) the charges and expenses of legal advisers and

auditors, (b) brokers' commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, (c) all taxes and corporate fees payable to governments or agencies, (d) Directors' fees (if any) and expenses, (e) interest on borrowings, (f) fees and expenses incurred by the Fund in respect of any third party valuation consultants retained by the Fund, (g) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents, (h) the cost of insurance (if any) for the benefit of the Directors, (i) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business and (j) all other organisational and operating expenses. Such other fees, charges and expenses, as well as dealing commissions and other non-monetary benefits, payable by the Fund are charged at normal commercial rates. The maximum amount of fees, charges and expenses borne (directly or indirectly) by the Fund/SMA will depend on a number of factors including, but not limited to, portfolio turnover, level of borrowings and the value of short sales. Astra are responsible for their own normal and recurring operating and overhead costs.

In general, each Investor will bear its proportionate share of the Fund/SMA expenses on a pro rata basis with respect to the size of such Investor's capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund General Partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund General Partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds/SMA are paid by the Firm or its affiliates, the Funds/SMA will reimburse the Firm or its affiliates for such expenses. We may waive any such reimbursement with respect to any Fund expenses. Any waiver by us for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by us or our affiliates.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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We and our affiliates are entitled to a performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Astra and its connected persons may invest directly or indirectly or manage/advise other funds which may purchase securities that may be suitable for the Fund. Astra is not under an obligation to account to a fund/SMA for any such transaction or benefit but will allocate such

opportunities on an equitable basis between the fund/segregated client portfolios under management in line with it/their legal and regulatory obligations.

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**ITEM 7: TYPES OF CLIENTS**

Our clients are pooled investment vehicles, private funds and other segregated client portfolios as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors. Astra's advisory clients generally impose minimum account requirements on their investors and require them to satisfy certain suitability requirements as set out in the Offering Documents.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

***Investment Objective***

The investment objective/investment guidelines will be specified by the specific investment guidelines or restrictions specified by the pooled investment vehicles.

For funds or pooled investment vehicles pursuing a structured credit strategy, investment objective is to seek to achieve returns by investing in credit products generally including but not limited to CDOs, CLOs, CMBS and RMBS, asset backed lending and corporate credit. The structured credit investment strategy will also invest in financial instruments that may have esoteric or idiosyncratic features that may require longer maturity periods to realise value.

***Investment Approach of the Structured Credit Investment Strategy***

The Investment Manager believes that a flexible approach is needed in order to best capitalise on opportunities in the fixed income markets. Accordingly, the Investment Manager will have flexibility to invest in a wide range of instruments.

Without limiting the generality of the foregoing and although the Investment Manager may invest in such a wide range of instruments globally, it is expected that the investment focus of the portfolio will initially be in CDOs, CLOs as well as US and European CMBS and RMBS, in both cash and synthetic form.

The Fund may also invest in equity and mezzanine exposures to asset-pools, corporate bonds and derivatives linked to such indices such as CMBX, ABX and CDX). The Fund may also seek to “warehouse” positions by acquiring a pool of assets and subsequently selling instruments linked to the risk and returns, or a portion of the risk and returns, of such assets. The Fund may, but is not obliged to, invest in interest-rate and other currency swaps, Eurodollar futures, and other derivative and/or hedge instruments, for hedging purposes and to seek to improve the risk return profile of the portfolio.

To make such investments, the Investment Manager has adopted an investment process that includes a structural and collateral analysis, cash flow and return profile projections, as well as an analysis of any idiosyncratic features and risks (including any special swap agreements, specific deal structure and deal related covenants).

The Investment Manager has discretion to apply such hedging arrangements to each share class as deemed appropriate from time to time.

***Risk Management***

In line with the legal and regulatory obligations of Astra, Astra has a Management Committee comprised of Anish Mathur, the Chief Investment Officer, Dr Christian Adler, Senior Investment Officer, Shikha Gupta, Senior Trader, Michael Holdom the Chief Operating Officer and Mark Murray, General Counsel and Chief Operating Officer.

The Management Committee is designed to assess key business performance indicators and the attainment by Astra of its risk related objectives. Astra has a Risk Committee comprised of the Chief Risk Officer, Michael Holdom, the Chief Compliance Officer Mark Murray and Dr Christian Adler (reporting on behalf of the portfolio management team) The Risk Committee is responsible for the attainment by Astra of its risk related objectives in accordance with a defined Risk Management Policy. The Risk Committee sits and reports into the Management Committee of the Company, Astra has also a dedicated compliance team, the compliance function being segregated and independent from the portfolio management function.

***Risk of Loss Factors***

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

An investment involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Astra Asset Management UK Limited

See Appendix A for further details on relevant Risk Factors.



**ITEM 9: DISCIPLINARY INFORMATION**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

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***Code of Ethics***

Astra Asset Management UK Limited has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

The Code also provides certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the Chief Compliance Officer with a list of their personal accounts and an initial holding report within 10 days of becoming an access person of Astra. In addition, Astra's Code requires Access Persons to submit annual holding reports and quarterly transaction reports.

The Code also seeks to ensure the protection of non public information about the activities of advisory clients. Investors or prospective investors may obtain a copy of the Code by contacting the Chief Compliance Officer at [mark.murray@astra-amco.com](mailto:mark.murray@astra-amco.com).

**Investment in Securities**

Access Persons are generally not permitted to trade in securities that are held by the pooled investment vehicles under management/advisement but may be permitted to do so under certain circumstances. This type of personal trading activity may create potential conflicts of

interest because (i) Astra or its Access Persons may have an incentive in certain situations not to recommend the sale of those securities to its advisory clients in order to protect the value of their personal investment and (2) Astra or its Access Persons may have an incentive to place their orders before those of their clients in order to obtain a better price. Astra addresses these potential conflicts of interests by requiring all Access Persons who wish to engage in such transactions to obtain pre-clearance before the Chief Compliance Officer before placing their order.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

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**ITEM 12: BROKERAGE PRACTICES**

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Astra Asset Management UK Limited is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost.

Depending on the terms of the investment mandate, Astra may be required to procure the appointment of custodians/depositaries/trustees to take custody the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

***Best Execution***

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

***Soft Dollars***

Neither Astra Asset Management UK Limited nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds. Astra Asset Management has decided to pay for its own investment research and does not procure brokers to provide such research.

Astra has the discretionary authority to determine the broker or dealer to be used to execute securities transactions on behalf of its Advisory Clients. In selecting brokers or dealers, Astra generally seeks to place its Advisory Clients' order with the broker-dealer that offers the best net transaction price, but also considers the financial stability and reputation,

range and quality of the services made available to the Advisory Clients and the firm's professional services, including execution, clearance procedures and ability to provide supplemental performance, statistical and other research information for consideration, analysis and evaluation of Astra. If Astra determines that the amount of transaction costs imposed by a brokerage firm is reasonable in relation to the value of the products or services provided by such brokerage firm, Astra may incur transaction costs in an amount greater than the amount that might be incurred if another brokerage firm were used.

Astra does not have any soft dollar arrangements and does not consider the value of any unsolicited research received from broker-dealers in its determination of which broker-dealers to allocate client brokerage to. If Astra enters into soft dollar arrangement in the future, it will ensure that such arrangements are within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. These arrangements present potential conflicts of interest in allocating securities transactional business to broker-dealers in exchange for soft dollar benefits, including an incentive to select a broker-dealer based on Astra's interest in receiving research or other products or services, rather than on the Advisory Clients' interest in receiving the most favorable execution.

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**ITEM 13: REVIEW OF ACCOUNTS**

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Our Portfolio Manager and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Fund's Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

***Account Reporting***

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

The distribution of account reporting/fund transparency information will be dependent on contractual arrangements between Astra and its investors. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

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

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

**ITEM 15: CUSTODY**

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Astra does not have authority to take custody of client assets and such assets must be held by a qualified custodian.

We will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) (i.e., the “custody rule”) by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Fund’s audited financials to Investors within 120 days of such Fund’s fiscal year end.

**ITEM 16: INVESTMENT DISCRETION**

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We will have full discretionary investment authority with respect to the Funds, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

**ITEM 17: VOTING CLIENT SECURITIES**

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Commented [A1]: For Fund only?

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “proxy voting rule”), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with the Client’s investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct our vote in a particular solicitation.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

**ITEM 18: FINANCIAL INFORMATION**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.

**APPENDIX A – RISK FACTORS**

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The nature of the structured credit strategy investment strategy (for ease of reference referred to as the “**Fund**”) involves certain risks and the Fund utilises investment techniques (such as leverage, short selling and the use of derivatives) which may carry additional risks. An investment therefore carries substantial risk and is suitable only for persons who can assume the risk of losing their entire investment. References to an Administrator are only applicable to the extent to which an administrator is required to be appointed in accordance with the investment mandate or pursuant to applicable law.

Investors investing in bespoke structuring solutions arranged by our Special Situations Team may bear additional risks depending on the nature of their investment, loan origination and legal, tax, financial and other risks which may arise as part of the specified investment mandate.

Investors subscribing in structured solutions can involve high degrees of risk and such solutions are not suitable for all investors. In particular, an investor should not avail of such a solution unless it understands and is able to bear, the subscription, pre-payment, credit, liquidity, currency and market risk associated with such investment/solution. Breach including inadvertent breach of a contractual obligation could result in an Event of Default and or an inability of the Issuer to pay all or any amounts due or owing. Prospective investors in any strategy/solution offered by Astra should take their own legal, financial, accounting, tax, regulatory and other advice relevant to their proposed investment in a financial product.

Prospective investors in the Fund should consider, among others, the following factors before investing (the below list should not be considered exhaustive):

**Structured Finance Securities**

The Fund may invest in structured finance securities, including asset backed securities (“ABS”) collateralised debt obligations (“CDOs”), commercial mortgage-backed securities (“CMBS”) and residential mortgage-backed securities (“RMBS”). There may be significant risks associated with investing in structured finance securities. The structure of such securities and the terms of the investors’ interest in the underlying collateral vary widely, depending on, amongst other things, the collateral type, use of credit enhancement and investor requirements. While the basic elements of structured finance securities are broadly similar, the structure and execution of individual securities may differ.

Risks relating to structured finance securities include, but are not limited to, credit risk, liquidity risk, currency risk, interest rate risk, market risk, operational risk, structural risk and tax and legal risk. Concentration of structured finance securities by issuer, servicer or geography may result in additional risk to the Fund.

In particular, specific risks are associated with CDOs, ABS, CMBS and RMBS which are as follows:

#### *Asset-backed Securities*

The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor or, in certain instances, the guarantor. Unlike CMBS, these financial instruments do not have the benefit of the same security interest in the related collateral. Credit card receivables, automobile, boat and recreational vehicle instalment sales, private credit student loans, contracts, commercial and industrial bank loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support ABS. However, there can be no assurance that innovation in the relevant markets will not transform ABS by adding new classes of assets, new structures or other features not now familiar in the asset-backed markets. Credit card receivables, for example, are generally unsecured and the debtors may be entitled to the protection of consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. ABS backed by private credit student loan receivables will be affected by payments, defaults and losses on the underlying student loans and, in the case of private loan receivables guaranteed in whole or in part by a private guarantor, by the ability of the related guarantor to honour claims and the extent of the guarantee. Student loans may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Any violation of these laws, public policies and principles could result in cash flow delays and losses on the related ABS. In addition, numerous US federal and state statutory provisions, including the US federal bankruptcy laws, the US Higher Education Relief Opportunity for Students Act of 2003 and state debtor relief laws, may also adversely affect the ability of a servicer of the student loans underlying ABS backed by student loan receivables to collect the principal or interest on the loans, and holders of the affected ABS may suffer a loss if the applicable laws result in these loans becoming uncollectible. ABS secured by payments on private credit student loans are not guaranteed or reinsured under any US federal student loan programme, and are subject to both prepayment and extension risks. Dodd-Frank will result in significant new regulation in key areas affecting student loans which may materially adversely affect the Fund's ability to implement its investment approach and achieve its investment objective.

In addition, because of the large number of assets involved in a typical issuance and technical requirements under applicable laws, the trustee for the holders of the ABS may

not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on collateral may not, in some cases, be available to support payments on these securities.

The collateral supporting ABS is generally of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. In most cases, ABS are often backed by a pool of assets representing the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the asset pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement, potentially to zero.

#### *Collateralised Debt Obligations*

The Fund may invest in CDOs backed by a pool of debt instruments and derivatives on debt instruments and may also trade in a wide range of other CDO products, including, without limitation, high yield CDOs, CDOs of CDOs and CDOs of asset-backed securities.

CDOs generally are limited recourse obligations of the CDO issuer, linked to the performance of an underlying pool of debt instruments held by the CDO issuer ("Collateral"). Alternatively, Collateral may be acquired synthetically by selling credit protection under a credit default swap or similar derivative instrument. Consequently, holders of CDOs rely on distributions or proceeds from the Collateral for payment in respect of their CDOs. If distributions or proceeds from the Collateral are insufficient to make such payment, no other assets will be available for the payment of such deficiency. The concentration of Collateral in any one obligor will subject the Fund to a greater degree of risk with respect to the default of such obligor and the concentration of Collateral in any one industry will subject the Fund to a greater degree of risk with respect to economic downturns relating to such industry or region.

Collateral is subject to various risks, including credit, liquidity, currency and interest rate risks. Collateral may consist of high yield debt securities, loans, structured finance securities and other debt instruments, generally rated below investment grade. High yield debt securities and loans may be unsecured and may be subordinated to other obligations of the CDO issuer. Such lower rating reflects a greater possibility that adverse changes in the financial condition of the relevant CDO issuer and/or economic conditions in general may impair the ability of that CDO issuer to make payments of principal and/or interest. Such investments may be speculative. During periods of market illiquidity, a CDO issuer may not be able to sell all its Collateral, or may only be able to do so at unfavourable prices, which may adversely impact the Fund.

Issuers of CDOs may acquire interests in loans and other debt obligations by way of sale, assumption, transfer or participation. In the case of a transfer, a transferee typically succeeds to all the rights and, in some cases, the obligations of the transferring institution and becomes a lender under the credit agreement with respect to the relevant debt

obligation; however, its rights can be more restricted than those of the transferring institution.

Loans are predominantly traded by commercial banks, investment funds, mutual funds and investment banks. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity. Because of the provision to holders of such loans of confidential information relating to the borrower, the customised nature of the loan agreement, and, in certain cases, the private syndication of the loan, loans are not as easily traded as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high yield debt securities market.

In addition to the risks associated with debt securities and derivatives outlined below, due to the leveraged nature of CDOs such investments may be subject to more acute credit, liquidity and interest rate risks than the underlying component debt instruments and/or derivative instruments.

The Collateral may bear interest at a fixed rate while CDOs may bear interest at a floating rate (or vice versa) with a resultant mismatch in payment obligations of the Collateral and the relevant CDOs. In addition, the Collateral may bear interest at a floating rate which pays interest at rates that adjust more or less frequently, on different dates and/or based on different indices than the interest rate borne by the relevant CDOs. As a result of such mismatches, fluctuations in floating rate indices may adversely impact the ability of the issuer of the relevant CDOs to make payments of interest and/or principal. Such interest rate risks may be mitigated by interest rate swaps entered into by the CDO issuer, but even if entered into, such swaps may not be able to provide full protection against any interest rate fluctuations and the costs to the CDO issuer of entering into and maintaining such swaps may be significant. Such costs, if significant, may adversely affect the ability of the CDO issuer to make payments to its investors, which could lead to material losses for such investors, including for instance, the Fund.

CDOs are subject to currency risk to the extent that the underlying Collateral includes obligations for the payment of principal and/or interest in currencies other than the currency of the payments to be made to investors in such CDOs. Such currency risks may be mitigated by currency swaps entered into by the CDO issuer, but even if entered into, such swaps may not be able to provide full protection against any currency fluctuations and the costs to the CDO issuer of entering into and maintaining such swaps may be significant. Such costs, if significant, may adversely affect the ability of the CDO issuer to make payments to its investors, which could lead to material losses for such investors, including for instance, the Fund.

The Fund's investments in CDOs may involve significant leverage. Leverage is embedded in all classes of CDOs other than the most senior tranche. While such leverage presents opportunities for increasing the return on such investments, it also has the effect of potentially increasing loss.



*Commercial Mortgage-backed Securities*

Mortgage loans on commercial properties underlying CMBS often are structured so that a substantial portion of the loan principal is not amortised over the loan term but is payable at maturity and repayment of the loan principal, and thus, often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and saleability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying CMBS are effectively non recourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the relevant CMBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the relevant CMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

*Residential Mortgage-backed Securities*

Borrowers with mortgage loans on residential properties, in the United States and elsewhere, have defaulted on such loans in recent years in large numbers. A large portion of such mortgage borrowers are still delinquent and the re-payment of such loans is very uncertain. Servicers of such underlying loans may be required to foreclose on such properties or work out the loans in other ways, such as 'short sales' (in which the servicer accepts a discount to par to extinguish the delinquent loan) or loan modifications, in which the original terms of the loans are modified, often resulting in reduced interest rates, reductions in principal owed and/or extension of the original loan maturity.

In addition, the structured nature of RMBS may result in one or more classes (or "tranches") of such securities receiving less or more cash flow from the underlying residential mortgage loans, depending on the timing and magnitude of loan payments, delinquencies, prepayments, foreclosures, modifications, short sales, or other arrangements. Small changes in underlying borrower behaviour may result in very significant changes in RMBS tranche cash flows, resulting in very significant price movements, up or down, in the RMBS trading market. The United States government has implemented and is considering implementing a variety of new and untested, programmes to try to mitigate the number of homeowners who lose their homes through foreclosure. The efficacy of these programmes is uncertain and the extent and magnitude of new programmes cannot be predicted. Many of these programmes and directives have resulted in significant delays in the time scale under which the mortgage servicer can take title to the property and sell it.

The Fund may purchase RMBS where the underlying home loan borrowers were originally classified as 'subprime', with poor histories of repaying mortgage loans of other borrowings. The Fund may purchase RMBS where a large percentage of underlying home loan borrowers are not current in their mortgage or other debts. The Fund may purchase RMBS where the collateral are primarily or exclusively second lien mortgages, meaning they have substantially reduced priority to be repaid in the event of an underlying home loan borrower default. In many states in the United States, mortgage loans are 'non-recourse' to the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on RMBS tranches may be adversely affected such that it is possible that there may be no repayment of interest and/or principal on the RMBS security. The ultimate extent of the loss, if any, to the subordinated classes of RMBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related RMBS.

#### *General*

The Fund may invest in subordinate or junior tranches of structured finance securities which are subordinate in right of payment and rank junior to other securities which are secured by or represent an ownership in the same underlying collateral. Although structured finance securities generally have the benefit of first ranking security (or other exclusive priority rights) over any collateral, control of the timing and manner of the disposal of such collateral will generally devolve to the holders of the senior classes of securities outstanding. There can be no assurance that the proceeds of any such sale of collateral will be adequate to repay the Fund's investment in full, or at all. In addition, many structured finance securities have features which divert payment of interest and/or principal from such tranches to senior classes of securities in the event of default or loss in respect of the underlying collateral with the concomitant potential for a higher risk of loss for such subordinate or junior tranches. In addition, diversion of payments of principal to such senior classes, may cause the repayment of principal of such subordinate or junior tranches to be delayed and/or reduced.

Subordinate or junior tranches of structured finance securities generally do not have the right to call a default or vote on remedies following a default unless senior classes sharing in the same underlying collateral have been repaid in full. Generally, a shortfall in payment to investors in subordinate or junior tranches of structured finance securities will not result in a default being declared or the restructuring or unwinding of the transaction. To the extent that subordinate or junior tranches represent a small percentage of the securities issued in relation to the underlying collateral, a small loss in the value of such collateral may result in a substantial loss for the holders of such subordinate or junior tranches and may impact upon the performance of the Fund and thereby, the performance of the Fund.

Availability of Investment Strategies

The success of the Fund's investment activities in part depends on the Investment Manager's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Fund involve a high degree of uncertainty. No assurance can be given that the Investment Manager will be able to locate suitable investment opportunities in which to deploy all of the Fund's assets or to exploit discrepancies in the securities and derivatives markets. A reduction in money market liquidity or the pricing inefficiency of the markets in which the Fund seeks to invest, as well as other market factors, will reduce the scope for the Fund's investment strategies.

The 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, government programmes regarding mortgage borrowings, 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.

Any factor which may lessen the prospect of major trends in the future (such as increased governmental control of, or participation in, the markets) may reduce the Investment Manager's ability to trade profitably. Any factor which would increase the difficulty of executing timely trades, such as a significant decrease in liquidity in a particular market, may also be detrimental to the Fund. Furthermore, the Investment Manager may modify or alter its strategy from time to time in an attempt to better evaluate market movements. No assurance can be given that the strategies used by the Investment Manager will be successful under all or any market conditions. In addition, it is not known what effect, if any, the size of the Fund's account or an increase in total funds being managed by the Investment Manager and its affiliates and connected persons will have on the performance of such strategies.

Below "Investment Grade" Securities

The Fund may invest in bonds or other fixed income securities, including "high yield" (and, therefore, high risk) debt securities. These securities may be below "investment grade" and are subject to uncertainties and exposure to adverse business, financial or market conditions which could lead to the issuer's inability to make timely interest and principal payments. The market values of these securities tend to be more sensitive to individual corporate developments and general economic conditions than those of higher rated securities.

Benchmark Reform and the impact on LIBOR and other IBORs

The London Interbank Offered Rate (known as "LIBOR") is a commonly used reference rate in global financial markets. A major shift is underway to transition from LIBOR to alternative near Risk-Free-Rates ("RFRs") by the end of 2021.

The lack of an underlying active market in interbank lending over recent years means that LIBOR is now sustained by the “expert judgement” of panel banks. The FCA has said that this cannot continue indefinitely. 2021 is the final year that panel banks have agreed to provide their submissions to LIBOR. It is not possible to predict with certainty the overall effect of LIBOR reform, but the discontinuance of LIBOR and the transition to RFRs raises a number of risks.

Where it is not possible to amend an existing LIBOR exposure to the relevant RFR (a process known as ‘remediation’), by the time LIBOR ceases to be published or is declared unrepresentative by the FCA, that asset is unlikely to function or perform as originally intended, its price may be negatively impacted or value transferred, and it may become illiquid and hard to value.

It may not be possible to remediate certain assets from LIBOR to the new RFRs, or to transition a hedge and its underlying position at the same time, causing a mismatch or ‘basis risk’. Remediation is likely to be particularly difficult for assets issued to multiple investors or with high consent thresholds to amend the rate.

Delays or failures in obtaining investor or counterparty consent, or regulatory approval, may adversely impact transition.

RFRs are conceptually different to LIBOR and do not operate on the same basis. Remediation from LIBOR to RFRs may lead to the Fund paying more or receiving less on an asset than if it had remained a LIBOR-referencing asset. Spread adjustments applied to RFRs to reflect the historical difference in performance with LIBOR are rough proxies and will not perfectly match the performance of the relevant LIBOR rate it replaces, meaning that some value transfer is inevitable.

Some of the RFRs are relatively new interest rate benchmarks compared to LIBOR and how these rates, and any adjustment spreads, will perform in stressed market conditions or over significant time periods is not well established. Industry and market solutions for transition from LIBOR to RFRs across different asset classes and currencies are not aligned and are developing at different rates.

If remediation alters the legal, commercial, tax, accounting or other economic outcome of the relevant trade(s), including as between a trade and its hedge, there is a risk of detriment to the Fund and consequently to the Shareholders/Investors.

For new investments, including where an existing LIBOR-asset is sold and replaced with an RFR-referencing asset during transition, the market in the relevant RFR-referencing asset may lack liquidity and/or price transparency, particularly when compared with historical LIBOR volumes.

Other IBOR benchmarks are also affected by global benchmark reforms, including TIBOR, HIBOR, EONIA, CDOR and BBSW. The timings for transition from such rates vary but the broad risks set out in this section apply generally to other affected IBOR rates.

#### Borrowing

The Fund may use borrowings for the purpose of making investments and/or meeting redemptions. The use of borrowing creates special risks and may significantly increase the Fund's investment risk. Borrowing creates an opportunity for greater yield and total return but, at the same time, will increase the Fund's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest 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 interest 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.

#### Brexit and the European Union

The United Kingdom has left 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 European Union and globally. Following the expiry of the transitional period, the United Kingdom may make regulatory changes, which may be adverse to the Investment Manager. The ultimate nature and extent of the impact of these events on the Fund and the Investment Manager are uncertain, but may be significant.

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 any such changes on the Fund and the Investment Manager are uncertain, but may be significant.

Deteriorating business consumer or investor confidence could lead to (i) reduced levels of business activity; (ii) higher levels of default rates and impairment; and (iii) mark to market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties and (iv) affect the market value of securities comprised within the investment portfolio of the Fund.

#### Business Risk

There can be no assurance that the Fund will achieve its investment objective. The investment results of the Fund are reliant upon the success of the Investment Manager. The past performance of the Investment Manager should not be construed as an indication of the future results of an investment in the Fund. There can be no assurance that the performance of the Fund will be similar to the previous or future results of any other fund or

account to which the Manager acts as manager and/or the Investment Manager acts as investment manager.

The Fund competes with other hedge funds and market participants (such as public or private investment funds and the proprietary desks of investment banks) for investment opportunities. The number of such hedge funds and market participants and the scale of the assets managed by such entities may increase. Such competitors may be substantially larger and have considerably greater financial, technical and marketing resources than are available to the Fund or they may also have a lower cost of capital and access to funding sources that are not available to the Fund, which may create competitive disadvantages with respect to investment opportunities. The net effect of these developments may be to reduce the opportunities available for the Manager and the Investment Manager to generate returns and/or to reduce the quantum of these returns. Historic opportunities for some or all hedge fund strategies may be eroded over time whilst structural and/or cyclical factors may reduce investment opportunities for the Manager and the Investment Manager thereby temporarily or permanently reducing the potential returns of the Fund.

The “Volcker Rule” component of Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) materially restricts proprietary speculative trading by banks, “bank holding companies” and other regulated entities. As a result, there has been a significant influx of new portfolio managers into private investment funds who had previously traded institutional proprietary accounts. Such influx can only increase the competition for the Fund from other talented portfolio managers trading in the Fund’s investment sector.

#### Clearing House Protections

On many exchanges, the performance of a transaction by a broker (or third party with whom it is dealing on the Fund’s behalf) is “guaranteed” by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover the Fund and may not protect the Fund if a broker or another party defaults on its obligations to the Fund. There is normally no clearing house for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

#### Collateral

If the Fund deposits collateral as security with a broker, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of the Fund’s collateral depending on whether the Fund is trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as the Fund’s property once dealings on its behalf are undertaken. Even if the Fund’s dealings should ultimately prove profitable, the Fund may not get back the same assets which it deposited, and may have to accept payment in cash.

#### Compulsory Redemptions of Shares

The Directors have the right to require the compulsory redemption of all or part of the Shares held by or for the benefit of a Shareholder at any time in the sole and absolute discretion of the Directors.

#### Concentration of Investments

The Fund will generally seek to diversify its investment portfolio in a manner consistent with its investment objective and approach. However, the Fund may at certain times hold a few, relatively large investments (in relation to its capital). The 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 default of the issuer.

#### Contingent Liability Transactions

Contingent liability transactions, which are margined, will require the Fund to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If the Fund trades in futures, options or contracts for differences, it may sustain a total loss of the margin deposited to establish or maintain a position. If the market moves against the Fund, it may be called upon to pay substantial additional margin at short notice to maintain the position. If the Fund fails to do so within the time required, its position may be liquidated at a loss and the Fund will be responsible for the resulting deficit. 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 Fund entered into the contract.

#### Contracts for Differences

Certain futures contracts can also be referred to as contracts for differences. These can be futures on an index, as well as currency and interest rate swaps. However, unlike other futures, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future as described below. Transactions in contracts for differences may also have a contingent liability.

#### Counterparty Insolvency

The stability and liquidity of swap transactions, forward transactions and other OTC derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that Astra will continue to monitor on an ongoing basis the creditworthiness of firms with which the Fund enters into interest rate swaps, caps, floors, collars or other OTC derivatives. If there is a default by the counterparty to such a transaction, the Fund will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual remedies may involve delays or costs which could result in the Net Asset Value of the Fund being less than if the Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent. If one or more of the Fund's counterparties were to become insolvent or the subject of liquidation proceedings in any jurisdiction, there is a risk that the recovery of the Fund's securities and other assets

from such counterparty will be delayed or be of a value less than the value of the securities or assets originally entrusted to such counterparty.

In addition, the Fund may use counterparties located in various jurisdictions around the world. Such counterparties 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 Fund's assets will be 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 counterparty, it is impossible to generalise about the effect of their insolvency on the Fund and its assets. Shareholders should assume that the insolvency of any counterparty would result in a loss to the Fund, which could be material.

Notwithstanding the foregoing, there are increased risks in dealing with offshore and unregulated counterparties, including the risk that assets may not benefit from the protection afforded to "customer funds" deposited with regulated counterparties. The Fund may be required to post margin for its foreign exchange transactions with foreign exchange counterparties who are not required to segregate customer funds. In the case of a counterparty's bankruptcy or inability to satisfy substantial deficiencies in other customer accounts, the Fund may recover, even in respect of property specifically traceable to the Fund's account, only a pro rata share of all property available for distribution to all of such counterparty's customers.

#### Counterparty Risk

The Fund may enter into transactions with counterparties (including the custodian appointed by the Depositary) and such counterparties may become unable or unwilling to fulfil their contractual obligations. There can be no assurance that any such counterparty will not default on its obligations to the Fund. In the event of a counterparty default, the Fund could experience significant losses.

The Fund may have exposure to trading counterparties other than the Depositary in the exercise of its safekeeping and custodian function under AIFMD. Where the Fund delivers collateral to its trading counterparties under the terms of its ISDA Master Agreements and other trading master agreements, either by posting initial margin or on a daily mark-to-market basis, circumstances may arise where a counterparty may be over-collateralised and/or the Fund may from time to time have uncollateralised mark-to-market exposure to a counterparty in relation to its rights to receive securities and cash. In both circumstances the Fund will be exposed to the creditworthiness of any such counterparty and, in the event of the insolvency of a trading counterparty, the Fund will rank as an unsecured creditor in relation to amounts equivalent to any such over-collateralisation and any uncollateralised exposure to such trading counterparty. In such circumstances it is likely that the Fund will not be able to recover any debt in full, or at all.

When an ISDA Master Agreement is negotiated with a trading counterparty, the relevant ISDA Master Agreement includes a Credit Support Annex and/or a Credit Support Deed pursuant to which both parties are obliged to deliver mark-to-market collateral to reduce, or eliminate, credit exposure to the other party. The Fund will only enter into bilateral



Credit Support Annexes and/or Credit Support Deeds, as the case may be, and will not trade with counterparties which will not post mark-to-market collateral.

The Fund's contractual arrangements with its trading counterparties typically contain termination provisions in the event of, among other things, a significant decline in the Net Asset Value per Share, calculated on a periodic basis, and/or a decline in the Net Asset Value to an absolute monetary floor. Termination of any such contractual arrangements could seriously impair the ability of the Fund to carry on its business.

#### Credit Default Swaps

The 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 and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Fund if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event. 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 buyer may not be able to realise the full value of the credit default swap. See also discussion under "OTC Transactions".

As a result of recent volatility in the global financial markets, uncovered credit default swaps referencing debt instruments issued by an EEA sovereign issuer will be prohibited. See "Short Selling Regulation" below.

#### Credit Indices

The Fund may use credit default swaps to gain long or short exposure, as the case may be, to groups of particular issuers, sovereign debt and markets through investments in index portfolios of credit default swaps such as the CDX and iTRAXX credit default swap indices. By investing in indices or baskets of credit default swaps, the Fund may take long or short views on the credit risk with respect to groups of issuers and each issuer within the group

and buy or sell, as appropriate, credit protection to the swap counterparties. For example, the CDX EM credit default swap index is a tradable basket of credit default swaps on country credits which seeks to replicate the returns on the indices of a broad group of emerging markets countries. The credits are a subset of the countries represented by the JPMorgan Emerging Markets Bond Index Global Diversified. By investing in a CDX EM credit default swap index, the Fund would gain emerging markets exposure through a single investment. Like other credit default swaps, swaps on credit indices are generally considered illiquid and are subject to the risk of counterparty default or inability or unwillingness to perform. The pricing relationships between credit indices and the instruments underlying such credit indices may not correlate with historical patterns, potentially resulting in unexpected losses.

#### Creditors' Rights and Enforceability of Security

The Fund's investments may be subject to various laws for the protection of creditors in the jurisdictions of incorporation of the issuers or borrowers and, if different, the jurisdictions from which they conduct business and in which they hold assets, which may adversely affect an issuer's or borrower's ability to make payment in full or on a timely basis. These insolvency considerations will differ depending on the country in which an obligor or its assets are located and may differ depending on the legal status of the obligor. Additionally, the Fund, as a creditor, may experience less favourable treatment in certain insolvency regimes in comparison to others, including where it seeks to enforce any security it may hold as a creditor.

#### Cross Series Liabilities

Cross series liabilities may result in liabilities exceed assets even in circumstances where a fund product is divided up into different series of shares, creditors of the Fund may have recourse to the assets attributable to the other series.

#### Currency Exposure

The Shares are denominated in US Dollars, Euro, Pound Sterling, and Canadian Dollars, and Shares will be issued and redeemed in those currencies. A portion of the Fund's assets may be invested in securities denominated in various currencies and in other financial instruments the prices of which are determined with reference to such currencies. The Fund, however, values its investments and other assets in US Dollars. Accordingly, the value of such investments and assets may be affected favourably or unfavourably by fluctuations in exchange rates. The Investment Manager may or may not hedge the foreign currency exposure of the Fund to currencies other than the base currency, the US Dollar. Shareholders should therefore not expect that such exposure will be hedged. To the extent unhedged, the value of the Fund's net assets will fluctuate with US Dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Forward foreign exchange contracts and options may be utilised 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 Fund wishes to use them or will be able to be liquidated when the 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 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 Fund changes investments from one country to another.

#### Currency Options

The Fund may acquire currency options, the value of which depend largely upon the likelihood of favourable price movements in the underlying currency in relation to the exercise (or strike) price during the life of the option. Many of the risks applicable to trading the underlying currencies are also applicable to OTC options trading. In addition, there are a number of other risks associated with the trading of options including the risk that the purchaser of an option may at worst lose its entire investment (the premium it pays).

#### Delegation of custodian Function

Where the Depositary in the exercise of its safekeeping and custodial functions under AIFMD delegates the safe custody of Fund's securities held by it to a sub-custodian located outside of the United Kingdom, the settlement, legal and regulatory requirements in the relevant overseas jurisdiction may be different from those in the United Kingdom and there may be different practices for the separate identification of the Fund's securities. Where the Fund's securities are registered or recorded in the name of a sub-custodian, they may not be segregated and hence may not be as well protected as if they were registered or recorded in the name of the Fund.

The Depositary while exercising its safekeeping and custodial function under AIFMD will hold any cash deposited with it as banker, and the Fund will rank as an unsecured creditor of the Custodian in relation thereto. Alternatively, the Fund may request that its cash be held in a segregated client account with a sub-custodian or third party bank in the client's name, in which case, the Custodian will not be liable for the repayment of any such cash.

The Fund is at risk of the Depositary entering into an insolvency procedure including the risk that the Depositary in the exercise of its safekeeping and custodian functions could enter into an insolvency procedure. During such a procedure (which may last many years) the use by the Fund of assets held by or on behalf of the Depositary may be restricted or following close out, may be converted into cash, and accordingly (a) the ability of the Manager and/or the Investment Manager 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 Fund is likely to be an unsecured creditor in relation to certain assets and accordingly the Fund may be unable to recover such assets from the insolvent estate of the Custodian, as the case may be, in full, or at all.

#### Cybersecurity

The Fund and/or one or more of their respective service providers, including the Manager and the Investment Manager may be prone to operational, information security and related risks resulting from failures of or breaches in cybersecurity.

A failure of or breach in cybersecurity ("cyber incidents") refers to both intentional and unintentional events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. In general, cyber incidents can result from deliberate attacks ("cyber attacks") or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). The issuers of securities and/or counterparties to other financial instruments in which the Fund may invest may also be prone to cyber incidents.

Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to calculate its Net Asset Value, impediments to trading, the inability of Shareholders to subscribe for, exchange or redeem Shares, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future which may adversely impact the Fund.

While the Investment Manager has established business continuity plans in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cyber incidents, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, none of the Fund, the Manager, the Investment Manager and their respective affiliates can control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to the Fund and/or the issuers in which the Fund invests.

#### Debt Instruments

The debt instruments in which the Fund may invest may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to high investment grade debt instruments, the Fund may invest in low investment grade or non-investment grade debt instruments, which are typically subject to greater market fluctuations and the risk of loss of income and principal than lower yielding, investment grade instruments, and which are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt instruments to overall interest-rate movements, debt instruments involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. The Fund's investments in debt instruments may experience substantial losses due to adverse changes in interest rates and the market's perception of any particular issuers' creditworthiness.

The Fund may invest in certain hybrid debt arrangements, which are subject to risks in addition to the conventional risks of general interest-rate movements and the issuers' ability to pay the debt in accordance with its terms. For example, if the Fund were to invest in syndicated debt such as loan participations, it may be subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, the Fund will generally depend on the lender to enforce its rights under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to such borrower, as such rights are typically retained by the lender. Such investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to the Fund.

#### Debt Securities

The Fund may invest in debt securities which are or may be unrated by a recognised credit-rating agency or may be rated below investment grade and which are, or may become, subject to greater risk of loss of principal and interest than higher-rated debt securities. Because investors generally perceive that there are greater risks associated with unrated and below investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Fund. The Fund may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Fund may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Fund may invest in debt securities which are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk (market risk). The Fund may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

Securities issued by certain sovereign issuers may have a limited trading market, resulting in limited liquidity. As a result, the Fund may have difficulties in valuing or liquidating positions.

#### Derivatives

The Fund may utilise both exchange-traded and OTC derivatives, including, but not limited to, futures, forwards, swaps (including credit default swaps and foreign currency swaps),

options and contracts for differences, as a part of its investment approach. These instruments can be highly volatile, incorporate leverage, 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. 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 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 Fund may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Fund could incur an unlimited loss.

The Fund will also be 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 Fund to carry on its business.

With respect to certain derivative instruments, the Fund will have a contractual relationship only with the counterparty and not the issuer(s) of the reference obligation(s), unless certain defined events occur. Accordingly, the Fund will generally have no right directly to enforce compliance by such issuer(s) with the terms of any such reference obligation(s) and no right of set-off against such issuer(s). In addition, the Fund will generally have no voting or other consensual rights of ownership with respect to the relevant reference obligation(s). Furthermore, the Fund will not directly benefit from any collateral supporting the relevant reference obligation(s) and will not have the benefit of the remedies that would normally be available to the holder of such reference obligation(s).

#### Disaster Recovery

Whilst the Investment Manager has put in place safeguards including the use of parallel or back-up systems, emergency power and alternative data feeds, designed to protect the interests of the Fund in case of disruption of information technology, including transmission failures, there can be no guarantee that such measures will be effective against all situations or could be implemented in time and each of the Fund may be adversely affected accordingly.

#### Disclosure of Information

The Fund believes that disclosure of the composition of its investment portfolio could be disadvantageous to the Fund and its investors, for instance by increasing competition for limited investment capacity in underlying strategies. Accordingly, as is common with other hedge funds, the Fund normally discloses a general performance review, commentaries on and highlights of the performance and of specific strategies, certain sensitivity measures regarding the Fund's investment portfolio, stress test results and a summary of historical returns, all of which the Fund publishes on a monthly basis. Therefore, investors in the Fund will not have access to detailed information regarding the composition of the Fund's investment portfolio from time to time.

The Fund may be constrained, or may find it unduly onerous, to disclose any or all such information or to prepare or disclose such information in a form or manner which satisfies certain regulatory, tax or other relevant authorities. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely affect the Fund or Shareholders in the Fund that reside in such jurisdictions.

Notwithstanding the above, the Manager and/or the Investment Manager may, from time to time, disclose to certain Shareholders, including, without limitation, those deemed to constitute a significant or strategic relationship, additional or different information and reporting regarding the Fund's portfolio which information other Shareholders will not receive. Such information and reporting may provide the recipient with greater insights into the Fund's activities than is included in standard reports to Shareholders, thereby enhancing the recipient's ability to make investment decisions with respect to the Fund and with respect to the investment of its own assets. The Manager and/or the Investment Manager may not, and none is required to, provide the same type or level of disclosure regarding such information to all Shareholders. Accordingly, certain Shareholders may invest on terms that provide access to information that is not generally available to other Shareholders and, as a result, may be able to act on such additional information (e.g. request redemptions) that other Shareholders do not receive. See "Information, Reporting and Side Arrangements" below.

#### Due Diligence

When conducting due diligence and making an assessment regarding assets being traded, the Investment Manager will be required to rely on resources available to it, including internal sources of information as well as information provided by lenders and other independent sources. The due diligence process may at times be required to rely on limited

or incomplete information particularly with respect to newly established companies for which only limited information may be available.

In addition, the Investment Manager will select investments for the Fund in part on the basis of information and data relating to potential investments filed with various government regulators and publicly available or made directly available to the Investment Manager by issuers or third parties. Although the Investment Manager will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Investment Manager will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Investment Manager will be dependent upon the integrity of the management of the entities filing such information and of such third parties as well as the financial reporting process in general.

If the materials inspected by the Investment Manager are inaccurate or incomplete or if the Investment Manager does not sufficiently investigate or follow up on matters brought to its attention as part of the due diligence process, or if the due diligence process fails to detect material facts that may impact the value determination, the Fund may acquire an investment that results in significant losses to the Fund or may overpay for an investment, which could cause Fund performance to suffer. The Investment Manager cannot provide any assurances that these due diligence processes will recover all relevant facts or that the investments will ultimately be successful. Recent events have demonstrated the material losses that investors such as the Fund can incur as a result of corporate mismanagement, fraud and accounting irregularities.

In addition, investment analyses and decisions by the Investment Manager may be undertaken on an expedited basis in order to make it possible for the Fund to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Manager is unlikely to have sufficient time to evaluate fully such information even if it is available.

Accordingly, as a result of a number of factors, the Fund cannot guarantee that the due diligence investigation it will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Fund, or the Investment Manager on its behalf, to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the Fund's business, financial condition, results of operations and hence on the value of the Shares.

#### Effects of Health Crises

Outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome or SARS, swine flu caused by H1N1 virus, or H1N1 Flu, and the novel coronavirus disease that emerged in late December 2019 (COVID-19), on a regional



or global scale may affect investment sentiment and result in volatility in global financial markets. In addition, any such outbreaks may result in restrictions on travel and public transport and prolonged closures of workplaces which may have a material adverse effect on the regional or national economies which have imposed such restrictions and which, in turn, may have a wider impact on the global economy. Accordingly, a significant outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn give rise to significant costs to the Fund and adversely affect the Fund's business and financial results.

#### Electronic Delivery of Information

Information relating to a Shareholder's investment in the Fund may be delivered electronically. There are risks associated with such electronic delivery including, but not limited to, that e-mail messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient.

#### Enhanced Regulation of Swaps

Dodd-Frank, subject to exceptions, (a) requires swaps accepted for clearing by a derivatives organization (a "DCO") or for trading through a designated contract market or swaps-execution facility to be so cleared and traded, (b) requires margin for almost all swap transactions, (c) subjects traders with a "substantial position" in swaps to registration and regulation requirements as a "major swap participant" or "swap dealer" and (d), subject to proposed rules yet to be finalized by the CFTC, impose position limits on swaps either individually or in the aggregate with respect to positions in commodity-futures contracts.

Due to the requirements imposed by Dodd-Frank, the Fund may experience increased transaction costs to pay for the clearing, execution and segregation obligations. In addition, margin requirements may increase once margin is set by DCOs with input from the CFTC, which may limit the Fund's ability to engage in leverage and limit the Fund's return. The application of position limits to swap contracts may also limit the Fund's ability to concentrate in any particular contract or exposure to an underlying commodity and may negatively impact the Fund's ability to take advantage of current market trends or conditions.

#### Eurozone

It is possible that a country may leave the Eurozone and return to a national currency, and as a result may leave the EU and/or that the Euro 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 Fund and/or on one or more Classes of Share is impossible to predict with certainty.

Exchange of Tax Information

The Fund may take such action as it considers necessary in relation to an investor's holding or redemption proceeds, as a result of relevant legislation and regulations, including but not limited to, FATCA/AEOI, as further detailed in the section of this Memorandum entitled "Taxation". Such actions may include, but are not limited to the following:

1. The disclosure by the Fund, the Administrator or such other service provider or delegate of the Fund, of certain information relating to an investor to the TIA or equivalent authority and any other foreign government body as required by FATCA/AEOI. Such information may include, without limitation, confidential information such as financial information concerning an investor's investment in the Fund, and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such investor.
2. The Fund may compulsorily redeem any shares held by an investor in accordance with the terms of this Memorandum and may deduct relevant amounts from a recalcitrant investor so that any withholding tax payable by the Fund or any related costs, debts, expenses, obligations or liabilities (whether internal or external to the Fund) are recovered from such investor(s) whose action or inaction (directly or indirectly) gave rise or contributed to such taxes, costs or liabilities. Failure by an investor to assist the Fund in meeting its obligations pursuant to FATCA/AEOI may therefore result in pecuniary loss to such investor.

The Cayman Islands has implemented a legal and regulatory regime that the OECD has recognised as generally complying with internationally agreed standards for transparency and exchange of information for tax purposes. Furthermore, the Cayman Islands is currently treated by the OECD as a jurisdiction that has substantially implemented the internationally agreed tax standard (as developed by the OECD in co-operation with non-OECD countries and endorsed by G20 Finance Ministers and by the United Nations Committee of Experts on International Co-operation in Tax Matters). The implementation of this standard, which requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law without regard to a domestic tax interest requirement or bank secrecy for tax purposes, has involved the Cayman Islands entering into a number of bilateral tax information exchange agreements, and also the enactment of a unilateral mechanism for the Cayman Islands to provide relevant information on request to certain other specified jurisdictions.

Consequently, the Fund, or any of its Directors or agents domiciled in the Cayman Islands, may be compelled to provide information including, but not limited to, information relating to the subscriber and, where applicable, the subscriber's beneficial owners and controllers, subject to a request for information made by a regulatory or governmental authority or agency under applicable law; e.g. by CIMA, either for itself or for a recognised overseas regulatory authority, under the Monetary Authority Law (Revised) of the Cayman Islands, or by the Cayman TIA, under the Tax Information Authority Law (Revised) of the Cayman Islands or Reporting of Savings Income Information (European Union) Law (Revised) of the Cayman Islands and associated regulations, agreements, arrangements and memoranda of understanding. Disclosure of confidential information under such laws

shall not be regarded as a breach of any duty of confidentiality and, in certain circumstances, the Fund and any of its Directors or agents, may be prohibited from disclosing that the request has been made.

Accordingly, each Shareholder should be aware that in accordance with such arrangements (as extended or varied from time to time to comply with then current international standards, to the extent adopted by the Cayman Islands or any other relevant jurisdiction), relevant information concerning it (and/or indirect owners of the Shares) and/or its investment in the Fund may be provided to any relevant tax authority.

#### FATCA and Similar Measures

Under the United States Foreign Account Tax Compliance Act provisions contained in sections 1471 to 1474 of the United States Internal Revenue Code and US Treasury Regulations promulgated thereunder (together, as amended from time to time, "FATCA"), certain payments made to the Fund of US source income (including interest and dividends) may be subject to a 30 per cent withholding tax (a "FATCA Deduction") and under the relevant Cayman Islands legislation the Fund may be subject to financial penalties or other sanctions unless the Fund complies with the requirements of the Intergovernmental Agreement between the United States and the Cayman Islands (the "US-Cayman IGA") (which seeks to implement the requirements of FATCA) and legislation enacted in the Cayman Islands to implement the US-Cayman IGA. Further information may be found under "Taxation – FATCA and Similar Measures".

A number of other jurisdictions have entered into or are committed to entering into inter-governmental agreements for the automatic cross-border exchange of tax information similar to the US-Cayman IGA, including, in particular, under a regime known as the OECD Common Reporting Standard (the "CRS"). The Cayman Islands have signed, along with over 100 other countries, a multilateral competent authority agreement to implement the CRS, and have passed regulations to give effect to the CRS. These regulations require Cayman Islands "Financial Institutions", including the Fund, to identify specified persons in participating jurisdictions under the CRS, and to report related information to the Cayman TIA (for automatic exchange with the relevant tax authorities in such jurisdictions). The Fund may be subject to financial penalties or other sanctions if they fail to comply with the requirements of the Cayman Islands regulations giving effect to the CRS.

While the Fund seeks to satisfy its obligations under FATCA, the US-Cayman IGA, the CRS and the associated implementing legislation in the Cayman Islands to avoid the imposition of any FATCA Deductions, financial penalties and other sanctions, the ability of the Fund to satisfy such obligations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the Shares (if any). The Fund intends to satisfy such obligations, although there can be no assurances that it will be able to do so. There is therefore a risk that the Fund may be subject to one or more FATCA Deductions, financial penalties and other sanctions, any of which may have a material adverse effect on the Net Asset Value and hence on the Net Asset Value per Share.

All prospective investors and Shareholders should consult with their respective tax advisers regarding the possible implications of FATCA, the US-Cayman IGA, the CRS and the associated implementing legislation in the Cayman Islands and any other similar legislation and/or regulations on their investments in the Fund.

Financing Arrangements: Availability of Credit

The Fund's strategies may include the use of securities margin, futures margin, margined option premiums, repurchase agreements, bank or dealer credit lines or the notional principal amounts of swap transactions. Previously, including during the "financial crisis" of 2007-2009, markets experienced a dramatic restriction in the availability of credit. It is possible that such a "financial crisis" and/or other restriction in the availability of adequate financing arrangements may again occur. It is impossible to predict the impact of any such restriction on the performance of the Fund or the fulfilment of the investment objective. Furthermore, there can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market circumstances.

Where the 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 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, the Investment Manager 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 Fund in order to enable the Fund to satisfy its obligations to that lender.

As a general matter, the banks and dealers that may provide financing to the 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 the Investment Manager seeks 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 the Manager and/or the Investment Manager 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 Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the Fund's equity.

The 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 Fund's margin accounts, have not declined in value. In the event of a sudden drop in the value of the Fund's assets, the Investment Manager 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 Fund, in its sole discretion, in order to satisfy such margin debt.

#### Forward Foreign Exchange Contracts

The Fund may enter 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 and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex, facsimile or electronic messages. There is no limitation as to daily price movements on this market and 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. As a result of Dodd-Frank, the CFTC now regulates non-deliverable forward foreign exchange contracts (including deliverable forwards where the parties do not take delivery). These changes in the forward markets may entail increased costs and result in burdensome reporting requirements. Furthermore, the Fund will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses to the Fund.

In November 2014, the CFTC commenced and settled enforcement cases against major banks, imposing over US\$1.4 billion in civil monetary penalties for attempted manipulation of global foreign exchange benchmark rates, which could result in additional statutory and regulatory restrictions being imposed on these markets.

#### Fraud

A major concern in purchasing debt securities is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying a debt

security or may adversely affect the likelihood that a lien on such collateral has been properly created and perfected. Absent actual knowledge of such fraud or misrepresentation, the Fund will rely upon the accuracy and completeness of representations made by borrowers, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been made with an intent to defraud creditors or a preferential payment.

#### Futures Trading

The Fund may engage in futures trading. 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. They carry a high degree of risk. The low margins normally required in futures trading permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as margin and may result in unquantifiable further loss exceeding any margin deposited.

The “gearing” or “leverage” often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement in the value of an underlying asset can lead to a proportionately much larger movement in the value of the Fund’s investment, and this can work against the Fund as well as for it. Futures transactions have a contingent liability, and the implications of this, in particular the margining requirements, described above under “Contingent Liability Transactions”.

#### Global Economic and Market Conditions

The success of the Fund’s activities are 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 Fund’s investments. Volatility or illiquidity could impair the Fund’s profitability or result in losses.

Economies around the world are currently in a state of change. Certain countries are already in recession, and many commentators expect that others will follow suit. Amongst other things, a period of recession is characterised by decreases in employment, spending, business incomes and inflation, while the frequency of insolvencies rises and often increased governmental economic intervention. It is impossible to predict the effects of an economic recession on the investments of the Fund.

#### High Yield Debt

The Fund may invest in high yield debt. Investing in high yield debt involves special risks. High yield debt may be regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers of high yield debt may be more complex than for issuers of higher quality debt. High yield debt is generally unsecured and may be subordinated to certain other outstanding obligations of the issuer, which may be secured on substantially all of the issuer's assets. High yield debt may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of high yield debt have been found to be less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments. If the issuer of high yield debt defaults, the Fund may incur additional expenses to seek recovery. The secondary markets on which high yield debt is traded may be less liquid than the market for higher grade debt. Less liquidity in the secondary trading markets could adversely affect and cause large fluctuations in the Net Asset Value of the Shares. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high yield debt, especially in a thinly traded market.

#### Highly Leveraged Investments

The Fund's investment approach contemplates potential investments in companies that are in or near default on their borrowings, and that may be unable to generate sufficient cash flow to meet the principal and interest payments on their outstanding indebtedness and/or highly leveraged and/or unable to obtain financing from traditional sources. Numerous factors may affect a company's performance, including the failure to meet its business plan, a rise in interest rates or a downturn in the economy generally or further deterioration in the condition of a particular company and/or its market sector. A company's failure to satisfy financial or operating covenants imposed by the Fund or other investors or lenders may lead to defaults and, potentially, termination of a company's loans or foreclosure on its secured assets, which may trigger cross defaults under other agreements and jeopardise the company's ability to meet its obligations under the loans or debt securities or loans that the Fund may hold. In addition, the companies may have, or may be permitted to incur, other debt that ranks senior to or equally with loan securities held by the Fund. This means that payments on such senior-ranking securities may have to be made before the Fund receives any payments on its subordinated debt securities or loans. The value of the Fund's investment in such a company may also be significantly reduced or even eliminated as a result of any further deterioration which may have a negative effect on the Fund's financial condition and hence the Net Asset Value per Share.

#### Highly Volatile Markets

The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Fund may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended directly to influence prices and may, together

with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

#### Illiquidity

There is no active secondary market for the Shares and it is not expected that such a market will develop.

#### Illiquidity in Certain Markets

Although it is expected that the majority of securities acquired by the Fund will be relatively liquid, the Fund may from time to time acquire securities that become illiquid or restricted for which there is no established market. Investors should note that from time to time, such illiquid or restricted securities may represent a significant percentage of the Fund's investments. The Fund might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it become necessary, to do so. For example, substantial redemptions from the Fund could require the Fund to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to meet such redemptions. Illiquidity in certain markets could make it difficult for the Fund to liquidate positions on favourable terms, thereby resulting in losses or a decrease in the Net Asset Value of the Fund.

While secondary markets may exist for some of the type of instruments and securities that are held by the Fund, certain of the investments held by the Fund may become illiquid or may have very limited liquidity. Where a secondary market does exist, such markets may be illiquid or involve unfavourable resale pricing terms, making resale of the Fund's assets at desired price or in desired quantities difficult or impossible. Consequently, it may be relatively difficult or impossible for the Fund to dispose of its investments rapidly and at favourable prices in connection with redemption of Shares under adverse market conditions. There is a risk that investments in the underlying investment may not be realised, redeemed or transferred.

In addition, although some of the securities which the Fund may acquire may be traded on public exchanges, such exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension could render it difficult or impossible for the Fund to liquidate its positions and would thereby expose the Fund to losses. The Fund therefore may be locked into an adverse price movement for several days or more which could result in immediate and substantial loss to an investor.

All of the foregoing risks may be compounded if and to the extent that the Fund uses any leverage in making its investments.

#### Inability to Realise Value



Investments that the Fund makes may not appreciate in value and, in fact, may decline in value. A substantial component of the Investment Manager's analysis of the desirability of making a given investment will relate to the estimated residual or recovery value of such investment in the event of the insolvency of the issuer or the borrower. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer's default, they may be substantially worthless. During times of recession and economic contraction, there may be little or no ability to realise value on any of these assets, or the value which can be realised may be substantially below the assessed value of the collateral.

Furthermore, due to the illiquid nature of many of the investments the Fund expects to make, the Investment Manager is unable to predict with confidence, what, if any, exit strategy for a given investment will ultimately be available to the Fund and the Fund may be unable to realise value from these investments. Accordingly, there can be no assurance that the Fund's investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained.

#### Information, Reporting and Side Arrangements

The Fund may enter into separate agreements with certain Shareholders, including, without limitation, those deemed to involve a significant or strategic relationship, to provide them with additional or different information and reporting which information other Shareholders will not receive. Such information and reporting may provide the recipient greater insights into the Fund's activities than is included in standard reports to Shareholders, thereby enhancing the recipient's ability to make investment decisions with respect to the Fund and with respect to the investment of its own assets. The Fund may not, and is not required to, provide the same type or level of disclosure regarding such information to all Shareholders. Accordingly, certain Shareholders may invest on terms that provide access to information that is not generally available to other Shareholders and, as a result, may be able to act on such additional information (e.g. request redemptions) that other Shareholders do not receive.

The Directors may in their absolute discretion agree to provide certain strategic investors in the Fund with information about the Fund and its investments which is not available to investors generally.

Subject to applicable law, the Manager, the Investment Manager and the Fund may, in their sole discretion, negotiate and enter into agreements ("Side Letters") on behalf of the Fund with certain Shareholders that will result in different terms of an investment in the Fund than the terms applicable to other Shareholders. As a result of such Side Letters, certain Shareholders may receive additional or different information, reporting and/or other benefits which other Shareholders will not receive. Such information and reporting may provide the recipient greater insights into the Fund's activities than is included in standard reports to Shareholders, thereby enhancing the recipient's ability to make

investment decisions with respect to the Fund and with respect to the investment of its own assets. Except as described in this Prospectus or as required by law or regulation, in general, none of the Manager, the Investment Manager or the Fund will be required to notify any or all of the other Shareholders of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Manager, the Investment Manager or the Fund be required to offer such additional and/or different rights and/or terms to any or all of the other Shareholders. As a result, Shareholders which have entered into Side Letters may be able to act on additional information (for example, to request redemptions) that other Shareholders do not receive.

A description of the terms of any Side Letters and other arrangements with investors that grant an investor preferential treatment, or the right thereto, together with details of any economic or legal links which an investor may have with the Fund, the Manager and/or the Investment Manager is contained within the AIFMD Manager disclosure document which is available from the Investment Manager and which should be reviewed by applicants for Shares prior to subscribing for Shares.

Each applicant for Shares will be required to represent that it, or where the applicant is not the "investor" in the Fund for the purposes of AIFMD, that such "investor" has received, read and understood a copy of the most recent AIFMD Manager disclosure document published prior to its subscription for Shares. Such representations will be contained in the relevant Application Form.

#### Information Technology Systems

The Fund is dependent on the Investment Manager for investment management, operational and financial advisory services. The Fund is also dependent on the Investment Manager for certain management services as well as middle and back office functions. The Investment Manager depend on information technology systems in order to assess investment opportunities, strategies and markets and to monitor and control risks for the Fund. Information technology systems are also used to trade in the underlying investments of the Fund. The Directors believe that it is possible that a failure of some kind which causes disruptions to these information technology systems could materially limit the Investment Manager's ability to adequately assess and adjust the investments of the Fund, formulate strategies and provide adequate risk control, any of which could harm the performance of the Fund, which could have a material adverse effect on the performance of the Fund and thereby on the Net Asset Value per Share. Further, failure of the middle and/or back office functions of the Investment Manager to process trades by the Fund in a timely fashion could prejudice the investment performance of the Fund.

#### Inside Information

From time to time the Manager, the Investment Manager or their affiliates may be in possession of material, non-public information concerning the issuer of securities or other instruments in which the Fund has considered investing, has invested or may consider investing. The possession of such information may limit the ability of the Investment

Manager to cause the Fund to buy or sell such securities or other instruments. Accordingly, the Fund may be required to refrain from buying or selling such securities or other instruments at times when the Investment Manager might otherwise wish to cause the Fund to buy or sell such securities or other instruments.

#### Insolvency Regimes

The valuation of the investments held by the Fund may be impacted by various laws enacted for the protection of creditors in the jurisdictions of incorporation of the obligors thereunder and, if different, the jurisdictions from which the obligors conduct their business and in which they hold their assets, which may adversely affect such obligors' abilities to make payment on a full or timely basis.

In particular, it should be noted that a number of emerging market jurisdictions operate "debtor- friendly" insolvency regimes which could result in delays in payments where obligations, debtors or assets thereunder are subject to such regimes. The different insolvency regimes applicable in the different emerging market jurisdictions may result in a corresponding variability of recovery rates for senior loans, high yield bonds and other debt obligations entered into or issued in such jurisdictions.

Jurisdiction-specific insolvency regimes may negatively impact borrowers' or issuers' ability to make payments to the Fund, or the Fund's recovery in a restructuring or insolvency, which may adversely affect the Fund's financial condition and hence the Net Asset Value per Share.

#### Investment Management Risk

The investment performance of the Fund is primarily dependent on the services of Anish Mathur. In the event of Anish Mathur's death, incapacity, departure, insolvency or withdrawal, the performance of the Fund may be adversely affected.

#### Legal Risk (General)

The Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the developing countries in which assets of the Fund are invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations.

Regulatory controls and corporate governance of companies in emerging markets often confer little protection on minority shareholders. Anti-fraud and insider trading legislation is often rudimentary. The concept of fiduciary duty by officers and directors may also be limited when compared to developed markets. In certain instances, management may take significant actions without the consent of shareholders and anti-dilution protection may also be limited.

#### Legal Risk (Credit Event)

Returns from certain of the Fund's investments may result from credit events affecting reference entities in credit derivative transactions. Whilst standardised legal documentation exists for many of these transactions, and the credit derivatives market has experienced a number of credit events, it is possible that the Fund and its counterparty may disagree as to whether a credit event has occurred in respect of a particular reference entity. This could significantly affect the value of such investments.

#### Legal Risk (Documentation)

Standardised legal documentation has been developed in respect of many transaction types in which the Fund may invest. However, standardised documentation may not exist for all types of transactions in which the Fund may invest and such transactions will be executed using bilateral documentation. Unforeseen circumstances may lead to disagreement between the Fund and the trade counterparty which may result in an inability of the Fund to enforce such contracts, or result in a financial outcome which is disadvantageous to the Fund.

#### Legal Risk (Succession Event)

The value of certain of the Fund's investments may derive from the possibility of credit events occurring in respect of debt obligations issued by certain reference entities as specified by the terms of the relevant investment. Corporate activity on the part of the reference entity, including, but not limited to, merger and acquisition activity, corporate restructuring or the entity demerging subsidiaries, may have a legal effect on such investments. In the event that a reference entity no longer has outstanding debt obligations, the possibility of credit events may be substantially reduced. Accordingly the value of such investments may be significantly affected and hence corporate events may have a significant effect on the value of such investments.

#### Leverage

The Fund may employ leverage for the purpose of making investments. The use of leverage creates special risks and may significantly increase the Fund's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, increases the Fund's and the Fund's exposure to capital risk. Any investment income and gains earned

on investments made through the use of leverage that are in excess of the costs associated therewith may cause the Net Asset Value of the Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the Net Asset Value of the Shares may decrease more rapidly than would otherwise be the case.

#### Limitation of Liability

Investment in the Fund is conditional upon accepting as fair and reasonable a number of limitations of liability. As a result, Shareholders may not be able to recover losses or damages as a result of acts or omissions which might otherwise give rise to actionable claims.

#### Liquidity and Market Characteristics

In some circumstances, certain of the Fund's investments may be relatively illiquid making it difficult or impose to acquire or dispose of them at the prices quoted on the various exchanges or at the prices which the Investment Manager considers reflect their value. Accordingly, the Fund's ability to respond to market movements may be impaired and the 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 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 OTC markets. The Fund may not be able to dispose readily 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 government, central bank and regulatory intervention (whether national or supranational, co-ordinated or otherwise), 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 Fund.

The prices of investments that may be held by the 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 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 Fund to additional costs and losses.

#### Long-term Nature of Investment

Investment in the Fund requires a long-term commitment with no certainty of return. The return of capital and realisation of gains, if any, from an investment in the Fund may not occur until a number of years after the investor subscribes for Shares.

There can be no assurance that the Fund will be able to realise returns on its investments in a timely manner, or at all. It is uncertain as to when profits, if any, will be realised. Losses on unsuccessful investments may be realised before gains are realised on successful investments.

Although investments by the Fund may generate some current income, the return of capital and the realisation of gains, if any, from an investment may not occur until the partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made. It is unlikely that there will be a public market for the securities held by the Fund at the time of their acquisition. In some cases the Fund may be prohibited by contractual or regulatory reasons from selling certain securities for a period of time.

#### Market Crisis and Governmental and Regulatory Intervention

The global financial markets have in the past undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental and regulatory intervention. Such intervention has in certain cases been implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions has been suddenly and/or substantially eliminated. Given the complexities of the global financial markets and the limited time frame within which governments and regulators have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The United States government and non-US governments have taken significant and historic steps to intervene in the financial markets. Future government interventions may lead to a change in valuations of securities that is detrimental to the Fund's investments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

The Investment Manager believes that it is possible that emergency intervention may take place again in the future. The Investment Manager also believes that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Fund's portfolio or the fulfilment of its investment objectives.

#### Market Disruptions

The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited timeframe within which governments were able to take action, these interventions were sometimes unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The United States Federal Reserve and certain non-US governments and supra-governmental agencies and organisations have previously taken, and in certain cases continue to take, significant steps to intervene in the financial markets. Current and future government and/or supra- governmental interventions may lead to a change in valuations of securities that is detrimental to the Fund's investments. Such intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

The Manager and the Investment Manager believe that it is possible that emergency intervention may take place again in the future. The Manager and the Investment Manager also believe that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Fund or the fulfilment of its investment objective.

#### Market Liquidity and Leverage

The Fund may be adversely affected by a decrease in market liquidity for the instruments in which it invests which may impair the Fund's ability to adjust its positions. The size of the 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 one or more other counterparties with which the 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 Fund's portfolio.

## MiFID 2

The EU's re-cast Markets in Financial Instruments Directive (2014/65/EU), delegated and implementing EU regulations made thereunder, as they form part of United Kingdom domestic law with effect from UK Exit Day, and the EU's Markets in Financial Instruments Regulation (600/2014), as it forms part of the domestic law of the United Kingdom with effect from UK Exit Day ("MiFID 2") impose regulatory obligations on the Investment Manager. These regulatory obligations may impact on, and constrain the implementation of, the investment approach of the Fund and lead to increased compliance obligations upon and expenses for the Investment Manager and/or the Fund and the Fund.

### *Extension of pre- and post-trade transparency*

MiFID 2 introduced wider transparency regimes in respect of trading on EU trading venues and with EU counterparties. MiFID 2 extends the pre- and post-trade transparency regimes from equities traded on a regulated market to cover equity-like instruments, such as depositary receipts, exchange-traded funds and certificates that are traded on regulated trading venues, as well as to cover non-equities, such as bonds, structured finance products, emission allowances and derivatives.

The increased transparency regime under MiFID 2, together with the restrictions on the use of "dark pools" and other non-regulated trading venues, may lead to enhanced price discovery across a wider range of asset classes and instruments which could disadvantage the Fund. Such increased transparency and price discovery may have macro effects on trading globally, which may have an adverse effect on the Net Asset Value.

### *Equities – mandatory on-exchange trading*

MiFID 2 introduced a rule that an EU regulated firm may execute certain equities trades only on an EU trading venue (or with a firm which is a systematic internaliser or an equivalent venue in a third country). The instruments in scope for this requirement are any equities admitted to trading on any EU trading venue, including those with only a secondary listing in the EU. The effect of this rule is to introduce a substantial limit on the possibility of trading off-exchange or OTC in EU listed equities with EU counterparties. The overall impact of this rule on the Investment Manager's ability to implement the Fund's investment approach and achieve its investment objective is uncertain.

### *OTC derivatives*

MiFID 2 requires certain standardised OTC derivatives (including all those subject to a mandatory clearing obligation under EMIR) to be executed on regulated trading venues. In addition, MiFID 2 introduces a new trading venue, the "organised trading facility", which is intended to provide greater price transparency and competition for bilateral trades. The overall impact of such changes on the Fund is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime. (See further under "OTC Transactions" below.)



*Access to research*

MiFID 2 prohibits an EU authorised investment firm from receiving investment research unless it is paid for directly by the firm out of its own resources or from a separate research payment account. EU research providers that are MiFID firms are obliged to price their research services separately from their execution services. It is uncertain whether these changes will lead to an overall increase in the price of research and/or lead to reduced access to research for the Investment Manager in relation to the Fund's investment approach.

*Changes to use of direct market access*

MiFID 2 introduced requirements on EU banks and brokers which offer direct market access ("DMA") services to allow their clients to trade on EU trading venues via their trading systems. EU DMA providers will be required to impose trading and credit thresholds on their clients, and to have the benefit of monitoring rights. It is also necessary for the EU DMA provider to enter into a binding written agreement with its clients, which deals with compliance with MiFID 2 and the trading venue rules. These changes may affect the implementation of the Fund's investment approach.

*Changes to conduct rules for EU brokers*

Historically, certain EU sell-side firms have used IPO and secondary allocations as a way of rewarding their most valued buy-side clients (in terms of trading volumes or commissions) for the business that they have given to the firm previously or to incentivise future business. MiFID 2 requirements effectively prohibit such behaviour, as MiFID 2 precludes a sell-side firm from allocating issuances to clients either (a) to incentivise the payment of a large amount of fees for unrelated services provided by the EU firm or (b) which is conditional on the receipt of future orders or the purchase of any other service from the EU firm by a client. As a result, the manner in which the Investment Manager is allocated IPOs and secondary issuances by its sell-side service providers is likely to change significantly, which may have an adverse effect on the Investment Manager's ability to implement the Fund's investment approach.

Net Asset Value Considerations

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Fund's investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption if the Net Asset Value per Share at the time of such redemption is less than the subscription price paid by such Shareholder.

No Independent Verification of Market Information

The Investment Manager will select investments for the Fund on the basis of information and data filed by issuers with various government regulators or made directly available to the Investment Manager by such issuers or through other sources. Although the Investment Manager will evaluate all such information and data and seeks independent corroboration when the Investment Manager considers it appropriate and when it is reasonably available, the Investment Manager will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Investment Manager will therefore be dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors such as the Fund may incur as a result of corporate mismanagement, fraud and accounting irregularities.

#### No Revision of Net Asset Value for Dealing or Fee Purposes

If the Net Asset Value or the Net Asset Value per Share is adjusted after any Valuation Day (as a consequence, by way of example only, of any subsequent adjustment made by the Directors of the Fund to the value of an illiquid investment), the Directors will not be required to revise or recalculate the Net Asset Value or the Net Asset Value per Share on the basis of which any subscriptions, exchanges or redemptions of Shares may have been previously accepted or to revise or recalculate the Net Asset Value or the Net Asset Value per Share used to calculate or pay any Management Fee, Performance Fee or any other fee payable by the Fund.

#### Operational Risk

The Fund depends on the Investment Manager to develop the appropriate systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in the Fund's operations may cause the Fund to suffer financial losses, the disruption of its business, liability to third parties, regulatory intervention or damage to its reputation. Human error (including, without limitation, trading errors), system failure or other problems with any of the operational processes could result in material losses or costs, which will generally be borne by the Fund.

#### Options Trading

The Fund may sell and purchase call 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.

The Fund may sell and purchase put options. 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.

#### OTC Transactions

In response to the financial crisis of 2008, there has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular. 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 that non- centrally cleared contracts should be subject to higher capital requirements.

In the United States, Dodd-Frank, enacted in 2010, includes provisions that comprehensively regulate the OTC derivatives markets. Key provisions of Dodd-Frank require rulemaking by the SEC and the CFTC, not all of which has been proposed or finalised as at the date of this Prospectus. As a result, investors should expect future changes in the regulatory environment.

In an attempt to reduce systemic and counterparty risks associated with OTC derivatives transactions, Dodd-Frank requires that a substantial portion of derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. Derivative trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. The CFTC, SEC and US bank regulators have also adopted rules that impose minimum initial and variation margin requirements on non-cleared OTC derivatives. Derivative dealers will also be required to post margin to the clearinghouses through which they clear their customers' trades instead of using such margin in their operations, as they currently are allowed to do. This will further increase the dealers' costs, which costs are expected to be passed through to other market participants in the form of higher fees and less favourable dealer marks.

The CFTC has also issued rules requiring certain OTC derivatives transactions that fall within its jurisdiction and that had historically been 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 Fund, to enter into highly tailored or customised transactions. They may also render certain strategies in which the Fund might otherwise engage impossible or so costly that they will no longer be economical to implement.

Swap dealers are required to register with the SEC and/or the CFTC. Dealers are subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the derivatives in question are exchange-traded or cleared. OTC derivatives dealers 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 swap 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 Dodd-Frank on the Fund is highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although Dodd-Frank will require many 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 Fund may remain principal-to-principal or OTC contracts between the 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 Dodd-Frank is intended in part to reduce these risks, its success in this respect may not be evident for some time after Dodd-Frank is fully implemented, a process that may take several years. To the extent not mitigated by implementation of Dodd-Frank and/or EMIR or collateral arrangements, if at all, the risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the 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) systemic 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 resulting 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). 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.

EMIR introduced uniform requirements in respect of OTC derivative contracts by requiring certain “eligible” derivatives contracts to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of derivatives contracts to trade repositories. In addition, EMIR imposes risk mitigation 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, such as the exchange and segregation of collateral.

EMIR has a significant impact on the Fund’s trading of derivatives, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. The Directors and the Investment Manager will continue to monitor the position. However, prospective investors and Shareholders should be aware that the regulatory changes arising from EMIR may adversely affect the Fund’s ability to continue to adhere to its investment strategy and achieve its investment objective.

#### Other Clients of the Investment Manager

The Investment Manager and/or its affiliates and/or connected persons that provide investment management services to the Fund may manage other funds and/or accounts and each will remain free to provide such services to additional funds and accounts, including for their own accounts, in the future. The Investment Manager may vary the investment strategies employed on behalf of the Fund from those used for itself and/or for other clients. No assurance is given that the results of the trading by the Investment Manager on behalf of the Fund will be similar to that of other funds and/or accounts concurrently managed by the Investment Manager or its affiliates and/or connected persons. It is possible that such funds and accounts and any additional funds and accounts to which the Investment Manager and/or its affiliates and/or connected persons in the future provide such services may compete with the Fund for the same or similar positions in the markets. Certain such other clients invest in the same, or substantially the same, assets as the Fund. In certain circumstances, realisations of the assets of such other clients, including but not limited to, to meet redemptions of holdings by investors in such clients (which may be on shorter notice than Shareholders may redeem their Shares) and/or as a result of the termination of such clients’ management and/or investment management arrangements may adversely affect the value, diversity and/or volatility of positions held by the Fund and hence the Net Asset Value per Share of the relevant Shares.

#### Possible Law Changes

No assurance can be given that legislative, administrative or judicial changes will not occur which will alter, either prospectively or retroactively, the tax considerations or risk factors discussed in this Prospectus. Prospective Shareholders should seek, and must rely on, the advice of their own advisers with respect to the possible impact on its investment of any future proposed legislation or administrative or judicial action.

#### Price Fluctuations

It should be remembered that the value of Shares and the income (if any) derived from them can go down as well as up.

#### Prime Broker

The Investment Manager has not retained the services of a prime broker and no contractual arrangements are in place with a prime broker and accordingly no conflicts of interest exist between the Fund, the Manager, the Investment Manager or any other party in connection with the appointment of a prime broker. In the event that a prime broker is appointed, the relevant disclosures will be made in the Prospectus in accordance with the AIFMD Rules.

#### Profit Sharing

In addition to receiving a Management Fee, the Investment Manager may also receive a Performance Fee (which it will share with the Investment Manager) based on the appreciation in the Net Asset Value per Share and accordingly the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. The Performance Fee may create an incentive for the Investment Manager to make investments for the Fund which are riskier than would be the case in the absence of a fee based on the performance of the Fund.

#### Regulatory Risks of Hedge Funds

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 subject to modification by government or judicial action which may adversely affect the value of the investments held by the Fund or the amount of leverage available to the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

The exit of the United Kingdom from the EU has led to uncertainty in relation to the conditions for the marketing of Shares to professional investors in the EEA by AIFMs established in the United Kingdom. Certain conditions relating to the Fund and the Investment Manager will have to be met in order for the marketing of Shares to professional investors in the EEA and the United Kingdom to be permitted (except where Shares marketing is at the initiative of the investor), which may create additional compliance costs that may be borne by Shareholders. The Directors and/or the Investment Manager will monitor the position and reserve the right to adopt such arrangements as

they deem necessary or desirable to comply with the applicable requirements of the AIFMD Rules, including making any relevant filings in order to be able to market Shares to professional investors in the EEA.

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 Dodd-Frank, 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 Manager, the Investment Manager, the markets in which the Fund trades and invests or the counterparties with which it does business may be instituted in the future. Any such laws or regulations may materially adversely affect the Fund’s ability to continue to implement its investment approach and achieve its investment objective, as well as require increased transparency as to the identity of the Shareholders.

Dodd-Frank 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. Because many provisions of Dodd-Frank require rulemaking by the applicable regulators before becoming fully effective and Dodd-Frank mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the impact of Dodd-Frank on the Fund, the Manager, the Investment Manager and the markets in which the Fund trades and invests or the counterparties with which it does business. Dodd-Frank could result in certain investment strategies in which the Fund engages or may have otherwise engaged becoming non-viable or non-economic to implement. Dodd-Frank and regulations adopted pursuant to Dodd-Frank may materially adversely affect the Fund’s ability 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, 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 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 Fund’s ability to continue to implement its investment approach and achieve its investment objective.

#### Regulatory Risks of Hedge Funds – United States

The Fund is not registered as an investment company under the 1940 Act, and the Fund’s Shares are not registered for sale to the public in the US under the 1933 Act or the laws of

any US state. Further, the Investment Manager is not registered as an investment advisor under the United States Investment Advisers Act of 1940, as amended (“Advisers Act”) or the laws of any US state, nor is the Investment Manager registered as a commodity pool operator or commodity trading advisor under the CEA. Accordingly, investors in the Fund do not have the protections afforded by the 1933 Act, the 1940 Act, the Advisers Act, the CEA, or any US state’s law.

#### Reliance on the Administrator; Determination of Net Asset Value

While the Directors have a fiduciary duty to oversee the performance of the Administrator, the tasks of calculation of Net Asset Value of the Fund and the Net Asset Value per Share have been delegated to the Administrator under the Administration Agreement. Accordingly, the Administrator determines the Net Asset Value of the Fund. Absent fraud or willful default, determinations by the Administrator of the Net Asset Value of the Fund and Net Asset Value per Share are conclusive and binding on all shareholders. In the performance of this task, the Administrator may consult with the Fund and the Investment Manager but the Directors do not oversee the Administrator’s determinations, except in any situation that might arise requiring the Directors to exercise their fiduciary duties. To the extent that the Investment Manager is responsible for or otherwise involved in the pricing of any of the Fund’s assets, the Administrator may accept, use and rely on such prices provided by the Investment Manager without verification in determining the Net Asset Value of the Fund and shall not be liable to the Fund, any Shareholder or any other person in doing so. Accordingly, investors are assuming the risk that any such net asset value determinations will be accurate and complete (and made on a timely basis).

#### Repurchase Agreements

The Fund may enter into repurchase agreements with respect to securities. When the Fund enters into a repurchase agreement, it will generally “sell” financial instruments to a broker-dealer or financial institution, and agree to repurchase such financial instruments for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. Repurchase agreements involve credit risk to the extent that the Fund’s counterparties may avoid such obligations in bankruptcy or insolvency proceedings, thereby exposing the Fund to unanticipated losses. The amount of credit risk incurred by the Fund with respect to a particular repurchase agreement will depend in part on the extent to which the obligation of the Fund’s counterparty is secured by sufficient collateral.

#### Residual Liability Following Sale of Investments

Upon disposal of certain investments, the Fund may be required to give representations and warranties about those investments and to pay damages to the extent that such representations and warranties turn out to be inaccurate. The Fund may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation.



### Risk Models

The Investment Manager employs risk models to monitor the market risk of the investments of the Fund. These models (or the assumptions underlying them) may prove to be incorrect. The use of these models cannot guarantee that the Fund will not suffer from adverse market movements.

### Risk Reducing Orders

The Investment Manager may place certain orders (for example, “stop-loss” orders) which are intended to limit losses to certain amounts. However, there is no assurance that these orders will be effective because market conditions may make it difficult or impossible to execute such orders.

### Short Selling

The Fund may sell securities short. 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 the Investment Manager 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.

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, the Manager and/or the Investment

Manager, as appropriate, may not be in a position to fully express their respective negative views in relation to certain securities, companies or sectors and the ability of the Manager and/or the Investment Manager, as appropriate, to fulfil the investment objective of the Fund may be constrained. This position will be monitored regularly by the Manager and the Investment Manager. See also “Short Selling Regulation” below.

#### Short Selling Regulation

The EU Regulation on short selling and certain aspects of credit default swaps (the “SSR”) applies to short sales of/short positions relating to (1) the issued share capital of companies whose shares are admitted to trading on a regulated market or multilateral-trading facility (“MTF”) in the EEA (unless the principal trading venue for the relevant shares is located in a country outside the EEA) (“EEA listed shares”); and (2) debt instruments issued by an EEA sovereign issuer (“EEA sovereign debt”). The SSR currently applies in respect of member states of the EU and will apply to the additional EEA jurisdictions once further implementation steps have been taken.

The SSR provides for the disclosure of net short positions in EEA listed shares and EEA sovereign debt. It applies to all natural or legal persons, irrespective of regulatory status, located inside and outside the EEA. The SSR also contains prohibitions on uncovered or “naked” short sales of EEA listed shares and EEA sovereign debt in certain circumstances, as well as a prohibition on uncovered credit default swaps referencing EEA sovereign debt (“naked CDS”). The SSR provides for the possibility of an EEA member state’s national regulator temporarily suspending the prohibition where it believes that its sovereign debt market is not functioning properly and that the prohibition may have a negative impact on the sovereign CDS debt market. When the prohibition is suspended in this way, naked CDS positions must be included in the net short position calculation for EEA sovereign debt and will be disclosable as part of the more general disclosure relating to short positions in EEA sovereign debt.

National regulators, and in certain circumstances the European Securities and Markets Authority, are able to take additional emergency measures in some situations.

The SSR may prevent the Investment Manager from fully expressing its negative views in relation to EEA listed shares and reduces the flexibility of the Investment Manager to use credit default swaps referencing EEA sovereign debt for risk management or investment purposes. Accordingly the ability of the Investment Manager to continue to implement the Fund’s investment approach and to fulfil its investment objective may be constrained.

#### Sovereign Debt

The Fund may invest directly and indirectly through derivative instruments (including swaps and credit default swap indices) 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 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.

The Investment Manager believes it is possible that one or more sovereign issuers may default on their obligations as a result of changes in the economy. It is impossible to predict the consequences of any such default on the investments of the Fund. See also "Short Selling Regulation" above.

#### Sovereign Risk

Government interference with 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, may expose the Fund to unanticipated losses. See also "Short Selling Regulation" above.

#### Special Situation Investments

The suitability of certain of the Fund's investments will require a prediction to be made about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganisations, the risk exists that the reorganisation either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Fund of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or security holders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a governmental or other regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror;

(iv) in the case of a merger, failure to obtain the necessary shareholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of special situation investing, the results of the Fund's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

### Substantial Redemptions

Substantial redemptions of Shares by Shareholders could require the Fund to liquidate securities or derivative positions more rapidly than might otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the Investment Manager's investment approach. A reduction in the size of the Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. Such a substantial redemption may leave the Fund with a higher exposure to illiquid investments. Furthermore, such redemptions and the potential disruptions caused by such redemptions, may impair the ability of the Fund to carry on its business.

### 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 Fund interacts.

### Tax Considerations

The Fund may be subject to withholding, capital gains or other taxes on income and/or gains arising from its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by the Fund is incorporated, established or resident for tax purposes. The Fund may also incur or bear transaction or other similar taxes in respect of the actual or notional amount of any acquisition, disposal or transaction relating to its investment portfolio, including without limitation taxes imposed by the jurisdiction in which the issuer of securities held by the Fund or the counterparty to a transaction involving the Fund is incorporated, established or resident for tax purposes. Where the Fund invests in securities or enters into transactions that are not subject to withholding, capital gains, transaction or other taxes at the time of acquisition, there can be no assurance that tax may not be withheld or imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Fund may not be able to recover such tax and so any change could have an adverse effect on the Net Asset Value of the Shares.

Where the Fund chooses or is required to pay taxation liabilities and/or account for reserves in respect of taxes that are or may be payable in respect of current or prior periods by the Fund (whether in accordance with current or future accounting standards), this would have an adverse effect on the Net Asset Value of the Shares. This could cause benefits or detriments to certain Shareholders, depending on the timing of their entry to and exit from the Fund.

The Investment Manager may (but is not obliged to) take tax considerations into account when making investment decisions including, without limitation, determining whether the Fund's securities positions should be held through swaps or other derivative instruments or when securities should be sold or otherwise disposed of. The Investment Manager may assume certain market risk and incur certain expenses in this regard in order to achieve favourable tax treatment of a particular investment.

#### Trading in Options

The prices of all derivative instruments, including options, are highly volatile. Payments made pursuant to options also may be highly volatile. Price movements of option contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments and national and international political and economic events and policies. The value of options also depends upon the price of the debt securities or commodities underlying them. In addition, the Fund is subject to the risk of the failure of any of the exchanges on which it trades or of their clearing houses.

The Fund may purchase and sell (write) options. The seller (writer) of a put option which is covered (i.e. the writer has a short position in the underlying asset) assumes the risk of an increase in the market price of the underlying asset above the sales price in establishing the short position of the underlying asset plus the premium received, and gives the opportunity for gain on the underlying asset below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is fully hedged if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying asset below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put options. If the buyer of the put holds the underlying asset, the loss on the put will be offset in whole or in part by any gain on the underlying asset.

The writer of a call option which is covered (e.g. the writer holds the underlying asset) assumes the risk of a decline in the market price of the underlying asset below the value of the underlying asset less the premium received, and gives the opportunity for gain on the underlying asset above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying asset above the exercise price of the asset. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying asset, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying asset.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Limits on trading in options contracts have been established by the various options exchanges and FINRA. The Manager and the Investment Manager believe that these established position limits will not adversely affect the Fund's contemplated trading. However, it is possible that the trading decisions of the Investment Manager in respect of the Fund may have to be modified and that positions held by the Fund may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of the Fund.

Options transactions have a contingent liability, and the implications of this, in particular the margining requirements, described above under "Contingent Liability Transactions".

#### Trading Volatility

Investment prices can be highly volatile. Price movements for investments are influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the psychological motivations of the market place. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument markets, and such intervention (as well as other factors) may cause these markets to move rapidly which may adversely affect the Fund.

#### Transaction Costs

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

#### Undervalued Securities

One of the objectives of the Fund is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Fund's investments may not adequately compensate for the business and financial risks assumed.

The Fund may make certain speculative investments in securities which the Investment Manager believes to be undervalued; however, there can be no assurance that the securities purchased will in fact be undervalued. In addition, the Fund may be required to hold such securities for a substantial period of time before realising their anticipated value.

During this period, a portion of the Fund's capital would be committed to the securities purchased, thus possibly preventing the Fund from investing in other opportunities. In addition, the Fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

#### US Tax-Exempt Investors

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the Fund or their engaging directly or indirectly, through an investment in the Fund, in investment strategies of the types which the Fund may utilise from time to time. Each type of such investor may be subject to different laws, rules and regulations and should consult with their own advisors as to the advisability and tax consequences of an investment in the Fund. Investment in the Fund by entities subject to ERISA requires special consideration. Trustees or fiduciaries of such investors are urged carefully to review the matters discussed in this Prospectus.

#### Valuations

The Directors, the Investment Manager and the Administrator attempt to use consistent and fair valuation criteria as set out in the Valuation Policy, and the Valuation Policy is reviewed as to appropriateness by the Fund on a periodic basis. Notwithstanding such review, there can be no assurance that any particular asset will ultimately be valued in a manner that accurately reflects its true value. Many of the Fund's investments, or the investments of any SPV or other entity through which it invests, are illiquid and there may be no recognisable market for sale of those investments or by reference to which they can be valued. Such assets are inherently harder to value and the Fund may be dependent on the assessment of the Investment Manager, the Administrator or the Fund's valuation committee of an appropriate acquisition price for such investments. The acquisition price reflects the returns that the Investment Manager or the valuation committee expects that the investment will generate. The actual returns on the investment may be less than anticipated at the time of acquisition. Consequently there may be an adverse effect on the Net Asset Value of the Fund and the value of the Net Asset Value per Share should a particular valuation prove incorrect.

Finally, the determination of the Net Asset Value of the Fund, or of any Class or Classes of Shares, and thereby the redemption of Shares, may be suspended in the event that the price or value of the Fund's investments, including its illiquid investments, cannot be ascertained, as described elsewhere in this Prospectus.

#### Volatility

There are a large number of risks inherent in trading of the nature contemplated by the Fund. Price movements are volatile and are affected by a wide variety of factors, including changing supply and demand relationships, credit spread fluctuations, interest rate and exchange

rate fluctuations, the accuracy of implied correlations and implied volatilities of investments, international events and government policies and actions with respect to economic, exchange control, trade, monetary, military and other issues. These price movements could result in significant losses to the Fund. Conversely, the absence or a low degree of volatility may reduce the opportunities for potentially profitable transactions and adversely affect the performance of the Fund.

#### Whole Loans

Pools of whole loans may be acquired directly or serve as the collateral for certain ABS and MBS investments of the Fund. Whole loans are generally subject to the same risks relating to the underlying collateral of ABS, MBS and CDOs. However, the holders of whole loans are exposed to such risks directly as whole loans do not benefit from certain advantages which may be present as a result of the securitisation process, including risk allocation, credit support and hedging mechanisms. Further, as whole loans are not securities, they may be harder to dispose of than interests in structured finance vehicles.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective shareholders should read this entire Prospectus and consult with their own advisers before deciding whether to invest in the Fund. In addition, as the Fund's investment program develops and changes over time, an investment in the Fund may be subject to additional and different risk factors.

#### **BROCHURE DISCLOSURE**

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