

**Part 2A of Form ADV: *Firm Brochure***

**BLS Capital Fondsmaeglerselskab A/S**

Egebaekvej 98  
DK-2850 Naerum  
Denmark  
Telephone: +45 4558 4020  
Facsimile: +45 4558 2029  
E-mail: [info@blscapital.dk](mailto:info@blscapital.dk)  
Web Address: [www.blscapital.dk](http://www.blscapital.dk)

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This brochure provides information about the qualifications and business practices of BLS Capital Fondsmaeglerselskab A/S (“BLS Capital” or “we”). If you have any questions about the contents of this brochure, please contact BLS Capital at +45 4558 4020 or at [info@blscapital.dk](mailto:info@blscapital.dk). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Although BLS Capital is a registered investment adviser, registration itself does not require and should not be interpreted to imply a certain level of skill or training. Additional information about BLS Capital is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for BLS Capital is 170746.

## **Item 2. Material Changes**

The information in this Brochure reflects the following material changes since the last annual update made in March 2020.

Christian Bindslev was named Chief Executive Officer in January 2021. Peter Bundgaard Rørdam and Anders Lund remain in their roles Partners and Portfolio Managers.

### **Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

BLS Capital Fondsmæglerelskab A/S (“BLS Capital” or “we”) is an asset management company and an investment adviser registered with the Danish Financial Supervisory Authority (“Finanstilsynet” or “Danish FSA”). Our principal place of business is Naerum, Denmark. We are authorized under the Danish FSA to provide investment advisory services to Danish residents.

BLS Capital is organized as an “aktieselskab (A/S)” under the laws of Denmark. BLS Capital commenced business on January 29, 2008 and was founded by Anders Lund, Partner and Portfolio Manager, and Peter Bundgaard Rørdam, Partner and Portfolio Manager. Peter Bundgaard Rørdam and Anders Lund are the principal owners of BLS Capital, and hold their interests in BLS Capital indirectly through entities.

We are the investment adviser to a Danish-domiciled investment fund Kapitalforeningen BLS Invest (“BLS Invest” or “Danish Fund”) that employs two distinct investment strategies: one focusing on Danish equity securities and the other on global equity securities. BLS Invest is an investment fund regulated by the FSA and is listed on the Copenhagen stock exchange for investment funds (Nasdaq Copenhagen). BLS Invest is marketed exclusively within Denmark and will not accept investments from any U.S. domiciled persons.

We are the investment adviser to BLS Global Equities LLC, a Delaware limited liability company (the “U.S. Fund”). The U.S. Fund is marketed exclusively to qualified U.S. investors and is exempt from registration as an investment company pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended.

We also manage segregated accounts on behalf of U.S. institutions (“Segregated Accounts”).

The term “U.S. Clients” is used in this brochure to refer collectively to the U.S. Fund and the Segregated Accounts, and individually to each such client, as the context requires.

We employ a single investment strategy for all U.S. Clients but will tailor our advisory services as described in the U.S. Fund’s private placement memorandum and limited liability company agreement or as will be set forth in our agreement with a Segregated Account client.

As of December 31st, 2020, we managed \$5,555,740,200 in client assets on a discretionary basis, where \$2,108,356,683 was held by the Danish Fund and \$3,447,383,517 was held by U.S. Clients.

#### **Item 5. Fees and Compensation**

##### **U.S. Fund**

The U.S. Fund will pay to BLS Capital, with respect to each investor in the U.S. Fund, a monthly management fee equal to:

- 1/12th of 0.95% of the first \$10 million of such investor’s capital account balance as of the close of business on the last business day of each month;
- 1/12th of 0.80% of the next \$15 million of such investor’s capital account balance as of the close of business on the last business day of each month; and
- 1/12th of 0.75% of the balance of such investor’s capital account in excess of \$25 million as of the close of business on the last business day of each month.

The management fee that is payable by an investor in the U.S. Fund is paid monthly in arrears. Fees

are deducted directly from the investor's capital account.

### Segregated Accounts

The fees paid to BLS Capital by any Segregated Account client will be negotiable and may include management fees and/or performance-based fees as described in each client's respective management agreement. If we charge a Segregated Account client a performance fee, such fee will generally equal a percentage of the net gain earned in the client's Segregated Account, subject to a "high water mark." Each Segregated Account will bear the actual transaction costs associated with its investments, such as brokerage commissions and transaction taxes. We do not provide custody services. Therefore, custody services and the associated costs will be governed by the Segregated Account's separate agreement with a custodian.

The management fee will be payable in arrears and in accordance with the terms specified within each Segregated Account client's management agreement. Clients are sent an invoice for their advisory fee.

### Dilution Levies

We have the right to impose a charge (i.e., a dilution levy, or its equivalent) on investors in the U.S. Fund wishing to subscribe for or redeem shares. The purpose of the dilution levy is to seek to ensure that continuing investors in the U.S. Fund are not materially prejudiced by the costs which are involved in accommodating new subscriptions or redemptions, including, for example, costs incurred in realizing investments for the purposes of paying out redemption monies. The calculation of such charges is at our absolute discretion, subject to any restrictions in the U.S. Fund's private placement memorandum or limited liability company agreement. Any dilution levy will be added to amounts payable by an investor in the U.S. Fund (if charged in connection with such investor's investment) and will be deducted from amounts payable to that investor (if charged in connection with that investor's redemption), as appropriate.

### General

#### *Fees*

Certain clients and investors have negotiated management fees through Side Letters that are less than what is disclosed in the fund offering documents, and which are payable on different terms. BLS Capital has discretion to waive or reduce the management fee with respect to the capital accounts of one or more investors without notifying the other investors or without reducing the management fee with respect to the capital accounts of the other investors.

We have the right to revise Account fees from time to time in our discretion, subject to restrictions set forth in the U.S. Fund's governing documents or our agreement with a Segregated Account client, as applicable. Investors in the U.S. Fund and Segregated Account clients will be notified of fee revisions in accordance with the U.S. Fund's limited liability company agreement or Segregated Account agreement, as the case may be. Furthermore, as fees are revised, fee schedules may be "grandfathered" at their prevailing fee schedule in our discretion. These fees may be greater or lower than an Account's current fee schedule. We reserve the right to waive or rebate the payment of all or part of the management fee or other fee payable with respect to any Account for any period(s) that we determine is appropriate in our sole discretion.

#### *Personal Investments in the U.S. Fund and/or BLS Invest*

Our executive officers and other employees have invested, or are permitted to invest, a portion of their personal investable assets in one or more of the Danish Funds. All personnel, including the partners and portfolio managers, pay the same fees as any other investor in the applicable fund. No

executive officer or employee is permitted to invest in the U.S. Fund.

### *Other Fees and Expenses*

#### The U.S. Fund

Trading Expenses. The U.S. Fund will pay out of its assets all of its direct trading expenses, clearing fees, and other exchange fees and charges. Direct trading expenses include brokerage commissions, “bid-ask” spreads, mark ups, registration and transfer fees, regulatory and governmental charges and duties, and other fees and expenses relating to its investments.

Operating Expenses. The U.S. Fund will bear all operating expenses (exclusive of the management fee) up to an amount which, when excluding the management fee, equals 0.20% of the U.S. Fund’s assets. BLS Capital will bear the cost of operating expenses where they exceed the aforementioned amount.

Under the LLC Agreement, the U.S. Fund will bear all ordinary expenses incurred in connection with the U.S. Fund’s ongoing operations, including, without limitation, custody fees, administrative fees, legal, audit and accounting fees, and other costs associated with preparing U.S. Fund documents and reports. In addition, under the LLC Agreement, costs of litigation or other “extraordinary” events may be borne by the U.S. Fund, including reimbursement of BLS Capital of such costs advanced on the U.S. Fund’s behalf.

#### Segregated Accounts

In addition to fees paid to us, clients will also be responsible for the fees and expenses charged by custodians and imposed by any broker-dealer with which we effect Account transactions. Please refer to Item 12 of this brochure for additional information regarding brokerage fees.

### *Advisory Fees in General*

Investors in the U.S. Fund and Segregated Account clients should note that similar advisory services may be available from other registered or unregistered investment advisers for similar or lower fees.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

We will not receive performance-based fees with respect to the U.S. Fund.

With respect to Segregated Accounts, we have the option to receive the performance-based fees described in Item 5 of this brochure as long as the client qualifies for such fees and the arrangement is described in the client’s management agreement. In measuring clients’ assets for the calculation of performance-based fees, BLS shall include realized and unrealized capital gains and losses.

Client accounts are subject to different management fee arrangements and/or different performance-based compensation arrangements. If we are entitled to receive a performance-based fee from one client and an asset-based management fee from another, or a higher percentage of the net profits of the account of one client than another client, then this could create a conflict of interest and we could have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client that has the potential to generate higher fees for us. However, we have implemented policies and procedures to allocate all investment opportunities among our clients in a manner that we consider fair and equitable to all clients, considering all material factors potentially applicable to each client. We also periodically compare holdings and performance of all client accounts with similar strategies to identify significant performance disparities indicative of possible

favorable treatment.

Despite the potential conflict of interest noted above, we believe that our portfolio managers' and employees' interests are aligned with those of the Fund investors and Segregated Account clients due to the fact that our executive officers and other employees have invested a portion of their personal net worth in the same investment strategy we intend to employ for U.S. Clients.

#### Side Letters

We have entered into side letters with one or more investors in the U.S. Fund which have established different rights or privileges with respect to various items, including but not limited to, liquidity, management fees, transparency, reporting, capacity and key man provisions. We may enter into such side letters without approval from, or notice to, any investor unless required by an existing side letter.

### **Item 7. Types of Clients**

We currently provide investment advice to the Danish Fund and to the U.S. Fund. Investors in the U.S. Fund include, but are not limited to, corporations, financial institutions, endowments, foundations, government bodies and other qualified investors.

We have also accepted U.S. institutions as Segregated Account clients and we have the right to accept more at our discretion.

The offering documents of the U.S. Fund require a minimum investment of \$5,000,000 by prospective investors in the U.S. Fund. We generally require an initial account balance of \$100,000,000 for Segregated Account clients. We have the right to waive these minimum amounts, in whole or in part, at our discretion.

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

#### **INVESTMENT STRATEGIES**

We have an absolute return focus, meaning that value creation is core to our investments. Our goal is that every investment we make is based entirely on the absolute return potential of that particular investment. We seek to invest in the securities of companies listed on recognized global stock exchanges that we believe, in the long term, will give the best risk-adjusted return to investors. This investment strategy results in a concentrated equity portfolio consisting of the equity securities of twenty-five to thirty companies in North America, Asia, Europe and emerging markets. This investment strategy does not use any derivatives. Investments are based on an analysis and assessment of each company's long-term, risk-adjusted return potential, and are not based on weights in market indices. Thus, an Account's returns might deviate significantly from any particular benchmark or index.

#### **METHODS OF ANALYSIS**

To achieve our goal of delivering attractive returns, we undertake rigorous fundamental bottom-up research of each company we consider for inclusion in an Account's portfolio. Our analysis is conducted at the desk and in the field and our portfolio managers spend considerable time and energy meeting company management and investor relations personnel, as well as participating in onsite visits, conferences and the like, in order to ensure that we understand the business models

and the business environments of the Accounts' potential portfolio companies and their competitors.

Our investment philosophy is to identify and select companies which we believe are of exceptional quality and have the best possibility of creating sustainable value and generating attractive risk-adjusted returns to investors in the long term. We believe that high quality companies are characterized by: (a) robust and superior business models with a stable, predictable and growing free cash flow, (b) competent management teams with a clear aim of maximizing long-term shareholder value through their allocation of free cash flow, and (c) a high potential return on invested capital. Our investment process is designed to identify companies with stable, transparent, predictable, and persistently growing free cash flows with an attractive valuation and risk profile.

Our investment selection process consists of three steps. First, we quantitatively screen the investment universe of about 20,000 companies to identify potential candidates to include in the portfolio. This is a purely quantitative screen for factors, including the following: (a) return on invested capital, (b) return on equity, and (c) capital distribution, growth and gearing. The results of this quantitative screen provide approximately 1,000 potential investment candidates, which we then examine more thoroughly.

The next step is a qualitative analysis to evaluate the remaining potential investment candidates to arrive at our Active List of about 150 companies. The analysis is performed by investigating the business model of each company, looking for fundamental and persistent competitive advantages, such as proven pricing power, strong market position with identifiable large-scale advantages, substantial barriers to entry and/or superior brands. Additionally, we look for companies with attractive growth profiles either based on exposure to structural growth or consistent market share gains. As part of this process, we investigate the capital intensity of each company's business model, seeking to identify companies with attractive earnings potential and strong and sustainable return on invested capital. We examine capital allocation, where we value a historical track record of internal reallocation to high return investments and a proven commitment to return excess capital to shareholders through dividends and/or share buybacks. Finally, we strive to invest in companies with credible and shareholder-friendly management, with a strong and proven track record and who are capable of executing on the long-term strategic development of the company.

In the third and final part of our investment selection process, we focus on valuation and risk analysis. In this step, we analyze the volatility of cash flows (cash flow beta) and determine a valuation for a portfolio company based on the free cash flows of the company. We place a high weight on a company's free cash flow, as cash available for distribution to an Account ultimately determines an Account's long-term returns.

Hence, we will include a company in an Account's portfolio, and determine its weight in the portfolio, based on our overall evaluation of company's business model, our perception of the ability of a company's business model to withstand multiple business cycles, a company's potential to generate strong free cash flow and a high return on the invested capital and management capabilities, in combination with the company's current valuations and risk profile.

When constructing an Account's portfolio, companies with attractive valuations are given a higher weight in the portfolio. On the other hand, we will exclude from an Account's portfolio companies that, despite being of high general quality, have unattractive valuations in our view. The portfolio managers analyze and adjust portfolio composition on an ongoing basis, according to our investment philosophy outlined above. We aim to invest an Account's assets in fewer companies that are all higher quality rather than a greater number of companies solely for the sake of diversification.

## **RISKS AND RISK OF LOSS**

**Changes in Investment Strategies.** We have broad discretion to expand, revise or contract the



investment strategy without the consent of the investors in the U.S. Fund. We will, however, provide reasonable notice to the investors in the U.S. Fund before making any material change to the U.S. Fund's investment strategy. Our ability to change the investment strategy of a Segregated Account will be limited as set forth in our agreement with such Segregated Account client.

**Investment Risks in General.** The prices of the securities and other instruments in which an Account invests may be volatile. Market movements are difficult to predict and are influenced by, among other things: government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. 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 instruments and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

**Equity Securities.** Investments include long positions in U.S. dollar denominated and non-U.S. dollar denominated non-U.S. securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than the securities prices of larger, more established companies because small company securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. On behalf of an Account, we have the right to purchase securities in all available securities trading markets for securities of non-U.S. issuers.

We may invest an Account's capital in the common stock of issuers. Common stocks are shares of a corporation or other entity that entitle the holder to a pro rata share of the profits, if any, of the entity without preference over any other shareholder or claim of shareholders, after making required payments to holders of the entity's preferred stock and other senior securities. Common stock usually carries with it the right to vote and frequently an exclusive right to do so.

**Concentration; Limited Diversification.** At any given time, an Account's assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In addition, our anticipated investment strategy may result in an Account's portfolio containing the securities of twenty-five or fewer companies. In such event, that Account's portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or financial or economic market, than a less concentrated portfolio would be. As a result, if an Account's investment portfolio is concentrated, its aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. We are not obligated to hedge positions within any Account's portfolio.

**Investments in Less-Established Issuers.** We reserve the right to invest in securities of smaller, less seasoned companies. Such securities are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk. Smaller companies tend to have limited product lines, markets or financial resources, can be dependent on a limited management group or lack substantial capital reserves and do not have established performance records. There is generally less publicly available information about such companies than larger, more established companies.

**Investments in Undervalued Securities.** Stocks purchased because we believe they are inexpensive relative to the overall market may be undervalued due to adverse economic conditions or other near-term difficulties that cause the issuers not to achieve their expected financial potential. Undervaluation may also arise because companies are misunderstood by investors or because they are out of step with favored market themes. If these undervalued securities do not increase in value

as anticipated, such Account may sell them at no gain or at a loss.

**Foreign Investment Risks Generally.** We may invest an Account's capital in the securities of foreign issuers. Investment in foreign issuers or securities principally traded overseas involves certain special risks due to foreign economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against foreign entities. Furthermore, issuers of foreign securities are subject to different, often less comprehensive accounting, reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. Foreign brokerage commissions and other fees are also generally higher than in the United States. The laws of some foreign countries may limit our ability to invest in securities of certain issuers located in these foreign countries. There are also special tax considerations which apply to securities of foreign issuers and securities principally traded overseas. Investors should also be aware that under certain circumstances, markets, which are perceived to have similar characteristics to troubled markets, may be adversely affected whether or not similarities actually exist.

Since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars is affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs will be incurred when an Account's investments change from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the foreign markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by U.S. or foreign governments or central banks (or the failure to intervene) or by currency controls or political developments in the United States or abroad.

**Emerging Markets.** The risks of foreign investments described herein apply to an even greater extent to investments in emerging markets. We may seek to exploit inefficiencies in the less developed markets. The economies of these markets may differ significantly from the economies of more developed markets, including certain countries of the Organization for Economic Co-operation and Development ("OECD") (an organization of 34 member countries, including the United States, that addresses specific policy areas, including economics, trade, science, employment, education and financial markets policies), with respect to gross domestic product or gross national product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency, structural unemployment and balance of payments position.

In particular, emerging market economies frequently experience high levels of inflation. In addition, such countries may have: restrictive national policies that would effectively limit the investment opportunities; limited information about their issuers; a general lack of uniform accounting, auditing and financial reporting standards, auditing practices and requirements compared to the standards of OECD countries; less governmental supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies; favorable economic developments that may be slowed or reversed by unanticipated political or social events in such countries; or a lack of capital market structure or market-oriented economy. Systemic and market factors may affect the acquisition, payment for or ownership of investments including: (a) the prevalence of crime and corruption; (b) the inaccuracy or unreliability of business and financial information; (c) the instability or volatility of banking and financial systems, or the absence or inadequacy of an infrastructure to support such systems; (d) custody and settlement infrastructure of the market in which such investments are transacted and held; (e) the acts, omissions and operation of any securities depository; (f) the risk of the bankruptcy or insolvency of banking agents, counterparties to cash and securities transactions, registrars or transfer agents; and (g) the existence of market conditions that prevent the orderly execution of settlement of transactions or that affect the value of assets. Different

clearance and settlement procedures may prevent us from making intended security purchases for an Account, causing that Account to miss attractive investment opportunities and possibly resulting in either losses to or contract claims against that Account. The securities markets of many of the countries in which an Account may invest may also be smaller, less liquid, and subject to greater price volatility than in developed securities markets.

**Political Considerations.** The political stability of some of the countries in which the equities markets operate could differ significantly from that of certain OECD countries. There are, for example, risk of nationalization, sequestration of assets, expropriation, confiscatory taxation, currency blockage or repatriation, changes in government policies or regulations, political, religious or social instability, or diplomatic or political developments and changes. Although the political regimes of the OECD countries tend to be more stable than those of lesser-developed countries, similar political risk factors may be present in the OECD countries as well. Any one or more of these factors could adversely affect the economies and markets of such countries, which in turn could affect the value of an Account's investments in their respective markets.

**Currency Risk.** The value of an Account's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when we change an Account's investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. Since foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. An increase in the value of the U.S. dollar compared to the other currencies in which the assets of an Account are invested reduces the effect of increases and magnifies the U.S. dollar equivalent of the effect of decreases in the prices of the securities invested in by an Account in non-U.S. markets.

**Non-U.S. Investments, Exchanges and Market.** We will engage in trading of non-U.S. investments and on non-U.S. exchanges and markets on behalf of the Accounts. Trading of such investments and on such exchanges and markets involves certain risks not applicable to trading of U.S. investments or on U.S. exchanges, including, but not limited to, special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations, imposition of withholding taxes on dividend or interest payments, volatility of markets and issuers that causes liquidity problems, lack of uniform accounting and auditing standards, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Certain exchanges and issuers do not always provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and issuers and have the potential to be less liquid and more volatile. There is also a risk of less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that not all participants are afforded an equal opportunity to execute certain trades. Foreign brokerage commissions, custody fees and other fees are also generally higher than in the United States.

**Valuation of Investments.** We may use the fair value method to value investments if market quotations for them are not readily available or are deemed unreliable, or if events occurring after the close of a securities market and before we value an Account's assets would materially affect the

net asset value of the Account. Because the secondary markets for certain investments may be limited, these investments may be difficult to value. Where market quotations are not readily available, valuation requires more research than for more liquid investments. In addition, elements of judgment play a greater role in valuation in such cases.

**Inflation Risk.** Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the asset or income can decline. In addition, during periods of rising inflation, short term interest rates would likely increase, reducing investment returns. Common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

**Failure of Custodians.** Institutions, such as custodians or banks, may hold certain of an Account's assets in "street name." Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of an Account.

**Turnover.** In seeking to achieve an Account's investment objectives, we will periodically buy and sell securities. Such Account will be responsible for the brokerage commissions and fees resulting from trading activity with respect to that Account, which will ultimately affect the return achieved by that Account. In addition, to the extent that an Account holds its investments for only a short period of time, the Account is unlikely to be eligible for long-term capital gains treatment with respect to such investments.

**Investment Selection.** We select investments for an Account in part on the basis of information and data filed by issuers of securities with various government regulators or made directly available to us by the issuers of securities or through sources other than the issuers. Although we will evaluate all such information and data and seek independent corroboration when we consider it appropriate and reasonably available, we will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available.

There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments can be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of any Account's activities and the value of its investments. No guarantee or representation is made that any Account's investment objectives will be achieved.

**Newly Contributed Assets.** An Account may encounter periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, these periods also present a special risk in that the level of diversification of an Account's portfolio may be lower than in a fully invested portfolio.

**Future Regulatory Change is Impossible to Predict.** The securities markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the establishment of daily price limits and the suspension of trading. The regulation of securities both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on an Account is impossible to predict, but could be substantial and adverse.

**Accuracy of Public Information.** We select investments for Accounts, in part, based on information and data filed by issuers with various government regulators or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data and ordinarily seek independent corroboration when we consider it is appropriate and reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy

of such information and data, and in some cases, complete and accurate information is not available.

**Reliance on Management.** We will have the exclusive power to make decisions regarding the management and operations of the U.S. Fund and the Segregated Accounts. Accordingly, no person should purchase an interest in the U.S. Fund or open a Segregated Account unless such person is willing to entrust us with all aspects of management of such Account.

**Dependence on Principals.** Our investment activities depend upon the expertise and continued employment of the partners and portfolio managers named under Item 4. The loss of their services or other key employees could have a material adverse effect on our investment strategy. No assurance can be given that suitable replacements could be found for any portfolio manager or other key employee in the event of his or her death, disability or separation from our firm.

**Conflicts of Interest.** We currently serve as an investment adviser to the Danish Fund, which has substantially the same investment program as the U.S. Fund and Segregated Accounts, and we will not devote our resources exclusively to the respective portfolios of the U.S. Fund and the Segregated Accounts. We and our affiliates, shareholders, members, managers, directors, officers or employees (collectively, "related persons") will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing in securities and other investments for their own accounts, for the accounts of family members, for the accounts of other funds and for the accounts of individual and institutional clients. Each of these persons gives advice and takes action in the performance of his or her duties to his or her other clients, which advice could differ in timing and nature from those given or taken with respect to any Account. We will have no obligation to purchase or sell for any Account any investment that we or our affiliates purchase or sell, or recommend for purchase or sale, for our or their own accounts, for the account of any other fund or client. No Account will have any rights of first refusal, co-investment or other rights in respect of the investments made by related persons for other clients or accounts, or in any fees, profits or other income earned or otherwise derived from them. If a determination is made that an Account and another such person should purchase or sell the same investments at the same time, we will allocate these purchases and sales, as we consider equitable to or from each. Neither any investor in the U.S. Fund nor any Segregated Account client will, by reason of that status, have any right to participate in any manner in any profits or income earned or derived by or accruing to us or our related persons from the conduct of any business (other than the applicable Account's business) or from any transaction in investments effected by us or any of our related persons for any account other than for the account of the applicable Account. In addition, we may have an incentive to favor the Danish Fund, by devoting resources or allocating investment opportunities to the Danish Fund, because we receive higher compensation from the Danish Fund, including payment of performance-based fees.

**Timing.** Even if we are correct in determining that the price of a stock will decline, there is a risk that we will incorrectly determine when the decline will take place (i.e., we may correctly determine that a stock will experience an eventual price decline, but we may sell that stock prior to the lowest stock price). Although a company is overvalued, it could conceivably take some time for the stock market to recognize that and hence for the price to come down; during which an Account is vulnerable to interest, margin calls, etc.

**Fees.** Accounts will incur substantial fees and expenses whether or not any profits are realized.

**Market Disruptions and other Impacts of Force Majeure Events.** Financial markets may be impacted by the outbreak of a contagious disease, a terrorist act or threat, acts of war, severe weather incidents, or general fear of community gatherings that may cause people to stay away from public places. An outbreak of a contagious disease with the potential to become a pandemic, or the measures taken by the governments of affected countries against such potential outbreaks, could seriously disrupt financial markets, which could have an adverse effect on the Fund's performance. The spread of such disease can quickly and negatively affect business operations,

supply chains, business and leisure travel, commodity prices, consumer confidence and business sentiment. Epidemics or pandemics may lead to large number of employees working from home and consumers shunning air travel, stores, restaurants, sports events and other venues. These sudden changes in business and consumer behaviors can cause instability in the world financial markets and may generate localized or even global economic instability. The outbreak of a contagious disease, a terrorist act or threat, acts of war and severe weather incidents can lead to increased volatility in investment securities.

**Risks in General.** Securities investments are not guaranteed and investors in the U.S. Fund and Segregated Account clients may lose money on their investments. Investors or prospective investors should carefully review all information and any private placement memorandum and governing document for any Account for a detailed explanation of many of the risks associated with the investment prior to investment in that Account.

**Effect of Substantial Redemptions.** Substantial redemptions by investors in the U.S. Fund within a short period could require the U.S. Fund to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of the U.S. Fund's assets and/or disrupting the U.S. Fund's investment strategies. Reduction in the U.S. Fund's size could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the U.S. Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

**Past Performance.** PLEASE NOTE THAT PAST PERFORMANCE IS NO INDICATION OF FUTURE PERFORMANCE OF THE U.S. FUND OR ANY SEGREGATED ACCOUNT.

#### **Item 9. Disciplinary Information**

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

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

Neither BLS Capital nor any of its management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of the foregoing entities.

#### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

We have adopted a Code of Ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which sets forth high ethical standards of the business conduct that we require of our employees, including compliance with applicable federal securities laws.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports. Among other things, our Code of Ethics also requires the prior approval of any of our employee's acquisition of securities in a limited offering (e.g., a private placement) or an initial public offering. Our Code of Ethics provides for personnel oversight, enforcement procedures and recordkeeping. A copy of our Code of Ethics is available to our advisory clients and prospective clients, including investors and prospective investors in the U.S. Fund, upon request to the Chief Compliance Officer via email at drishel@hardincompliance.com, by phone at +1 724-935-6793, or by written request sent to our principal office address.

As disclosed in Item 5 of this brochure, our executive officers and/or other employees have invested

a portion of their personal net worth in the U.S. Fund and/or with BLS Invest. It is our expressed policy to restrict employee's ability to purchase or sell individual securities (with limited exceptions described below).

As the foregoing situation represents a potential conflict of interest, we have established the following guidelines to ensure we meet our fiduciary responsibilities. Every employee must obtain the written approval of one of the Managing Partners before placing a personal account trade in any reportable security (with the exception of investments in mutual funds, UCITS and similar investment funds).

Should an employee wish to buy or sell a security that may be, or is, traded for a client, then the client always takes priority.

We seek to allocate investment opportunities among the U.S. Fund, Segregated Accounts and the Danish Fund in the fairest possible way taking into account each client's best interests and their respective investment objectives and restrictions. We have implemented policies and procedures to help ensure that allocations do not reflect a practice of favoring or discriminating against any client.

Our Code of Ethics further includes a policy prohibiting the use of material nonpublic information. While we do not believe that we have any particular access to nonpublic information, all employees are reminded that such information is prohibited from being used directly or indirectly in a personal or professional capacity.

## **Item 12. Brokerage Practices**

Pursuant to the U.S. Fund's limited liability company agreement or our agreements with Segregated Account clients, we have been granted, as applicable, the authority to select the broker or dealer through which to place trades on behalf of such clients. When executing transactions, we endeavor to select those brokers or dealers which will provide a combination of the best services at the lowest prices and commission rates possible under the circumstances. The reasonableness of commissions is based on a broker's ability to provide professional services, competitive commission rates, ease of execution and other services which will help us in providing investment management services to clients.

This means that we may not engage a broker-dealer offering the most favorable commission or spread to execute a particular transaction. We have no obligation to solicit competitive bids and do not have an obligation to seek the lowest available commission cost; however, we will select brokers on the basis of their ability to provide best execution. In addition, our executive board of directors reviews our broker selections each year to ensure we are selecting brokers in line with our broker selection policies and procedures.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is a "safe harbor" that permits an investment adviser to use commissions to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. We will at all times seek to limit the use of "soft dollar" benefits to obtain services which constitute brokerage and research services within the meaning of Section 28(e) of the Exchange Act. As of the date of this update no soft dollar arrangements are in place or have been in place through the history of the Firm.

### ***Brokerage for Client Referrals***

We do not select brokerages to compensate or otherwise reward brokers for client referrals.

### ***Directed Brokerage***

With respect to the U.S. Fund, we do not participate in any directed brokerage arrangements. At our discretion, a Segregated Account client has the right to direct us to utilize a particular broker-dealer

to execute some or all transactions for the client's Segregated Account. In such circumstances, the Segregated Account client is responsible for negotiating the terms and arrangements with that broker-dealer. In a directed brokerage situation, BLS will not be responsible for obtaining best execution for the trade price or commission. The Segregated Account client may pay higher brokerage commissions because we will not seek better execution services or prices from other broker-dealers or be able to aggregate the Segregated Account client's transactions, for execution through other brokers-dealers, with orders for any of our other clients.

### ***Trade Aggregation***

We will aggregate orders on behalf of multiple clients when they share a similar investment objective and/or risk profile and also when we have grounds to believe such aggregation will work to the advantage of each of the clients (e.g., we believe we will obtain a more advantageous price through benefits of scale). We will batch client transactions to receive volume discounts and to obtain better and more uniform pricing across all clients participating in the blocked transaction. If we determine that aggregation of trades in a certain situation will be beneficial to clients, then an aggregated order will be allocated among the clients pro-rata.

Transactions will be averaged based on price and will be allocated among clients in proportion to the value of the purchase and sale orders placed with respect to each client account on any given day. We will provide investors in the U.S. Fund or Segregated Account clients a written explanation of any exceptions to this pro-rata allocation procedure upon request. Such exceptions may occur due to varying cash availability across client accounts, divergent investment objectives and existing concentrations, tax considerations, investment restrictions, performance relative to the applicable benchmark, performance relative to other clients employing the same strategy, and a desire to avoid "odd lots" (an amount of a security that is less than the normal unit of trading for that particular security).

### ***Rebalancing and cross trades***

BLS Capital will not affect any principal or agency cross securities transactions for client accounts.

On occasion, if it is appropriate for one client to purchase/sell a security and for another client to sell/purchase the same security, the Firm will simultaneously place rebalancing or cross trades with one or more brokers. BLS Capital will engage in cross trades when the transaction is in the best interests of, and consistent with the investment objectives and policies of, all accounts involved in the transaction. If a cross transaction is considered, it is our policy to affect all cross trades in the most equitable and fair manner for all clients involved. Cross trades will be affected at the current market price. Since, in such transaction, the Firm represents both the client-seller and client-buyer, it has a conflict of interest given the obligation to obtain the best price and most favorable execution.

## **Item 13. Review of Accounts**

We perform various daily, weekly, monthly, quarterly and periodic reviews of each Client Account. Such reviews are conducted by our Investment Analysts. An extreme market event, such as a complete loss of liquidity in emerging markets, would trigger either a conference phone call or email to each of the investors in the U.S. Fund or Segregated Account client if we believe the event warranted immediate attention. Moreover, we generally make our key personnel available to the U.S. Fund investors and Segregated Account clients as necessary. We accept a limited number of investors and Segregated Account clients, which ensures our Investment personnel are able to participate in client servicing activities without compromising their core responsibilities.

As a general practice we have a service minimum of \$20 million USD where our portfolio managers meet with U.S. Fund investors and Segregated Account clients at least once per year in person to review an Account's performance, and typically conduct mid-year updates over the phone, or as otherwise reasonably requested. In addition, investors in the U.S. Fund generally receive with respect to the U.S. Fund a (i) monthly unaudited performance report, (ii) semi-annual performance



commentary, (iii) semi-annual reports reviewing the performance year-to-date, and (iv) annual audited financial statements, and an annual report.

Investors in the U.S. Fund will receive capital account statements on a monthly basis. Segregated Account clients will receive account statements directly from the custodian with whom that client contracts for custodian services. Investors in the U.S. Fund and Segregated Account clients should carefully review those account statements, comparing them to any reports received from BLS Capital.

On an annual basis, each investor in the Fund receives a copy of the Fund's financial statements audited by the independent auditors. In addition, each investor will be provided (if applicable) a copy of their Schedule K-1.

A Segregated Account client will receive reports as specified in its agreement with us. Our operations, client relations, and investment management teams work together to meet our reporting commitments. We provide certain investors in the U.S. Fund or a Segregated Account client with information on a more frequent and detailed basis in our discretion. Segregated Account clients receive statements no less than quarterly from their qualified custodian detailing account holdings and activity. If you are not receiving monthly statements from your custodian, please contact your custodian and BLS Capital. We urge clients to compare the account statements received from the custodian with the reports they receive from us.

#### **Item 14. Client Referrals and Other Compensation**

It is our policy not to accept or allow our related persons to accept any form of economic benefit, including cash, other compensation, sales award or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

With respect to the U.S. Fund and Segregated Account clients, we have an agreement to pay one U.S.-based marketing agent for investor and client referrals or introductions or placements of interests in the U.S. Fund. This marketing agent is paid a fixed percentage of the aggregate amount of fees we collect from referred investors or clients. The client pays no additional fee regardless of investing with BLS Capital through the marketing agent or not. Payment of fees to the marketing agent is clearly disclosed to the individual client and clients are obligated to sign a disclosure statement prior to the purchase of units of the U.S. Fund or investments into a Segregated Account.

Our agreement with this marketing agent complies with the requirements of Rule 206(4)-3 under the Advisers Act.

We may in the future enter into additional arrangements with third party placement agents, distributors or others to solicit investors in the U.S. Fund or Segregated Account clients, and such arrangements will generally provide for the compensation of such persons for their services at our expense.

The referral arrangements described above involve potential conflicts of interest because the marketing agent has an incentive to favor sales of interests in a fund we advise over sales of other investment products for which the marketing agent will receive lower or no compensation. Prospective and existing investors should consider this potential conflict of interest when evaluating any recommendation or referral by a marketing agent regarding an investment in a fund we advise.

#### **Item 15. Custody**

We do not maintain physical possession of client cash and/or securities. However, the Firm serves as the General Partner to the U.S. Fund and has the right to directly deduct advisory fees

from the U.S. Fund. As a consequence, we are deemed to have custody, as defined under Rule 206(4)-2 of the Advisers Act.

All client assets are maintained at qualified custodians and not with our Firm.

In addition, the annual financial statements of the U.S. Fund are prepared in accordance with GAAP, audited by an independent accounting Firm registered with the Public Company Accounting Oversight Board and distributed to U.S. Fund investors within 120 days of the Funds' fiscal year end.

Investors in the U.S. Fund will receive capital account statements on a monthly basis from the fund administrator. Segregated Account clients will receive account statements directly from the custodian with whom that client contracts for custodian services. Investors in the U.S. Fund and Segregated Account clients should carefully review those account statements, comparing them to any reports received from BLS Capital.

#### **Item 16. Investment Discretion**

We are granted discretionary authority in the U.S. Fund's limited liability company agreement or in our agreement with a Segregated Account client to determine which securities and the amounts of securities that are bought or sold for that Account, consistent with each Account's investment objectives. In providing discretionary investment advisory services, we generally supervise and manage an Account's portfolio and make investment decisions without consulting the investors in the U.S. Fund or the Segregated Account client.

#### **Item 17. Voting Client Securities**

The U.S. Fund's limited liability company agreement permits us to vote proxies for the U.S. Fund. We will be permitted to vote proxies on behalf of Segregated Account clients when allowed to do so in our agreement with a Segregated Account client. We have adopted proxy voting policies and procedures as required by the Investment Advisers Act of 1940, as amended.

The guiding principle by which we vote on all matters submitted to security holders is the maximization of the ultimate economic value of an Account's holdings, as we determine in our sole discretion. It is our policy to avoid situations where there is any conflict of interest or perceived conflict of interest affecting our proxy voting decisions.

We will maintain records of all proxies voted. Our proxy voting record and complete proxy voting policies and procedures are available for investors to review upon request to the Chief Compliance Officer via email at drishel@hardincompliance.com, by phone at +1 724-935-6793, or by mailing your request to our principal office address.

#### **Item 18. Financial Information**

We do not require or solicit prepayment of any fees six months or more in advance, and as such, we are not required to include a balance sheet for our most recent fiscal year with this brochure.

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to the Accounts.

We have not been the subject of a bankruptcy petition at any time during the past ten years.