

**DENHAM CAPITAL MANAGEMENT LP**

**BROCHURE**

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This brochure provides information about the qualifications and business practices of Denham Capital Management LP. If you have any questions about the contents of this brochure, please contact us at [legalnotices@denhamcapital.com](mailto:legalnotices@denhamcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Denham Capital Management LP is also available on the SEC's website at <https://adviserinfo.sec.gov/>.

Registration as an investment adviser with the U.S. Securities and Exchange Commission does not imply a certain level of skill or training.

**Item 2. Material Changes**

Denham Capital Management LP routinely makes changes throughout its brochure in an effort to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving firm practices.

This is an other-than-annual amendment. This other-than-annual update to the firm's brochure, which was last updated on March 31, 2021, includes the addition of a relying adviser, Denham Sustainable Infra Management LP.

In addition to reviewing the changes, we recommend clients review the entire brochure carefully.

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## **Item 4. Advisory Business**

### *Description of Advisory Business*

Founded in 2007, Denham Capital Management LP (“DCM”) is an investment advisory firm which specializes in investment management for private equity funds. In 2021, Denham Sustainable Infra Management LP (“DSIM” and together with DCM, “Denham”) was formed and is registered as an investment adviser in reliance on DCM’s investment adviser registration under the Advisers Act in accordance with applicable SEC guidance. This brochure also describes the business practices of DSIM which operates as a single advisory business together with DCM. The principal owner of Denham is Stuart Porter.

Denham offers investment advisory services to affiliated private equity funds and certain separately managed accounts (“SMAs”) making equity and/or debt investments in industries, companies and assets involving energy and commodities, in particular, oil & gas, mining, power, renewables and sustainable infrastructure (the “Energy Sector”). We advise our accounts in making investments globally across all industries relating to the Energy Sector, all stages of the corporate and asset lifecycle and all segments of the capital structure. Denham has transitioned away from its multi-sector legacy funds to dedicated teams managing separate funds in each of Denham’s three primary Energy Sectors: Energy Resources, Sustainable Infrastructure and Mining. Each team is made up of sector specialists with deep expertise in their specific areas and is led by an investment committee. Each team focuses on driving value creation within its Energy Sector. Denham believes this singular focus creates alignment of our deal teams with our investors. Denham advises private funds and SMAs and may in the future advise other single investor vehicles. In addition, Aflac GI Holdings LLC (“Aflac”), an investor in certain Denham clients, holds a direct passive minority interest in DSIM and its affiliates (“Denham Business”) entitling Aflac to a share of the revenue generated by the Denham Business. Aflac has no authority over the day-to-day operations or investment decisions of Denham or the funds, although it does have certain customary minority protection consent rights. Aflac’s ownership stake in DSIM may create potential conflicts, including by giving DSIM an incentive to provide more favorable terms to investors affiliated with Aflac than to other investors.

Denham’s clients also include certain co-investment vehicles that invest alongside the main private equity funds. Such co-investment vehicles might invest in a single investment or in all investments made in a particular Energy Sector or by a particular fund.

As used in this brochure, (i) “we,” “us” and “our” refer to Denham and its investment advisory business; (ii) the “Denham funds” refers to the Denham private equity funds we advise, including any co-investment vehicles we advise, except where noted; and (iii) the “accounts” or “clients” refers to the Denham funds and the SMAs.

### *Types of Advisory Services*

Denham’s advisory services include commercial structuring and negotiation, independent risk management, portfolio company services, back office administration, legal and investor relations. We maintain discretionary investment authority over our clients, and all investment decisions on behalf of our clients are made by our investment committees, which typically comprise our senior professionals. Actions of our investment committees require the consensus of their voting members, and no individual investment committee member can take unilateral action on behalf of our clients. Denham generally focuses on a theme-driven investment approach, utilizing its knowledge of and experience in, and global

relationships within, the Energy Sector to make investments. Denham also leverages the experience of its deal teams to drive operational improvements at portfolio companies.

The relationship between Denham and each Denham account is governed by the Investment Advisers Act of 1940, as well as the governing documents of each Denham fund, the terms of investment advisory agreements between each Denham fund and us and the investment management agreements with respect to our SMAs. Investments in the Denham funds are privately offered to only qualified investors, which are typically institutional investors (for example, public and private pension funds) and eligible high-net-worth individuals.

The investment advice Denham provides to its clients includes the private equity investment program conducted by the Denham funds in the Energy Sector and the debt investment program conducted by the SMAs.

#### *Tailoring of Advisory Services*

Denham tailors its advisory services to the mandate and descriptions included, as applicable, in the private placement memoranda, partnership agreements, investment management agreement, and other governing agreements of each of its clients. These documents may include restrictions on investing in certain securities or types of assets, including as specifically negotiated with investors in the Denham funds. Denham provides advice to its private funds clients, not the investors in those funds, and investors are expected to participate in the applicable Denham fund's overall investment program, but may be excused from a particular investment due to legal, regulatory or other applicable constraints at the discretion of Denham.

Denham and its affiliates have entered (and may in the future enter) into agreements, or "side letters," with investors whereby such investors may be subject to terms and conditions that vary from those applicable to other investors in the Denham funds. Any such terms and conditions, including with respect to (i) opting out of particular investments, (ii) reporting obligations, (iii) transfers to affiliates, (iv) co-investment opportunities (including the provision of priority allocation rights), (v) withdrawal rights, (vi) consent rights to certain governing document amendments, (vii) payment of management fees, carried interest and/or incentive allocation or (viii) any other matters, may be more favorable than those offered to other investors.

#### *Client Assets*

As of December 31, 2020, the amount of client assets that Denham manages on a discretionary basis is \$4,755,061,998. As of December 31, 2020, Denham did not manage any client assets on a non-discretionary basis.

The information provided above about the investment advisory services provided by Denham is qualified in its entirety by reference to the accounts' offering and governing documents and investment management agreements.

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

### *Fees*

Below is a general summary of how Denham is compensated by its clients. Existing and prospective investors should refer to a fund's offering documents, investment management agreements or other

governing agreements for specific information related to that fund. Denham does not receive a management fee or carried interest from certain co-investment vehicles.

Denham is compensated for its private funds advisory services through a quarterly fee based on a percentage of assets under management of each of its fund clients, generally payable in advance. This management fee generally ranges from 1% to 2% per annum of capital commitments and generally is reduced upon the end of a fund's commitment period. Following expiration of the commitment period, the management fee is generally paid only on remaining invested capital, excluding investments that have been written off. Investors who participated in a fund after the initial closing of the fund are still responsible for payment of the management fee from the initial closing date of the fund. Investors of the Denham funds pay management fees via capital contributions called by Denham (or Denham deducts the applicable amount from distributions), based on their aggregate capital commitment to such Denham fund.

Denham is also compensated for its advisory services to SMAs through an annual management fee and, under certain circumstances, a structuring fee, both of which are separately negotiated pursuant to each SMA's investment management agreement.

As explained in more detail in the offering documents of each client, the general partner typically receives 20% of distributions from investments ("carried interest") generally after 100% of capital contributions for investments and fund expenses are returned to investors of a client and investors receive a preferred return (typically, an 8% preferred return). In accordance with the funds' offering documents or other governing agreements, carried interest allocations are generally subject to general partner catch-ups, certain tax-related distributions, and a "clawback" obligation requiring Denham to return excess distributions to investors in the event that Denham receives more than its carried interest percentage of profits on an aggregate basis over the life of a fund. In the event that tax distributions exceed the actual amount of carried interest to which we are entitled, we are not obligated to return any such excess distributions.

Employees of Denham who are investors of our clients do not pay management fees or carried interest, and investors in certain of our co-investment vehicles may also not pay a management fee or carried interest. Aflac will pay a management fee that may be negotiated at a different rate than paid by other investors in the same private fund. Aflac does not pay carried interest. After payment of all overhead and expenses, Denham principals and persons will receive residual portions of the management fee, carried interest or other compensation received by Denham and its affiliates. Denham may also reduce management fees and/or carried interest through side letter arrangements in certain instances, for example where certain investors have made an early commitment, a large commitment, multiple commitments or any other material concession to one or more of the funds.

Denham charges the management fee described above on a quarterly basis. The performance-based fee, or carried interest, is distributed to Denham in accordance with the terms of the applicable partnership agreement of a Denham fund.

#### *Other Fees and Expenses*

Other fees may be paid to Denham or to a Denham fund's general partner, managing member, or affiliates. In particular, we and our affiliates may receive certain fees from portfolio companies in which the Denham funds invest such as break-up, monitoring, directors', organizational, setup, advisory, underwriting, syndication and other similar fees in connection with the purchase, monitoring or

disposition of investments or from unconsummated transactions, including warrants, options, derivatives and other rights in respect of securities owned by the Denham funds. Investors will receive the benefit from certain such fees only as set forth in a client's offering and governing documents. All or a portion of the fund's pro rata share of these other fees may offset the management fees otherwise payable by investors in such Denham fund. Co-investment vehicles may or may not pay management fees. For the avoidance of doubt, any management fees paid by a co-investment vehicle do not offset management fees paid by the Denham funds. Neither the Denham funds nor any of their limited partners will have any claim, through fee offsets or otherwise, to any amount of other fees received by Denham or its personnel that are allocable to the co-investment vehicle's pro rata share of such fees. Historically Denham has not taken such other fees, but reserves the right to do so.

The funds may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities prior to calling capital commitments. The interest expense and other costs of any such borrowings will be borne by the relevant fund and, accordingly, may decrease net returns of such fund. It is expected that interest will accrue on any such outstanding borrowings at a rate lower than the preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant fund. In light of the foregoing, Denham has an incentive to cause such vehicle to borrow in this manner in lieu of drawing down capital commitments, subject to the offering and operating documents of each fund.

From time to time, the funds may lend to portfolio companies or provide project financing on a short-term, secured or unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing. Such bridge loans would typically be convertible into a more permanent, long-term security. However, for reasons not always in the funds' control, such issuance of long-term securities or other refinancing may not occur, and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the funds.

On occasion, Denham personnel or consultants retained by Denham may provide certain management services to (or with respect to) a portfolio company. In certain cases, such persons are employed or retained directly by the portfolio company. In other instances, Denham may initially pay these costs and subsequently be reimbursed by the applicable fund or portfolio company for compensation paid and other fees and expenses incurred by Denham with respect to such persons. Such compensation or other fees and expenses may or may not offset management fees depending upon the client's offering and governing documents.

Denham may have a conflict of interest to the extent, for example, it is incentivized to make an investment to earn a transaction fee or provide a service to a particular portfolio company to earn a director or monitoring fee. However, Denham believes that this potential conflict of interest is mitigated by the management fee offset mechanic described above and the substantial equity commitment made by Denham and its principals in each of the main Denham funds.

A client will generally pay all expenses arising in connection with the organization or operations of the client whether arising prior to or following the initial closing date (collectively "Fund Expenses") including, without limitation, fees, costs and expenses related to the sourcing, investigation, identification, analysis, pursuit, negotiation, purchase, holding and sale of any actual or potential investments (whether or not such investments are subsequently consummated), fees, costs and expenses of any administrators, custodians, consultants, advisors, counsel and accountants (including the audit and certification fees and

the costs of printing and distributing reports to investors), certain fees and expenses attributable to legal, compliance, accounting, reporting, tax and information technology services used in connection with the client and its activities, whether performed by personnel of Denham or by third parties, any insurance, indemnity or litigation expense, broken deal expenses, the out-of-pocket and legal and other advisory expenses of the advisory committee, certain taxes and any fees or other governmental charges levied against the client. Fund Expenses may include amounts paid to independent contractors (including, without limitation, operating partners, advisors and consultants of Denham) for consulting or advisory services rendered in respect of portfolio companies. Out-of-pocket expenses associated with completed transactions are generally expected to be reimbursed by counterparties or capitalized as part of the acquisition price of the transaction. Fund Expenses are paid via capital contribution by an investor of a client or netted from otherwise distributable proceeds. The general partner of a client may allocate Fund Expenses among the various related vehicles (including any alternative investment vehicles) in an equitable manner as determined in good faith by the general partner. Notwithstanding the foregoing, co-investment vehicles are generally not expected to pay broken deal expenses in which case the client (main fund) would bear such expenses.

Each investor in a client will generally pay its *pro rata* share (based on its capital commitments) of all legal, accounting, filing and other organizational expenses (the “Organizational Expenses”) incurred in organizing and raising capital for a client and any related vehicles up to a maximum specified in the offering and governing documents of each client. To the extent Organizational Expenses exceed such maximum (such excess amount referred to as “Excess Organizational Expenses”), the general partner of a client will cause the investors (other than any investors included within the Denham commitment) to bear such excess, and such investors will receive a credit therefor (by way of a reduction) against the next management fee otherwise payable. In addition, fees and costs in respect of any placement agents or finders will be paid by a client and constitute Excess Organizational Expenses. Incremental additional legal, accounting, filing and other organizational expenses incurred in organizing certain related vehicles may be allocated to such relative vehicle with respect to which such amounts are incurred.

Denham may from time to time enter into arrangements with service providers that provide for fee discounts for services rendered to Denham and the accounts or portfolio companies of the funds. For example, a law firm may discount its legal fees for certain advice provided to Denham. To the extent such law firms provide services to the funds, the funds also enjoy the benefit of fee discount arrangements. In some cases discounts may be based on volume and certain funds or portfolio companies may receive a greater discount than others depending on the timing of their transactions or other factors.

From time to time, Denham may recruit a management team to pursue a new “platform” opportunity to lead to the formation of a future portfolio company. In other cases, a fund may form a new portfolio company and recruit a management team to build the portfolio company through acquisitions and organic growth. In both cases such fund will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, diligence expenses or other related expenses in connection with backing the management team or building out of the platform company. Such expenses may be borne directly by the applicable fund as a Fund Expense or indirectly as such fund bears the start-up and ongoing expenses of the newly formed platform portfolio company. None of these expenses will offset any management fee paid to Denham by the fund.

Denham and its personnel may receive certain intangible and/or other benefits arising or resulting from their activities on behalf of the accounts, which will not be subject to management fee offsets or otherwise shared with the accounts, fund investors and/or fund portfolio companies. For example, airline travel or



hotel stays incurred as fund expenses may result in “miles” or “points” or credit in loyalty or status programs, and such benefits will accrue exclusively to Denham and its personnel (and not to the funds, their investors and/or portfolio companies) even though the cost of the underlying service is borne directly by the funds or their portfolio companies and indirectly by the investors.

To the extent permitted under the respective partnership agreement, Denham may elect to forego a portion of the management fee in favor of a right (a) to receive a priority interest in future distributions of fund profits equal to the waived amounts or (b) to cause the investors to contribute such waived amounts to the fund on Denham’s behalf, which reduces the amount of capital Denham would otherwise be required to contribute to the respective fund. As a result, the exercise of such waiver may result in an acceleration of investor capital contributions and will affect the management fee offset calculations.

#### *Refunds*

Investments in a fund are illiquid and investors of the Denham funds generally cannot redeem their interests. Upon termination of the investment advisory agreement with a Denham account, however, we will return to such Denham fund any paid but unearned portion of the management fee. In general, such fees are pro-rated from the date of termination to the end of the period to which the advance fee applied.

#### *Compensation for Sale of Securities*

Neither Denham nor its supervised persons accept compensation for the sale of securities or other investment products. However, as noted above, we and our affiliates may receive certain fees from portfolio companies in which the Denham funds invest. All or a portion of the fund’s pro rata share of these fees may offset the management fees otherwise payable by investors in the Denham funds.

### **Item 6. Performance Based Fees and Side by Side Management**

Denham typically receives performance based fees as outlined in Item 5(B), described as carried interest, although as noted above certain co-investment vehicles do not pay carried interest and Denham may waive or reduce carried interest with respect to certain investors. Carried interest is negotiated separately for each Denham fund and set forth in each Denham fund’s respective partnership agreement and offering documents.

Performance fee arrangements may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. We have designed and implemented procedures designed to ensure that all clients are treated fairly in the allocation of investment opportunities and to prevent this potential conflict of interest from influencing the allocation of investment opportunities among or between our clients.

Our investment allocations are documented as part of our regular investment processes, taking into account the size of the investment opportunity, the capital available for investment by each client, the potential need for follow on investments or reserves, the sharing rules set forth in the applicable governing agreements, the terms of the governing documents of the applicable Denham accounts and any other factors Denham may consider relevant.

Generally, Denham is allocating investment opportunities to clients based on their specific sub-Energy Sector focus. Within Sustainable Infrastructure, DSIM will allocate debt investments to its SMAs and will allocate equity investments to its funds. Thus, among the single-sector focused Denham funds, Denham

does not foresee an overlap in investment strategies that would give rise to allocation considerations (with the exception of co-investment vehicles, which will be made in accordance with the respective partnership agreements, and with the exception of Sustainable Infrastructure debt investments, which will be allocated to SMAs). Due to fundraising and timing issues, Denham may, for a limited period of time, allocate opportunities to multiple clients. In those instances, Denham abides by all applicable provisions in the partnership agreement of each client and seeks consent of the limited partners or advisory committee, as necessary.

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

All of Denham's clients are private equity funds sponsored by Denham or SMAs. We offer interests in the Denham funds only to "qualified purchasers" and "knowledgeable employees" (each as defined under the Investment Company Act of 1940, as amended). Investment advice is provided directly to the funds and not individually to the investors of the funds. Investors participating in the Denham funds may include high net-worth individuals, banks or thrift institutions, sovereign wealth funds, pension and profit-sharing plans, trusts, estates, charitable organizations or other corporations or business entities and also may include, directly or indirectly, past or current service providers, members of the management of a fund's portfolio company and principals or other employees of Denham.

Typically, the funds require minimum investment amounts ranging from \$1MM to \$5MM, but such amounts have been and in the future will be reduced with the prior agreement of Denham, subject to applicable legal requirements. Minimum investment requirements in the SMAs are dictated by the separately negotiated investment management agreement.

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

### *Methods of Analysis and Investment Strategies*

In managing our clients, Denham employs methods of analysis and investment strategies suitable for each Denham client's investment objective and in accordance with the offering documents and other governing agreements of the applicable client. Denham uses its Energy Sector knowledge and experience to conduct a comprehensive analysis of each candidate investment. Investment analysis includes, without limitation, evaluation of:

- industry/sector dynamics and outlook;
- management team experience and background;
- geopolitical, legal and environmental risks;
- quality of assets, equipment and/or services;
- competitive landscape;
- commodity and currency exposure; and
- potential technological developments.

The summary above should not be interpreted to limit in any way Denham's investment activities. Potential investors of our clients should be aware that an investment in one of our clients involves a high degree of risk and a loss of investment is possible. Our clients are suitable only for those investors that have the financial sophistication and expertise to evaluate the merits and risks of an investment in such client and can bear a risk of loss of their investment and for which such fund does not represent a complete investment program. There can be no assurance that our clients' investment objectives will be

achieved, that any client will otherwise be able to successfully carry out its investment program or that an investor of a client will receive a return of its capital. In addition, there will be occasions when the general partner and its affiliates may encounter potential conflicts of interest in connection with the client.

#### *Risk Factors*

The discussion below enumerates certain, but not all, risk factors that apply generally to an investment in a Denham account. In addition, while the descriptions of the a fund's investment strategies and methods of analysis are generally applicable to the co-invest vehicles, generally each co-investment vehicle participates in only one investment so certain risk factors will not apply and such vehicles might have other risks not described herein, such as a lack of diversification. Prior to making any investment in a Denham account, investors should carefully review the applicable offering documents for a more complete description of the risk factors and conflicts of interest relating to such account.

#### SECTOR RISK FACTORS

**Energy Resources.** Oil or gas exploration and development is a speculative business involving a high degree of risk. Oil and gas drilling may involve unprofitable efforts, not only from dry holes, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Acquiring, developing and exploring for oil and natural gas involves many risks. These risks include encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks. In addition, the process of estimating oil and gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. As a result, such estimates are inherently imprecise. Further, the development, operation and maintenance of oil and gas sector ("Energy Resources") projects involves various operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside the control of a company, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for energy and the like, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring Energy Resources businesses. In turn, such developments could impair a company's ability to repay its debt, conduct its operations or make distributions. In addition, events outside the control of a company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring Energy Resources facilities. Energy Resources operations are subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect Energy Resources businesses. Energy Resources assets may be taxed or need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability. Energy Resources companies may involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in unabsorbed costs could significantly impair the financial viability of an Energy Resources investment project.

**Mining.** The business of exploration for metals, minerals and other commodities involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation characteristics, fires, explosions, rock bursts, power outages, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labor are all risks which may occur during exploration for and development of mineral deposits. Substantial expenditures are required in order to establish reserves through drilling, to extract metal from ore, and to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. In addition, the economics of developing properties is affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in the prices which can be obtained on the metal markets, and such other factors as land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection. Further, the development, operation and maintenance of mining sector (“Mining”) projects involves various operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside the control of a company, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for commodities and the like, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring Mining businesses. In turn, such developments could impair a company’s ability to repay its debt, conduct its operations or make distributions. In addition, events outside the control of a company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring Mining facilities. Mining operations are subject to comprehensive United States and non-U.S. federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect Mining businesses. Mining assets may be taxed or need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability. Mining companies may involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in unabsorbed costs could significantly impair the financial viability of a Mining investment project.

**Sustainable Infrastructure.** The development, construction, operation and maintenance of sustainable infrastructure sector (“Sustainable Infrastructure”) projects involves various risks. Development of Sustainable Infrastructure projects may require significant time and expense dealing with numerous private and public counterparties to acquire property and other required rights of ownership, access and otherwise. In addition, numerous national, state, and local permits may be required, including environmental studies and permits. Sustainable Infrastructure projects and operations are subject to comprehensive national, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect Sustainable Infrastructure businesses. Sustainable Infrastructure assets may be taxed or need to purchase offsets under existing and proposed environmental legislation in relevant jurisdictions, which could affect economic viability. Sustainable Infrastructure projects may involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in costs could significantly

impair the financial viability of a Sustainable Infrastructure investment project. Sustainable Infrastructure projects may depend on the availability of debt financing and other capital, which may not be available on favorable terms when needed. Sustainable Infrastructure projects face operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside the control of a company, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for energy and the like, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring Sustainable Infrastructure businesses. In turn, such developments could impair a company's ability to repay its debt, conduct its operations or make distributions. In addition, events outside the control of a company, such as force majeure events, could significantly reduce the revenues generated or significantly increase the expense of operating, maintaining or restoring Sustainable Infrastructure facilities. The market for sustainable infrastructure and renewable energy is emerging and rapidly evolving, and government policies, including subsidies on which projects may depend, are reviewed and may change frequently. If sustainable infrastructure and renewable energy technology proves unsuitable for widespread commercial deployment or if the demand for such sustainable infrastructure products fails to develop sufficiently, sustainable infrastructure investments may be adversely affected. While sustainable infrastructure projects currently enjoy support from governments and regulatory agencies, there is no assurance that such support will continue in the future and any reduction or elimination of governmental support may have an adverse effect on the development and construction of such projects.

***Exploration, Development and Exploitation.*** Some of our clients will invest in businesses that engage in resource exploration, development and exploitation. Resource exploration, development and exploitation involve a high degree of risk, which cannot be fully mitigated, even with a combination of experience, knowledge and careful evaluation. While the discovery of natural resource may result in substantial rewards, few properties that are explored are ultimately developed into production facilities. Substantial expenditures may be required to locate and establish natural resources and to construct processing facilities and infrastructure at a particular site. It is impossible to ensure that the exploration programs in progress or planned by a portfolio company will result in profitable operations. Even where natural resources are discovered, there can be no assurance that a property will be brought into production. Whether a resource will be viable depends on a number of factors, some of which are: (i) the particular attributes of the resource; (ii) proximity to infrastructure; (iii) commodity prices, which can fluctuate widely; (iv) currency fluctuations; (v) financing costs; (vi) production costs; and (vii) government regulations and any further changes thereto, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of resources and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors could make a portfolio company uneconomic and/or may result in a fund not receiving an adequate return on invested capital in a portfolio company, if any.

Sector businesses by their nature are subject to many operational risks, many of are outside of the control of a client or its portfolio companies, and many of which are not covered fully, or in some cases even partially, by insurance. These operational risks, which could adversely affect a portfolio company's business, operating results and cash flow, include the following: (i) earthquakes, floods and other natural disasters or pandemics; (ii) the occurrence of unexpected weather or operating conditions and other force majeure events; (iii) the failure of equipment or processes to operate in accordance with specifications, design or expectations; (iv) accidents; (v) structural collapses; (vi) interruption of energy supply; (vii) lower than expected findings; (viii) processing problems; (ix) unanticipated ground and water conditions; (x) adverse claims to water rights, adverse outcomes of pending water adjudications and physical shortages

of water; (xi) adjacent land ownership or usage that results in constraints on current or future operations; (xii) delays in the receipt of or failure to receive necessary government authorizations, approvals or permits; (xiii) delays in transportation and disruptions of supply routes; and (xiv) inability to obtain satisfactory insurance coverage.

All of the foregoing factors are beyond the control of a client and its portfolio companies. There can be no assurance that a portfolio company's resource exploration and future development activities will be successful and the occurrence of any of the foregoing factors could have a material adverse effect on a portfolio company's business, prospects, financial condition and operating results. In the event that commercial viability is never attained, a portfolio company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a going concern.

**Construction.** Our clients' investments may involve significant construction risks, including the risk of substantial delay or increase in cost due to a number of unforeseen factors, including political opposition, regulatory and permitting delays, delays in procuring sites, strikes, disputes, or a failure of one or more investment participants to perform in a timely manner their contractual, financial or other commitments. A material delay or increase in unabsorbed costs could significantly impair the financial availability of an investment project and result in a material adverse effect on our client's investment.

**Depletion.** The financial performance of energy companies in which some of our clients may invest will likely be adversely affected if they, or the companies who provide them service, are unable to cost-effectively acquire additional reserves sufficient to replace the depleted reserves. If an energy company fails to add reserves by acquiring or developing them or to sustain the life of its reserves through new methods its reserves and production will decline over time as the reserves are produced. If an energy company is not able to raise capital on favorable terms, it may not be able to add, maintain or further exploit its reserves.

**Key Inputs.** The operations of the businesses in which some of our clients invest may rely on access to certain key inputs such as strategic consumables, raw materials and drilling and processing equipment. The inability to obtain such key inputs in a timely manner could delay or reduce a portfolio company's production, which could have an adverse impact on its results of operations and financial condition. Periods of high demand for such supplies can result in periods when availability of supplies are limited and cause costs to increase above normal inflation rates. Any interruption to supplies or increase in costs could adversely affect the operating results and cash flows of a Denham account's investments and therefore of the account.

**Feasibility Studies.** Our clients' investment in a portfolio company may be based on a feasibility study related to one or more properties. Feasibility study activities involve estimates of capital expenditures, future production, revenues, operating costs and taxes. Failure to meet these estimates could have a material or other adverse effect on a portfolio company's profitability, cash flows and financial position. There can be no assurance that such estimates will be fully achievable. Variances between actual and estimates may occur for a variety of reasons, (i) including changes in capital costs due to market conditions or essential alterations in scope encountered during advanced engineering design work; (ii) actual recoverable resources; (iii) short-term operating factors; (iv) structural or equipment failures; (v) industrial accidents; (vi) natural phenomena such as inclement weather conditions, floods, droughts, rockslides and earthquakes; (vii) unusual or unexpected geological conditions; (viii) changes in power costs and potential power shortages; (ix) shortages of principal supplies needed for operation; (x) labor shortages or strikes; (xi) civil disobedience and protests; and (xii) restrictions or regulations imposed by governmental or

regulatory authorities or other changes in the regulatory environments. Occurrences such as those above could result in damage to a portfolio company's properties, interruptions in construction or production, injury or death to persons, damage to property, monetary losses and legal liabilities. These factors may cause a portfolio company to cease construction or operating activities.

***Reliance on Estimates.*** Denham accounts may rely on estimates of reserves in connection with an investment in a portfolio company. There is a degree of uncertainty to the estimation of reserves and resources. This process is necessarily subjective and the accuracy of estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting engineering and geological information. There is significant uncertainty in any such estimate, and the actual deposits encountered and the economic viability of harnessing a resource may differ significantly from any estimate. In addition, the quantity of reserves and resources may vary depending on, among other things, prevailing prices. Any material change in quantity of reserves or resources may affect the economic viability of a portfolio company's properties. In addition, there can be no assurance that recoveries in small scale tests will be duplicated in a larger scale tests under on-site conditions or during production. Estimates may have to be recalculated based on changes in commodity prices or further exploration or development activity. This could materially and adversely affect estimates of the volume, estimated recovery rates or other important factors that influence estimates. Any material reductions in estimates of reserves and resources, or of a portfolio company's ability to extract these reserves, could have a material adverse effect on a portfolio company's financial condition, results of operations and future cash flows.

An investment by an account in a portfolio company may be based on categories of inferred, indicated and measured resources, which are recognized in order of increasing geological confidence. However, resources are not equivalent to reserves and do not have demonstrated economic viability. There can be no assurance that a portfolio company's resources in a lower category may be converted to a higher category or that resources may be converted to reserves. Inferred resources cannot be converted into reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred resources, there is no assurance that a portfolio company's inferred resources will be upgraded to indicated or measured resources with sufficient geological continuity to constitute proven and probable reserves as a result of continued exploration.

***Portfolio Company Development, Construction and Operational Risks.*** In connection with any new development project, expansion of a site or acquisition of a site in late-stage development, a portfolio company may also face construction risks including, but not limited to: (i) labor disputes, shortages of skilled labor or work stoppages; (ii) shortages of fuels or materials; (iii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iv) delays caused by or in obtaining the necessary regulatory approvals or permits; (v) less than optimal coordination with public utilities in the relocation of their facilities; (vi) adverse weather conditions and unexpected construction conditions; (vii) accidents, breakdowns or failures of equipment or processes; (viii) difficulties in obtaining suitable or sufficient financing; and (ix) catastrophic events such as flooding, explosions, fires and terrorist activities and other similar events beyond a client's control, such as any event of force majeure. Events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, construction or operation of portfolio company assets or businesses. Such delays or disruptions in the completion of any project may result in lost opportunities, lost revenues or increased expenses, including higher operation, maintenance and restoration costs related to a portfolio company. Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may

experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

***New or Emerging Geographies.*** Our clients' portfolio companies may hold, or seek to hold, undeveloped properties and/or properties in new or emerging geographies. Undeveloped properties may not ultimately be developed or become commercially productive, which could have a material adverse effect on its resource reserves and future production. As a result, results in these areas are uncertain, and the value of undeveloped properties will decline if results are unsuccessful.

In addition, results in new emerging geographies are more uncertain than results in areas that are developed. Often, new or emerging properties are located in remote locations with difficult and mountainous terrain that requires specialized equipment and costly engineering solutions, additional security and increased health care personnel. These areas may be prone to natural disasters that insurance may not sufficiently cover. Further, new or emerging properties have limited or no production history, portfolio companies may be unable to use past results in those areas to help predict future results. As a result, costs in these areas may be higher than initially expected, and the value of undeveloped properties will decline if results are unsuccessful.

***Operating Pursuant to Complex Government Licenses, Leases, Concessions or Contracts.*** A portfolio company may be subject to substantial regulation by government agencies. In addition, a portfolio company's operations may rely on government licenses, concessions, leases or contracts that are generally very complex and may result in a dispute over interpretation or enforceability. If a portfolio company fails to comply with these regulations or contractual obligations, it could be subject to monetary penalties or may lose its right to operate, or both. Where a client's ability to operate a portfolio company is subject to a permit, license, concession or lease from the government, such requirements may restrict the portfolio company's ability to operate the business in a way that maximizes cash flows and profitability. The permit, license, lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial contract. For instance, the government may be able to terminate or amend a permit, license, lease or concession in certain circumstances unilaterally, or without requiring payment of adequate compensation. In addition, government counterparties also may have the discretion to change or increase regulation of a portfolio company's operations, or implement laws or regulations affecting the portfolio company's operations, separate from any contractual rights they may have. Governments have considerable discretion in implementing regulations that could impact a portfolio company's business and governments may be influenced by political considerations and may make decisions that adversely affect a portfolio company's business. It may be subject to unfavorable price determinations that may be final with no right of appeal or which, despite a right of appeal, could result in its profits being negatively affected.

Additional regulatory approvals, including, without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future, including due to a change in laws and regulations, a change in the portfolio companies' customer(s) or for other reasons. There can be no assurance that a portfolio company will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future, (ii) obtain any necessary modifications to existing regulatory approvals or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable



requirements could impair or prevent operation of a facility or sales to third parties or could result in additional costs to a portfolio company.

**Land Title Risks.** Certain portfolio companies may require large areas of land to install and operate their equipment and associated infrastructure. The rights to use the necessary land may be obtained through freehold title, easements, leases and other rights of use. Different jurisdictions adopt different systems of land title, and in some jurisdictions it may not be possible to ascertain definitively who has the legal right to enter into land tenure arrangements with respect to investments. In addition, the grantor's fee interests in the land which is the subject of such easements and leases are or may become subject to mortgages securing loans, other liens (such as tax liens) and other lease rights of third parties (such as leases of oil, gas, coal or other mineral rights). As a result, a portfolio company's rights under such leases or easements are or may be subject and subordinate to the rights of third parties. It is also possible that a default by the grantor under any mortgage could result in a foreclosure on the grantor's interest in the property and thereby terminate the investment's right to the leases and easements required to operate such investment. Similarly, it is possible that a government authority, as the holder of a tax lien, could foreclose upon a parcel and take possession of the portion of the investment located on such parcel. The rights of a third party pursuant to a superior lease (such as leases of oil, gas, coal or other mineral rights) could also result in damage to or disturbance of the physical assets of an investment or require relocation of portfolio company assets. If any portfolio company were to suffer the loss of all or a portion of their underlying real estate interests or equipment as a result of a foreclosure by a mortgagee or other lienholder of a land parcel, or damage arising from the conduct of superior leaseholders, such portfolio company's operations and revenues may be adversely affected. In addition, any declaration of native title or other indigenous rights in respect of land on which portfolio companies are located may adversely affect the owner or occupier of that land. It may not be possible to mitigate or remove a risk associated with indigenous claims.

**Volatility of Commodities Prices.** The performance of certain investments of our clients may be dependent upon prevailing prices of certain commodities. Historically, the markets for certain commodities, especially oil and natural gas, have been volatile, and such markets are likely to continue to be volatile in the future. Prices for certain commodities are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for such commodities, market uncertainty and a variety of additional factors that are beyond the control of Denham or its clients. These factors include the level of consumer product demand, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative commodities, political conditions, the price of foreign imports and overall economic conditions, and with respect to oil and gas specifically, refining capacity, actions of the Organization of Petroleum Exporting Countries and the foreign supply of oil and natural gas. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention is often intended to influence price directly and may cause rapid movement in these markets.

More specifically, oversupply in the oil market has caused a recent drop in oil prices, which may make investments in certain geographies uneconomic. Geopolitical conflict amongst governments of oil-producing countries, particularly Russia and Saudi Arabia, has caused price declines and there is no certainty that such conflicts will be resolved and that prices will recover. It is possible that prices will fall further. There can be no assurance that oil prices will return to historic levels, and a prolonged reduction in oil prices may have a material adverse effect on a client's investment program, particularly on a client's ability to make and exit investments on desirable terms.

Many mineral and metals commodities have also suffered recent significant price declines, exacerbated by the market disruptions arising from the global impact of COVID-19. As such commodities are highly cyclical, any economic downturn may have significant negative effects for the businesses that produce such commodities.

***Effects of Sector Regulation.*** The energy and commodities sector is subject to extensive regulation under a wide range of statutes, rules, orders and regulations. These regulations may have a significant adverse impact on the financial condition, prospects and profitability of the Denham accounts' investments. There can be no assurance that (i) existing regulations applicable to such portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to such companies; (iii) the technology and equipment selected by such companies to comply with current and future regulatory requirements will meet such requirements; (iv) such companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

***Effects of Ongoing Changes in the Utility Industry.*** Our clients may make certain investments in electric utility industries both in the United States and abroad. In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. In response, for example, the Federal Energy Regulatory Commission (the "FERC") has implemented regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity; similar actions are being taken or contemplated by regulators in other countries. A number of countries, and some States in the United States, are considering or have implemented methods to introduce and promote retail competition. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects into which the client may invest may come under increasing pressure. Changes in regulation are fueling not only the current trend toward consolidation among domestic utilities, but also the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry. In addition, independent power producers may find it increasingly difficult to negotiate long-term power sales agreements with solvent utilities, which may affect the profitability and financial stability of independent power projects.

There can be no assurance that (i) existing regulations applicable to electric utility portfolio companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to electric utility companies; (iii) the technology and equipment selected by such companies to comply with current and future regulatory requirements will meet such requirements; (iv) such companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Pursuant to certain federal statutes, the FERC has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in

interstate commerce, including the rates, charges and other terms and conditions for such services, respectively. Failure to comply with applicable FERC regulations could result in the prevention of operation of a FERC-jurisdictional facility or prevention of the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other unnamed remedies, all of which could result in additional costs to a portfolio company and adversely affect our client's investment results.

#### DEBT RISK FACTORS

**Long-Term Nature of Investments.** The stated maturity for our SMA clients' investments will typically range from 7 to 31 years, and although a SMA client may realize investments early or issuers may redeem loans early, there may be a number of years when the only SMA client proceeds are dividend and interest income from its investments. Such income may not be significant and operating expenses may exceed income during that period. A SMA client may make investments which may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that such SMA client will be dissolved, either by expiration of such SMA client's term or otherwise. Although Denham expects that investments will be disposed of prior to winding up and termination and Denham has a limited ability to extend the term of the applicable SMA client, such SMA client may have to sell, distribute or otherwise dispose of investments or resolve contingent liabilities at a disadvantageous time as a result of the winding up and termination. There can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds will occur.

**Risks of Realization and Lack of Liquidity of Investments.** A SMA client generally invests in interests in debt securities issued by private companies, which are not publicly-traded. These debt instruments are generally heavily negotiated and subject to offering restrictions and, accordingly, do not have the liquidity of conventional public bond and equity securities. Consequently, a SMA client must rely on other means to achieve liquidity and may be precluded from selling interests in the debt securities at an optimal time. Given the nature of the investments contemplated by a SMA client, there is a significant risk that a SMA client will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies whose borrowings underlie a SMA client's investments, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

**No Secondary Market for Securities.** The debt securities in which a SMA client may invest are generally heavily negotiated and, accordingly, do not have the liquidity of conventional public bond and equity securities. Due to their illiquid nature, a SMA client may not be able to dispose of its interest in a debt security in a timely manner and/or at a fair price. There is no assurance that a SMA client will be able to dispose of an investment in a particular debt security prior to its redemption at maturity. The inability to dispose of a loan position could result in losses to a SMA client, including the loss of its entire investment. The debt of highly leveraged companies or companies in default also may be less liquid than other debt. If a SMA client voluntarily or involuntarily sold its interests in those types of debt securities, it might not receive the full value it expected.

**Credit Risks.** Debt investments are subject to credit risk. Credit risk relates to the ability of the borrower to make interest and principal payments on the loan or security as they become due. If the borrower fails to pay interest, a SMA client's income might be reduced. If the borrower fails to repay principal, the value

of that security and the value of a SMA client might be reduced. A SMA client's interests in debt instruments are subject to risks of default.

**Interest Rate Risk.** In general, the value of a debt security changes as prevailing interest rates change. For fixed-rate debt securities, when prevailing interest rates fall, the values of outstanding debt securities generally rise. When interest rates rise, the values of outstanding debt securities earning lower rates generally fall, and they may sell at a discount from their face amount. The debt instruments in which a SMA client invests generally will have adjustable interest rates. For that reason, Denham expects that when interest rates change, the amount of interest received by a SMA client in respect of such debt investments will change in a corresponding manner. In contrast, the interest income earned by a SMA client on the cash balances in the collateral account, which is expected to be a small component of a SMA client's total anticipated earnings, is pegged to U.S. Department of Treasury ("Treasury") rates and thus will fall when Treasury rates decline or rise when Treasury rates increase.

**Non-Investment Grade Securities.** SMA clients generally are authorized to acquire interests in securities that are rated in the non-investment grade categories by the various credit rating agencies or are not rated. Such securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions, and the yields and prices of such securities may be more volatile than those for higher-rated securities. The market for non-investment grade and non-rated securities is often less liquid than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities. The limited liquidity of the market may also adversely affect the ability of the relevant calculating party to arrive at a fair value for certain non-investment grade and non-rated securities at certain times and could make it difficult for a SMA client to sell or dispose of certain securities.

**Creditor Rights.** In some cases, Denham may seek appropriate creditor rights to help protect a SMA client's interests, and such rights may include, under certain circumstances, the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Such creditor rights may expose a SMA client's representatives, and ultimately the SMA client, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a SMA client's investment activities.

#### GENERAL RISK FACTORS

**No Assurance of Investment Return.** No assurance can be given as to the ability to choose, make and realize investments in any particular company or portfolio of companies. There can be no assurance that our clients will be able to generate returns for their respective investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described in each client's offering documents. Investments made by our clients are subject to a wide range of risks, including the impact of terrorist acts or threats thereof, economic trends and other externalities beyond the control of our clients or Denham that could cause such investments to lose value. There can be no assurance that any investor of our clients will receive any distribution from the client. Accordingly, an investment in the client should only be considered by persons that can afford a loss of their entire investment. There can be no assurance that projected or targeted returns for our clients will be achieved.

**Global Economic Conditions; Market Dislocation.** General economic conditions may affect the client's activities. Interest rates, general levels of economic activity, fluctuations in the market prices of securities and participation by other investors in the financial markets may affect the value of investments made by the client. Instability in the securities markets may increase the risks inherent in portfolio investments made by the client. Events of the past decade in the sub-prime mortgage market and other areas of the fixed income markets have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets, as well as in the wider global financial markets. To the extent the client's portfolio companies participate in such markets, the results of their operations may suffer. In addition, to the extent that such marketplace events continue or worsen, this may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect the financial resources of the client's portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the client could lose both invested capital in and anticipated profits from such portfolio companies.

In addition, current economic conditions may materially and adversely affect (i) the ability or willingness of certain counterparties to do business with a client or its affiliates; (ii) a client's exposure to the credit risk of others in its dealings with various counterparties (for example, in connection with joint ventures or the maintenance with financial institutions of reserves in cash or cash equivalents); (iii) demand for the products and services offered by a client's portfolio companies; (iv) growth opportunities for a client's investments; (v) a client's ability to exit its investments at desired times, on favorable terms or at all; (vi) availability of reliable insurance on favorable terms or at all; and (vii) the ability of a client's investors to meet their obligations to a client in a timely manner or at all.

**Highly Competitive Market for Investment Opportunities.** The activity of identifying, completing and realizing attractive private equity investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. Our clients will be competing for investments with other private equity investors, as well as companies, public equity markets, individuals, financial institutions and other investors. Over the past several years, an ever-increasing number of private equity funds have been formed, resulting in an unprecedented amount of capital available for private equity investment. Additional funds with similar objectives may be formed in the future by other unrelated parties. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of investment opportunities available to our clients and adversely affecting the terms upon which investments can be made. There can be no assurance that our client will be able to locate, consummate and exit investments that satisfy a client's rate of return objectives or realize upon their values, or that our clients will be able to invest fully their committed capital.

**Limited Number of Investments.** Our clients will participate in a limited number of investments, and as a result, the aggregate return of our clients may be substantially adversely affected by the unfavorable performance of even a single investment. In particular, our clients will only participate in investments in their respective sector, and as such a client's investments may not be diversified across the energy and commodities investment space. Further, investors have no assurance as to the degree of diversification of our clients' investments, either by number, geographic region, or asset type within the sector. Finally, to the extent that the total commitments to a client are less than the targeted amount, our clients may invest in fewer issuers and therefore be less diversified.

**Co-investment Opportunities.** There can be no assurance that co-investment opportunities will arise with respect to any given portfolio investment of a client. Any such opportunities will be allocated by the general partner of the respective client solely in accordance with the governing agreement. As a result, there can be no assurance that any investor will be entitled to participate in co-investment. The performance of co-investments is not aggregated with that of a client, including for purposes of determining any carried interest that may arise under the governing agreement. Past performance is not necessarily indicative of future results and the actual number of co-investment opportunities made available to investors, if any, may be significantly higher or lower than those made available in connection with other Denham funds. Denham may or may not charge management fees, one-time funding fees and/or carried interest in respect of co-investments, as it determines in its sole discretion.

Co-Investors may purchase their interest in an investment at the same time as a Denham fund or may purchase their interest from a Denham fund after the relevant fund has consummated an investment structured in such case as a post-closing sell down or transfer. In addition, if a Denham-controlled vehicle is formed to effect any co-investment, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by a Denham fund, although, from time to time, the fund alongside which a co-investment vehicle is investing may bear such costs directly or indirectly. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all broken deal expenses relating to such unconsummated transaction are likely to be borne entirely by the relevant fund, and not by any prospective co-investors, that were to have participated in such transaction. In many cases no co-investment vehicle will have been formed at such time. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle may bear its share of such broken deal expenses.

**Documentation and Other Legal Risk.** Energy and energy generation and related projects are typically governed by other complex legal agreements. As a result, there can be a higher risk of dispute over interpretation or enforceability of the agreements. It is not uncommon for energy generation and related infrastructure assets to be exposed to a variety of other legal risks including, but not limited to, legal action from special interest groups. Interest groups may use legal processes to seek to impede the progress of particular projects to which they are opposed.

**Reliance on Portfolio Company Management.** Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the general partner of each of our clients and Denham will be responsible for monitoring the performance of each investment and generally intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with our client's plans and/or objectives.

**Use of Senior Advisors and Operating Partners.** As described in detail in a client's offering document, Denham's operating partners and senior advisors may join a portfolio company's board of directors, assist in executing operational improvements, corporate development and M&A activities, and, when necessary, act as interim management. Such operating partners or senior advisors may, in accordance with a client's governing agreement, be compensated by the client or by a portfolio company as an expense of the client for which the investors would be required to make capital contributions. As a result, other shareholders of a portfolio company may benefit from the activities of Denham's operating partners and senior advisers without sharing payment obligations. It should also be noted that, in accordance with the governing agreement, any amounts paid to independent contractors of Denham (including, without

limitation, operating partners, advisors and consultants of the Denham) typically will not comprise “other fees” and, in turn, will not reduce the management fee payable by a client.

***Special Services Vehicle.*** Our clients (in particular, our single-sector clients focused on Mining and Sustainable Infrastructure investments) may capitalize, form, operate and manage one or more entities (a “ServiceCo”) designed to facilitate the client’s investment activities, including, without limitation, the ownership and operation of any intermediate entities formed in connection with the client’s investments. The fees, costs and expenses incurred in connection with capitalizing, developing, structuring, operating and winding up any ServiceCo will comprise a fund expense borne by the applicable client (including, without limitation, any travel and accommodation expenses related to any such ServiceCo, the salary and benefits of any personnel reasonably necessary for the maintenance of any such ServiceCo, or other overhead expenses in connection therewith). To the extent a ServiceCo of one client shares resources with any other client’s ServiceCo, (i) Denham intends to allocate related shared expenses on a fair and reasonable basis (determined quarterly) among the applicable clients, and (ii) Denham may effect payments or reimbursements between the clients and any ServiceCos to give effect to the foregoing.

***Non-U.S. Investments.*** Our clients may invest a substantial portion of capital in portfolio companies located or operating principally outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the client’s non-U.S. investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iv) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, nationalization of business enterprises, the risks of political, economic or social instability, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation; (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities; (vi) less-developed laws regarding corporate governance, fiduciary duties and the protection of investors, and other differences in applicable legal systems, including the possibility that our clients may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions; (vii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (viii) political hostility to investments by foreign or private equity investors; and (ix) less publicly available information.

***Non-Controlling Investments; Investments with Third Parties.*** Our clients may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies, although as a condition of investment in a portfolio company, it is expected that appropriate shareholder rights generally will be sought to protect the client’s interests.

Our clients may co-invest with third parties in consortia, through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial, legal or regulatory difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the client or may be in a position to take (or block) action in a manner contrary to the client’s investment objectives. In addition, the client may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group,

such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

***Investment in Restructurings.*** Our clients may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such portfolio companies to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject a client to certain additional potential liabilities that may exceed the value of a client's original investment therein. For example, under certain circumstances, a lender that has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a client and distributions by a client to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or recharacterize investments made in the form of debt as equity contributions.

***Early-Stage Investments.*** Our clients may invest in portfolio companies that are at a conceptual or early stage of development or that may have little or no operating history; may offer services or products that are not yet developed or ready to be marketed or that have no established market; may be operating at a loss or have significant fluctuations in operating results; may be engaged in a rapidly changing business; and may need substantial additional capital to set up infrastructure, hire management and personnel, develop product prototypes, support expansion or achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

A client may invest a significant portion of its assets in the securities of smaller, less-established companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by a client, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources, and, therefore, often are more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on a client's other assets. Our clients have not established any minimum size for the companies in which it will invest.

***Expedited Transactions.*** Investment analyses and decisions by Denham may be undertaken on an expedited basis in order for a client to take advantage of investment opportunities. In such cases, the information available to the client at the time of an investment decision may be limited, and the client may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

***Exclusivity Arrangements.*** In connection with certain investments or potential investments, Denham may be required to enter into exclusivity arrangements with other transaction participants or a prospective



portfolio company. These arrangements may restrict the client from participating in an investment with other parties or restrict the client from pursuing investments that are deemed competitive with a portfolio company or potential portfolio company. These restrictions may require the client to forgo desirable investments it would otherwise have made, or require the client to seek the consent of third parties to pursue such investments. Denham will seek to minimize the impact of any such exclusivity arrangements on the client's investment program, when and where practicable.

**Bridge Financings.** From time to time, a client may provide financing (whether as debt or equity) to portfolio companies on an unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge financings would typically be convertible into a more permanent, long-term security; however, for reasons not always in a client's control, such long-term securities issuance or other refinancing may not occur and such bridge financings may remain outstanding. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the unsecured position taken by a client.

**Leverage.** Our client's investments are expected to include portfolio companies whose capital structures may have significant leverage. Our clients may also employ leverage at the portfolio level where multiple portfolio companies' assets collateralize loans that are made for the benefit of one or more portfolio companies. Although the general partner of each of our clients will seek to use leverage in a manner it believes is prudent, the leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the portfolio company or its industry. A decrease in the availability of financing (or an increase in interest rates or other costs) for leveraged transactions would impair our client's ability to consummate such transactions. In addition, if a portfolio company cannot generate adequate cash flow to meet its debt obligations, our client may suffer a partial or total loss of capital invested in such portfolio company. Our clients could also be forced to liquidate assets earlier than planned in order to repay borrowings.

**Fund Borrowing.** As described in more detail in the governing agreements of our clients, a client may borrow funds or enter into other financing or credit arrangements, including a fund-level credit facility. Subject to the terms and conditions of any fund-level credit facility, the general partner of a client will have the ability from time to time to designate a holding company or portfolio company of a client as a borrower under such credit facility. The commitments (or client assets) may be pledged as collateral to support these arrangements, and a client may charge its portfolio companies fees (which may be received in cash or in kind) for providing any applicable credit support. The agreements for any of the foregoing may impose additional restrictions on a client and the general partner of such client. For example, the general partner may not be permitted to consent to certain transfers of Interests, or a client may be prohibited or restricted from making certain distributions to the investors. Borrowings under the fund-level credit facility will be used to finance a client's investment activities permitted under its governing agreement and to provide working capital and for other purposes permitted by the governing agreement.

**Illiquid and Long-Term Investments.** Our client's investments require long-term commitment with no certainty of return. Although investments by our clients may generate some current income, the full return of capital and the realization of gains, if any, from an investment is generally not expected to 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 our client at the time of their

acquisition. Our clients will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases our clients may be prohibited by contract or regulatory reasons from selling certain securities for a period of time. There can be no assurances that private purchasers of our client's investments will be found.

***Investments Longer than Term.*** Our clients may make investments that may not be advantageously disposed of prior to the date a client will be dissolved, either by expiration of a client's term or otherwise. Although the general partners of our clients expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the general partners have a limited ability to extend the term of our clients, a client may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. There can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur.

***Uncertainty of Financial Projections.*** Denham will generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are not predictable, can have a material adverse impact on the reliability of such projections.

***Accuracy of Third-Party Information.*** Denham may select investments for our clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Denham by third parties. Although Denham will evaluate all such information and data and will ordinarily seek independent corroboration when Denham considers it is appropriate and when such corroboration is reasonably available, Denham may 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 may not be available.

***Fraud.*** There can be no assurance that the Denham accounts will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the investments on an ongoing basis. In the event of fraud by any portfolio company or any of its affiliates, our client may suffer a partial or total loss of capital invested in that portfolio company. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company. Such inaccuracy or incompleteness may adversely affect the value of our client's securities and/or other investments in such portfolio company. In certain investments, the client will rely upon the accuracy and completeness of representations made by portfolio company and/or their former owners, if applicable, in the due diligence process to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Denham account may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

***Financial Market Fluctuations.*** General fluctuations in the market prices of securities may affect the value of our client's investments. Instability in the securities markets may also increase the risks inherent in such investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise, or to raise capital in the leveraged finance debt markets, which are subject to cyclical variation.

**Public Company Holdings.** Our client's investment portfolio may contain securities issued by publicly held companies or their affiliates. Such investments may subject the client to risks that differ in type and degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the client to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members or significant shareholders, and increased costs associated with each of the foregoing risks.

**Additional Capital.** Certain of our client's portfolio companies, especially those in a development or "platform" phase, can be expected to require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each round of financing (whether from the client or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors, including our client. In addition, our client may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve its proportionate ownership when a subsequent financing is planned or to protect the initial investment. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available.

**U.S. and International Trade Relations.** Trade tensions with the United States and certain other countries remain at a heightened state. If the U.S. government takes action to materially modify international trade agreements, treaties, policies, tariffs, quotas or any other trade restrictions, it has the potential to adversely impact the Denham accounts and their investments directly by disrupting trade and commercial transactions and/or indirectly by adversely affecting the U.S. economy or certain sectors thereof. Key aspects of a portfolio company's business could be negatively impacted by a withdrawal from or significant change to certain international trade agreements. As such, if the U.S. withdraws from or negotiates material modifications to significant trade agreements and/or treaties, or makes significant changes to its trade policies, such actions could materially adversely affect a portfolio company's business and consequently its financial condition and the results of its operations. Further, Denham cannot predict the U.S. government's future actions regarding other international trade agreements, treaties, policies, tariffs, quotas or any other trade restrictions. Given the ongoing and developing nature of these issues, Denham cannot provide any assurance as to the ultimate impact to the Denham accounts and its investments.

**Brexit.** The United Kingdom (the "UK") withdrew from the European Union (the "EU") on January 31, 2020 ("Brexit"). In connection with Brexit the UK and the EU agreed the Trade and Cooperation Agreement ("TCA") that governs the future trading relationship between the UK and the EU in specified areas. The initial timeframe set to agree a financial services cooperation framework may be subject to extension and a cooperation agreement on financial services is not guaranteed. The uncertainty surrounding the implementation of the TCA and the outcome of ongoing negotiations may have economic, tax, fiscal, legal, regulatory and other implications for the asset management industry, the broader European and global financial markets generally and for private funds, such as a Denham fund and its investments. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the UK or the EU, including companies or assets held or considered for prospective investment by a Denham Fund.

The future application of EU-based legislation and/or taxation to the private fund industry in the UK will depend, among other things, on how the UK negotiates its relationship with the EU as regards financial services. There can be no assurance that any negotiated laws, taxation and/or regulations will not have an adverse impact on a Denham fund and its investments, including, to the extent applicable the ability of a Denham fund to achieve its investment objectives. The ongoing effects of Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management (due in part to redenomination of financial assets and liabilities,) an adverse effect on the ability of Denham to manage, operate and invest a Denham fund and increased legal, regulatory or compliance burden for Denham or a Denham fund, each of which may have a negative impact on the operations, financial condition, returns or prospects of a Denham fund.

Whilst the most immediate impacts of Brexit on corporate transactions will likely be related to changes in market conditions, the development of new regulatory regimes and parallel competition law enforcement may have an adverse impact on transactions, particularly those occurring in, or impacted by conditions in, the UK and the EU.

***Use of Derivatives and Other Specialized Techniques.*** Companies in the energy and commodities industries engage in derivatives transactions to insulate against changes in commodities prices, and our clients or their portfolio companies may engage in other derivative or similar transactions. These transactions may involve the purchase and sale of commodities or commodity futures, the use of forward contracts, swap agreements, put and call options, floors, collars or other arrangements. Such instruments may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in the price of commodities or other underlying assets. Derivative instruments may trade principally on markets organized outside the United States. Markets for such instruments may be illiquid, highly volatile and subject to interruption. Suitable hedging instruments may not continue to be available at reasonable cost. The investment techniques related to derivative instruments are highly specialized and may be considered speculative. Such techniques often involve forecasts and complex judgments regarding relative price movements and other economic developments. The success or failure of these investment techniques may turn on small changes in exogenous factors not within the control of portfolio companies, Denham or our clients. Exchange-traded futures and options on futures are subject to extensive statutes, regulations and margin requirements, which may include without limitation position limits or accountability standards and daily priced limits. For all the foregoing reasons, the use of derivatives and related techniques can expose our clients and its portfolio companies to significant risk of loss.

***Hedging Policies and Commodities Price Risks.*** In connection with certain investments, a client or its portfolio companies are expected to employ hedging or other structuring techniques designed to reduce the risks of adverse movements in commodities prices, interest rates, securities prices and currency exchange. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while our clients may benefit from the use of these hedging mechanisms, unanticipated changes in commodity prices, interest rates, securities prices or currency exchange rates may result in a poorer overall performance for our clients than if they had not entered into such hedging transactions.

***Currency and Exchange Rates.*** A significant portion of our clients' investments, and the income received by our clients with respect to such investments, may be denominated primarily in foreign currencies. However, the books of our clients are maintained, and contributions to and distributions from are clients generally are made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments and the amounts of distributions, if any, to be made by our clients. In

addition, our clients will incur costs in converting investment proceeds from one currency to another. The general partner of each of our clients may enter into hedging transactions designed to reduce such currency risks. With respect to investors of Denham accounts from any country in which U.S. dollars are not the local currency, changes in the exchange rate between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. Each prospective investor of our clients should consult with its own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in one of our clients.

***Due Diligence Risks.*** Before making investments, the general partners of our clients and Denham intend to conduct due diligence that they deem appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, and legal and regulatory issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the general partner's reduced control of the functions that are outsourced. In addition, if Denham is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, Denham will rely on the resources available to it, including information provided by the issuer and, in some circumstances, third-party investigations.

The due diligence investigation that Denham carries out with respect to any investment opportunity may be limited and may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. Additionally, among the other risks inherent in investments, particularly so in companies experiencing financial distress, is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect.

***Environmental Matters.*** Environmental laws, regulations and regulatory initiatives play a significant role in the energy and commodities industries and can have a substantial impact on investments in such industries. For example, many jurisdictions have complex regulations that can change abruptly, making it difficult to estimate closure and reclamation costs. Required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. Certain rules and regulations require that investments address prior environmental concerns, including soil and groundwater contamination caused by the spillage of fuel, hazardous materials or other pollutants. The energy and commodities industries will continue to face considerable oversight from environmental regulatory authorities, and Denham will seek to evaluate carefully the expected impact of environmental compliance on all potential investments. Our clients may invest in portfolio companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on portfolio companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen environmental expenditures.

Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims.

Portfolio companies risk exposure to the liabilities and obligations associated with and arising from environmental hazards, such as oil spills, gas leaks, ruptures and discharges of petroleum products and hazardous substances, mining accidents and historic disposal activities and other contamination from historic operations. These environmental hazards could expose portfolio companies to material liabilities (including litigation) for property damage, personal injury or other environment-related losses, including the cost of investigating and remediating contaminated property. Any of these events may have a material adverse effect on the financial condition and business operations of the portfolio companies.

Our clients also may be liable for environmental damage caused by previous owners or operators of any property it or any of its issuers may purchase. Additionally, environmental claims with respect to a specific investment may exceed the value of such investment, and under certain circumstances, subject the other assets of the portfolio company to such liabilities. Even in cases where a Denham account or a portfolio company is indemnified by a third party with respect to an investment against liabilities arising out of violations of environmental laws and regulations or other environmental conditions, there can be no assurance as to the financial ability of such third parties to satisfy such indemnities or the ability of the client to achieve enforcement of such indemnities.

Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership (such as our clients) subject to environmental liability. However, a limited partner investor in one of our clients may reduce its risk of such personal liability by avoiding activities with respect to the client's portfolio investments other than as specifically contemplated by the governing agreement.

***Climate Change Laws.*** In response to findings that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present an endangerment to public health and the environment, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, establish Prevention of Significant Deterioration ("PSD") construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet "best available control technology" standards that will be established by the states or, in some cases, by the EPA on a case-by-case basis. These EPA rulemakings could adversely affect a portfolio company's operations and restrict or delay its ability to obtain air permits for new or modified sources. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified onshore and offshore oil and gas production sources in the United States on an annual basis.

While U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level. However, the EPA announced that it will propose regulations to directly regulate and require reductions to methane emissions from the oil and gas industry. In the absence of federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If U.S. Congress undertakes comprehensive tax reform, it is possible that such

reform may include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would impact each Denham account's investment program, any such future laws and regulations imposing reporting obligations on, or limiting emissions of GHGs from, a portfolio company's equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations. Substantial limitations on GHG emissions could also adversely affect demand for the oil and natural gas. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on a portfolio company's exploration and production operations.

***Catastrophic and Force Majeure Events; Availability of Insurance.*** While portfolio companies may maintain insurance to protect against certain operational risks, such as business interruption insurance, such insurance is not subject to customary deductibles and coverage limits and may not be sufficient to recoup all of a portfolio company's losses. In addition, our clients investments may be subject to catastrophic events and other force majeure events, in the construction, technical and operational phases, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, war, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of an investment, significant down time resulting in lost revenues, and injury or loss of life, as well as litigation related thereto, among other potentially detrimental effects. Losses from such catastrophic events may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. To the extent losses related to such events are insurable at all, they may have high deductibles and other important limitations on coverage. As a result, not all investments may be insured against such events, or such insurance may be obtained notwithstanding the high cost.

***Natural Disasters, Terrorist Acts and Similar Dislocations.*** Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, pandemic, or upon an incident of war, riot or civil unrest, the impacted country may not efficiently and quickly recover from such event, which can have a material adverse effect on portfolio companies and other developing economic enterprises in such country. Terrorist attacks and related events can result in increased short-term economic volatility. U.S. military and related actions in Afghanistan and Iraq, other events in the Middle East, and terrorist actions worldwide could have significant adverse effects on U.S. and world economies and securities markets. The effects of future terrorist acts (or threats thereof), military action or similar events on the economies and securities markets of countries cannot be predicted. Such disruptions of the world financial markets could affect interest rates, ratings, credit risk, inflation and other factors relating to our client's investments. These disruptions may also expose our client to significant construction risks, including the risk of substantial delay or increase in cost due to the factors noted in this paragraph. A material delay or increase in unabsorbed costs could significantly impair the financial availability of an investment project and result in a material adverse effect on the client's investments.

***Cybersecurity Risks.*** The information and technology systems of Denham and of key service providers for the foregoing and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Denham has implemented various measures designed to manage risks relating to these types of events, if these systems are

compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Denham to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of Denham or its accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Denham or the Denham clients' reputation, subject them and their respective affiliates to legal claims and/or regulatory investigation and otherwise affect their business and financial performance. Although Denham takes various measures and has made, and will continue to make, significant investments to ensure the integrity of information systems and to safeguard against such failures or security breaches, there can be no assurance that these measures and investments will provide adequate protection. Despite security measures, information technology networks may be vulnerable to attacks by third parties or breached due to employee error, malfeasance or other disruptions.

***Systems and Operational Risk.*** Denham relies on certain financial, accounting, data processing and other operational systems and services that are employed by Denham and by third party service providers, including prime brokers, third-party administrators, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, Denham and its clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by Denham and third-party service providers to safeguard information in these systems, Denham, clients and their third-party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

***Diseases and Epidemics.*** The impact of disease and epidemics may have a negative impact on a Denham account, its investments and their performance and financial position. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses and could also result in a general economic decline. For example, such events may adversely impact economic activity through disruption in supply and delivery chains. Moreover, Denham's operations and those of a Denham account and its investments could be negatively affected if personnel are quarantined as the result of, or in order to avoid, exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses may have a material adverse effect on business and results of operations. A resulting negative impact on economic fundamentals and consumer confidence may negatively impact market value, increase market volatility, cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on Denham's business and a Denham account and its investments. The duration of the business disruption and related financial impact caused by a widespread health crisis cannot be reasonably estimated.

In December 2019, a novel strain of coronavirus surfaced ("COVID-19") and has spread around the world, with resulting business and social disruption of a significant nature. The speed and extent of the spread of COVID-19 and the duration and intensity of resulting business disruption and related financial and social impact have been material and are expected to remain material for the foreseeable future. Governmental



agencies and private sector participants have sought to mitigate the adverse effects of COVID-19, which have included such measures as heightened sanitary practices, telecommuting, quarantine, curtailment or cessation of travel and other restrictions, and, more recently, the medical community has developed multiple vaccines that have proven effective in studies and are currently being rolled out to various segments of the population. However, delays and other logistical issues relating to vaccination of large segments of the population continue to significantly impact the timeline of a COVID-19 recovery. Denham's operations and business results, including with respect to a Denham account and its investments, could continue to remain materially adversely affected by the COVID-19 outbreak for the foreseeable future.

**Business Continuity Plans.** In the event of unforeseen catastrophic events such as natural disasters, terrorist attacks and epidemics, Denham will initiate its business continuity plan to safeguard that its employees have the resources and technology necessary to continue their responsibilities and meet portfolio company and investor needs. The business continuity plan is tested to ensure that appropriate measures are put in place to manage any such catastrophic events. However, Denham is not able to predict the level of disruption that such catastrophic events may have on its operation or the ability of the plan to succeed in a time of crisis. Thus, its business continuity plan may be insufficient to continue operating Denham's business as usual. The failure of the business continuity plan for any reason could cause significant interruptions in the General Partner's, Denham's, the accounts' and/or a portfolio company's operations. Similar types of operational risks are also present for the portfolio companies in which the accounts invest, which could have material adverse consequences for such companies and may cause the accounts' investments to lose value. While Denham has limited ability to control these risks at the portfolio-company level, Denham will work with portfolio companies to implement their own business continuity plans.

Denham initiated its business continuity plan in response to the spread of COVID-19. Denham's offices are generally closed and Denham's employees are working remotely. Denham employees have the necessary technology to continue meeting investor and portfolio company needs, including access to laptops with remote working capabilities and audio and video conferencing technology, and Denham's servers are capable of handling its workforce working remotely. Denham has discouraged all non-essential travel, and the investment team remains in ongoing communication with each other and with portfolio companies. While the implementation of the business continuity plan has not impaired Denham's operations to date, the ongoing implementation of the business continuity plan could affect in the future the ability of Denham to operate effectively, including the ability of personnel to function, communicate and carry out the accounts' investment strategies and objectives. For example, Denham's ability to conduct due diligence on potential portfolio company investments and monitor its current investments will be limited until its operations and the operation of portfolio companies and potential portfolio companies are no longer disrupted by the COVID-19 pandemic.

**Valuation Risks.** World financial markets have experienced extraordinary market disruptions recently, including, among other things, extreme losses and volatility in securities and energy markets. In reaction to these events, regulators in the U.S. and several other countries have undertaken exceptional regulatory actions, including interest rate cuts and halting market trading. Recent volatility in the world financial markets and depressed commodity prices may negatively affect the valuation of the account and its investments and impair Denham's ability to accurately value portfolio investments. Valuation estimates may cause uncertainty in the performance of investments and the account.

Denham will value the account's assets. Denham may cause a client to engage qualified valuation experts to assist in these determinations, however, it is not required to do so. Given that the assets of a client may at any time include investments that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws or regulations, a client's investments may be extremely difficult to value accurately. Furthermore, because of overall size or concentration in the energy and commodities sector, the value at which a client's investments can be liquidated may differ, sometimes significantly, from the assigned valuation of such investments. There may be a relative scarcity of market comparables on which to base the value of a client's investments. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material.

Denham may cause a client to make a distribution in-kind of investments and Denham may be entitled to carried interest distributions in connection with such in-kind distribution based on a valuation determined by Denham. The valuation of investments will affect the amount and timing of the Denham's carried interest and, under certain circumstances, the amount of Management Fees payable to the Denham. The valuation of investments may also affect the ability of Denham to raise a successor account to a client. As a result, there may be circumstances where Denham is incentivized to determine valuations that may be higher than the actual fair value of investments.

***Recent Developments in the U.S. and Global Financial Markets.*** The current environment is one of significant uncertainty for the financial services industry. These developments have heightened the risks associated with the investment activities and operations of investment funds, including without limitation, those resulting from a substantial reduction in the availability of credit and the increased cost of short-term credit, a decrease in market liquidity, an increased risk of insolvency of prime brokers and other counterparties, and regulatory changes that may have an adverse effect on investment funds generally, and in particular, on the our clients' ability to achieve its investment objective. In addition, U.S. governmental action concerning instability in the U.S. financial markets could have a significant impact on the financial services industry or other industries generally. Global financial markets have experienced considerable declines in the valuations of equity and debt securities and an acute contraction in the availability of credit. As a result, certain government bodies and central banks worldwide, including the U.S. Treasury and the Federal Reserve, have undertaken unprecedented intervention programs, the effects of which remain uncertain. The U.S. economy has experienced declines in employment, household wealth and lending. Moreover, the global credit markets continue to experience substantial disruption and liquidity shortages and financial instability extends beyond the United States. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of our clients' investments, their access to capital or leverage or their overall performance. In light of the distress in the global financial markets, any bankruptcy, insolvency or default by a counterparty to our clients could result in a loss of a client's investments.

***Risk Management.*** Our client's methods of seeking to "de-risk," i.e., minimize investment strategy and market risks, may not accurately address future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted. In certain situations the accounts may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances or business judgments, and even if risk management strategies are utilized, such strategies cannot fully insulate the accounts from the risks inherent in its planned activities. No risk management system is fail-safe.

**Material, Non-Public Information.** By reason of their responsibilities in connection with other activities of Denham, including the management of other investment accounts that may be organized or managed by Denham, certain Denham personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Our clients will not be free to act upon any such information. Due to these restrictions, our clients may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

**Broken Deal Expenses.** Our client's investments often require extensive due diligence activities prior to acquisition, including feasibility and technical studies, preliminary engineering costs and marketing studies, environmental review and legal costs. In the event that an investment is not consummated, some or all of such third-party expenses will be borne by a particular client and its investors and may be significant.

**Allocation of Investment Opportunities.** The objective of Denham with respect to allocations of investment opportunities is to ensure that all Denham accounts are treated in a fair and equitable manner under the particular circumstances. Accordingly, Denham has established allocation policies and procedures in an effort to ensure that investment opportunities are allocated among advisory clients in a fair and equitable manner. These policies and procedures seek to provide consistent treatment, to the extent possible and consistent with legal, regulatory and contractual restrictions, of accounts that have similar investment objectives and guidelines. There can be no assurance that the application of these policies and procedures will result in fair or equivalent allocation of, or participation in, investment opportunities, or comparable performance of investments allocated to one advisory client as compared to another.

**Foreign Interests in U.S. "Critical Infrastructure" and "Critical Technology".** Since the funds may invest in portfolio companies that produce, design, test, manufacture, fabricate, or develop critical infrastructure or critical technology in the United States, the funds' acquisition of portfolio companies may be reviewed by the Committee on Foreign Investments in the United States. This may have a material adverse effect on the participation in the funds by the investors or may limit the market of potential buyers and increase deal uncertainty for any sale, which could have a negative impact on the price realized. Recently passed regulations could also have the effect of restricting the percentage of such infrastructure or technology investments that can be owned (directly or indirectly) by non-U.S. investors. If such limitations on non-U.S. ownership cannot be addressed by insulating non-U.S. investors, then Denham may be required to impose additional restrictions or take remedial measures to prevent the percentage of non-U.S. investors in certain fund assets from exceeding such restrictions.

**OFAC Considerations.** Economic sanction laws in the United States and other jurisdictions may prohibit Denham, Denham's professionals and some of Denham's accounts from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may restrict some of our client's investment activities.

**Anti-Corruption Laws and Regulations.** Conducting business on a worldwide basis require our client's portfolio companies to comply with the laws and regulations of the U.S. government and various international jurisdictions, and their failure to comply with these rules and regulations may expose both our client and such portfolio companies to liabilities. These laws and regulations may apply to companies, individual directors, officers, employees and agents, and may restrict our client's portfolio companies' operations, trade practices, investment decisions and partnering activities. In particular, our client's international portfolio companies are subject to U.S. and foreign anti-corruption laws and regulations, such as the Foreign Corrupt Practices Act ("FCPA") and the U.K. Bribery Act 2010 (the "Bribery Act"). In particular, the FCPA prohibits U.S. companies and their officers, directors, employees and agents acting on their behalf from corruptly offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately and fairly reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. As part of their business, our client's portfolio companies are expected to deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA. The Bribery Act contains similar restrictions. In addition, some of the international locations in which our client's portfolio companies operate may lack a developed legal system and have elevated levels of corruption. As a result of the above activities, our client's portfolio companies may be exposed to the risk of violating anti-corruption laws. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. A portfolio company's employees, subcontractors and agents could take actions that violate these requirements, which could adversely affect our client's portfolio companies' reputation, business, financial condition and results of operations.

**Side Letters.** The general partner, on behalf of the respective client, may from time to time enter into side letters with one or more investors, which provide such investors with additional or different rights (including with respect to access to information and liquidity terms) than such investors have pursuant to the governing agreements, in connection with their admission to a client as limited partners therein without the approval of any other investor. As a result of such side letters, certain investors may receive additional benefits that other investors will not receive. The general partner, on behalf of the respective client, may enter into such side letters with any party as the general partner may determine, in its sole and absolute discretion, at any time. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) fee or carried interest arrangements with respect to such investors; (ii) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments); (iii) reporting obligations of the general partner; (iv) waiver of certain confidentiality obligations; (v) consent of the general partner to certain transfers by such investor; (vi) special rights with respect to co-investment; (vii) withdrawal rights; (viii) limits on indemnification obligations; or (ix) rights or terms necessary in light of particular legal, public policy or regulatory characteristics of an investor. Any rights or terms so established in a side letter with an investor will not require the approval of any other investor notwithstanding any other provision of the governing agreement.

**Indemnification.** Our clients will be required to indemnify its respective general partner, Denham and any sub-advisors, their affiliates and each of their respective members, officers, directors, employees, stockholders, shareholders or partners and other persons who serve at the request of the general partner on behalf of a client for liabilities incurred in connection with the affairs of a client. Members of a client's advisory committee will also be entitled to the benefit of certain indemnification and exculpation

provisions as set forth in the governing agreement. Such liabilities may be material. For example, in their capacity as directors of portfolio companies, the partners, managers or affiliates of the general partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of our clients would be payable from the assets of our clients, including the unpaid capital commitments of investors. If the assets of our clients are insufficient, the general partners may recall distributions previously made to the investors, subject to certain limitations set forth in the governing agreements.

***No Market for Limited Partner Interests; Restrictions on Transfers.*** Interests in our clients have not been registered under the 1933 Act, the securities laws of any U.S. state thereof or the securities laws of any other jurisdiction; and, therefore, cannot be resold unless they are subsequently registered under the 1933 Act and other applicable securities laws or unless an exemption from registration is available. It is not contemplated that registration of the Interests under the 1933 Act or other securities laws will ever be effected. There is no public market for the interests, and one is not expected to develop. An investor will not be permitted to assign, sell, exchange or transfer any of its interests, rights or obligations with respect to its interests without the prior written consent of the general partner of the respective client, which consent may be given or withheld in the sole and absolute discretion of such general partner. Except in extremely limited circumstances, withdrawals from our clients will not be permitted. Investors must be prepared to bear the risks of owning Interests for an extended period of time.

***The AIFMD and the UK AIFMR.*** The Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011 on Alternative Investment Fund Managers together with Commission Delegated Regulation (EU) No 231/2013 supplementing Directive 2011/61/EU, as well as any similar or supplementary law, rule or regulation including any equivalent or similar law, rule or regulation implemented and applicable in the UK following its withdrawal from the EU, or subordinate legislation or guidance thereto (as amended from time to time, the “UK AIFMR”), as implemented in any relevant jurisdiction, in all cases as amended from time to time (the “AIFMD”) imposes requirements on AIFMs (as defined in the AIFMD) that market AIFs (as defined in the AIFMD) to professional investors who are domiciled or have a registered office within the European Economic Area (the “EEA”) or the UK, as applicable. For these purposes a fund is a non-EEA and non-UK AIF and Denham is a non-EEA and non-UK AIFM.

The AIFMD allows member states to permit the marketing of non-EEA AIFs by non-EEA AIFMs in accordance with local laws, provided that local laws meet the requirements of Article 42 of the AIFMD. There is no requirement for member states to operate or maintain a national private placement regime and, if they do, the member state is free to impose stricter rules than the minimum requirements of Article 42 of the AIFMD. Where national private placement is permitted, the AIFM must comply with Article 22 (requirements relating to an annual report), Article 23 (prescriptive pre-investment and periodic disclosure to investors), Article 24 (relating to periodic reporting to regulators) and Articles 26 to 30 if applicable (the provisions relating to the acquisition and control of non-listed companies and issuers, including the asset-stripping rules). In addition to these minimum requirements, some jurisdictions require a non-EEA AIFM to comply with substantially all of the AIFMD or certain additional compliance requirements, such as the appointment of a depositary. Given that national private placement regimes are, by definition, a matter of national law, a non-EEA AIFM must comply with different regulatory requirements in different member states, both in respect of the initial process for seeking to market in that member state and with respect to ongoing compliance. Since Denham, as a non-EEA entity, is not currently eligible for authorisation and therefore cannot have the benefit of a marketing “passport”, it is required to comply with the national private placement regimes and other applicable rules of those EEA

member states that allow private placement and in which interests in a fund are marketed and sold. Where Denham has marketed a fund in a member state in compliance with the national private placement regime and that marketing has resulted in investors in that member state investing in such fund, our ongoing compliance with the laws of that member state will continue at least until all of such investors dispose of their interests in such fund. Compliance with these requirements may therefore result in significant additional costs over the life of the funds and may reduce returns to investors. The rules, regulations and guidance related to the marketing of interests to investors domiciled or having their registered office in the EEA remain uncertain. Each of Denham and/or our affiliates and agents has endeavoured to comply with these uncertain and evolving rules as interpreted as of the date of this brochure, but there is not absolute certainty as to their successful compliance. In the event that Denham or any of our affiliates or agents is found to have breached the provisions of the AIFMD (inadvertently or otherwise), our firm and/or our affiliates (and/or a fund indirectly) may face regulatory sanctions as a result of its non-compliance. Such activities and sanctions may impact the enforceability of any subscriptions received from investors domiciled or resident in the EEA (including potential rescission rights with respect to such investors), result in significant costs and ultimately materially and adversely affect such fund, its financial condition, liquidity, reputation and operations. Certain EEA member states have announced their intention to abolish their national private placement regimes in the near future. The abolition of such regimes may further limit the territories in which a fund may seek investors. In the future, Denham (or an associate) may be compelled to seek, or it may determine that it should seek, authorisation as an AIFM in an EEA member state (should that option become available) and/or under a similar regime elsewhere. This would entail compliance with all requirements of the AIFMD (and/or with similar requirements of a similar regime). In such circumstance, the AIFM of such fund would become subject to additional requirements, such as rules relating to remuneration, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on investment in securitisation positions, requirements in relation to liquidity and risk management, asset-stripping prohibitions, valuation of assets, etc. Such requirements could adversely affect a fund, among other things by increasing the regulatory burden and costs of operating and managing a fund and its investments. They could also have indirect ramifications. Any required changes to compensation structures and practices, for example, could make it harder for the AIFM and its affiliates to recruit and retain key personnel.

Following Brexit and subject to compliance with the UK AIFMR, AIFMs may market AIFs to professional investors who are domiciled or have a registered office within the UK pursuant to the UK national private placement regime. The UK AIFMR currently imposes compliance obligations that are broadly similar to those detailed in the above paragraph in connection with a non-EEA AIFM marketing a non-EEA AIF pursuant to the national private placement regimes of certain EEA member states. If within scope of the UK AIFMR, an AIFM must comply with rule 3.3 of the Investment Funds sourcebook (requirements relating to an annual report), rule 3.2 of the Investment Funds sourcebook (prescriptive pre-investment and periodic disclosure to investors), rule 3.4 of the Investment Funds sourcebook (relating to periodic reporting to regulators) and Part 5 of the UK AIFMR if applicable (the provisions relating to the acquisition and control of non-listed companies and issuers, including the asset-stripping rules).

**Data Privacy.** The General Data Protection Regulation (“GDPR”) came into effect on May 25, 2018. The purpose of the GDPR is to provide for the protection of the individual’s right to privacy with respect to the processing of personal data. The GDPR is directly applicable in all EEA member states, creating a single legal framework that results in a more uniform application of data privacy laws across the EU.

Following Brexit, the GDPR has been imposed in UK law, as the UK General Data Protection Regulation (“UK GDPR”). The UK’s data protection regime primarily consists of the UK GDPR and the UK Data

Protection Act 2018 (the “UK DP Laws”). The relationship between the UK and the EU in relation to certain aspects of data protection law remains unclear, and it is also unclear how the UK DP Laws will develop in the medium to longer term.

To the extent that Denham or their agents offers investment opportunities to or monitors the behaviour of, natural persons located in the EEA and the UK (“Data Subjects”), Denham will be deemed to be a “controller” with respect to personal data collected from such Data Subjects and will be required to comply with the provisions of the GDPR and UK DP Laws, which are extensive and require consistent and thorough application. The GDPR and UK DP Laws implement more stringent operational requirements and onerous accountability obligations for controllers and processors of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, and higher standards for controllers to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities.

Controllers must put in place the necessary mechanisms to allow Data Subjects to exercise their data subject rights, such as the right to access and rectify their personal data, the right to impose restrictions on processing, and in certain circumstances the right to request the deletion of personal information, to request the transfer of such information to another controller and to object to the processing of their personal information. The GDPR provides that EEA member states may make their own additional laws and regulations in relation to certain data processing activities, and may impose stricter governance requirements, which could limit Denham’s ability to use and share personal data or could require localized changes to Denham’s and a Denham account’s operating models (if applicable). The provisions of the GDPR and UK DP Laws may also apply to a Denham account’s investments, to the extent that they are established in the EU and the UK, or offer goods or services to, or monitor the behaviour of, EEA and UK Data Subjects.

To the extent applicable, we are also subject to certain rules with respect to cross-border transfers of personal data out of the EEA and the UK. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA and the United Kingdom to the U.S. Most recently, on July 16, 2020, the Court of Justice of the European Union (“CJEU”) invalidated the EU-US Privacy Shield Framework (“Privacy Shield”) under which personal data could be transferred from the EEA to United States entities who had self-certified under the Privacy Shield scheme.

While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Use of the standard contractual clauses must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place, however, the nature of these additional measures is currently uncertain. The CJEU went on to state that if a competent supervisory authority believes that the standard contractual clauses cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer.

We currently rely on the standard contractual clauses to transfer personal data outside the EEA, including to the U.S. among other data transfer mechanisms pursuant to the GDPR, but excluding the EU-US Privacy

Shield. These recent developments are likely to require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/ in the U.S. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations.

Under the GDPR fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, may be imposed for non-compliance. The UK GDPR mirrors the fines under the GDPR, i.e. fines up to the greater of £17.5 million or 4% of global annual turnover. In addition to the foregoing, a breach of the GDPR or UK GDPR could result in regulatory investigations, reputational damage, orders to cease/ change our processing of our data, enforcement notices, and/or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs and diversion of internal resources. An assessment by a competent authority in the EEA and the UK that Denham has not complied with the requirements of the GDPR and UK DP Laws (if applicable) could result in serious financial and reputational damage to Denham or a Denham account. These laws (if applicable) also could cause costs of a Denham account and its investments to increase and result in further administrative burden, which is likely to reduce capital and time that can be deployed for making investments.

***Environmental, Social & Governance (“ESG”) Matters.*** ESG matters have been the subject of increased focus by certain regulators in the United States and EU, among other jurisdictions. For example, the European Commission has proposed legislative reforms, which include, without limitation: (a) Regulation 2019/2088 regarding the introduction of transparency and disclosure obligations for investors, funds and asset managers in relation to ESG factors, for which most rules are proposed to take effect beginning on March 10, 2021 and (b) a proposed regulation regarding the introduction of EU-wide taxonomy of environmentally sustainable activities, which is proposed to take effect in a staggered approach beginning on December 31, 2021. While Denham strives to implement ESG practices, there can be no assurance that Denham will be able to identify all ESG issues or will be able to successfully implement its ESG policies. The use of ESG metrics in the investment process may be subjective and are not subject to uniform standards, and, as such, there is no guarantee that Denham will be able to accurately assess and measure the ESG risks and ESG compliance of its investments and potential investments. ESG-based exclusionary criteria may result in a Denham account foregoing opportunities to make certain investments when it might otherwise be advantageous to do so, and/or selling certain investments due to their ESG characteristics when it might be disadvantageous to do so. The use of ESG criteria may affect a Denham account’s investment performance and, as such, a Denham account may perform differently compared to similar accounts that do not use such criteria.

***Special Purpose Acquisition Vehicles (“SPACs”).*** From time to time, certain principals of Denham serve as board members of or organize or sponsor SPACs for the purposes of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more businesses. Although these principals will continue to devote their time and attention to the investment activities of the funds, they will have other obligations with respect to the SPACs as board members. In addition, the principals may regularly obtain confidential information regarding various target companies and other investment opportunities which would be imputed to all of



Denham. Therefore, if a principal receives confidential information with respect to a company, the Denham funds may face certain restrictions on their ability to pursue a transaction with that company or dispose of an investment.

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

There are no legal or disciplinary matters that would be material to the evaluation of our advisory business or integrity of our management by a client, prospective client or investor in a Denham account.

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

DCM is affiliated with DSIM, which relies on DCM's investment adviser registration in accordance with SEC guidance under the Advisers Act, and the general partner of each fund and these general partners are also investment advisers registered in accordance with SEC guidance under the Advisers Act pursuant to DCM's registration. These affiliated investment advisers operate as a single advisory business together with DCM, are under common control with DCM, and are subject to DCM's code of ethics and compliance programs adopted pursuant to the requirements of the Advisers Act. Denham and the affiliated investment advisers may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Three Curve Capital LP ("Three Curve"), formerly known as SD Porter Holdings LP, is an affiliate of Denham that is majority owned and controlled by Mr. Stuart Porter. Three Curve is a personal holding company and holds certain of Mr. Porter's interests in Denham, as well as other personal investments of Mr. Porter unrelated to the Denham business. Such other personal investments satisfy all requirements of Denham's conflicts of interest policy and applicable LPA requirements, presenting no conflict to the Denham funds or Mr. Porter's responsibilities and obligations to the Denham funds. Three Curve indirectly holds approximately a 30% interest in Potamus Trading, LLC ("Potamus"), a registered broker-dealer and FINRA member firm. Three Curve holds its interest in Potamus in the form of preferred securities. Potamus seeks to provide execution services to institutions and broker-dealer clients. Potamus is considered under common control with Denham, given that Mr. Porter's indirect interest exceeds 25%.

Three Curve holds approximately a 7.54% interest in ShareNett Holdings LLC, formerly known as Ouisa LLC, the parent company of ShareNett LLC ("ShareNett"). Three Curve holds its interest in ShareNett in the form of preferred securities. ShareNett seeks to provide its clients with a global network platform for professional investors to collaborate on quality investment opportunities.

Certain Denham senior management personnel, along with certain members of their departments, provide functional support from time to time for Three Curve. This support is generally limited to the provision of certain administrative and back office services to Three Curve. Denham personnel that provide support to Three Curve are not constrained in any way from performing their Denham obligations, which take priority over Three Curve matters in all respects. Three Curve independently compensates certain Denham senior management personnel for this work.

Denham may recommend or select other investment advisors for its clients, but Denham does not currently do so at this time.

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

### *Code of Ethics*

Denham maintains a Code of Ethics which sets forth standards of conduct that are expected of Denham's principals, employees and their family members living in the same household and addresses conflicts that may arise from association with Denham. Such topics include potential conflicts of interest, personal securities trading, insider trading, outside activities, gifts and entertainment and political contributions.

In accordance with applicable federal and state securities regulations, Denham's Code of Ethics is designed to ensure that no Denham representative employs any device, scheme or artifice to defraud a client or an investor of a client, makes any untrue statements of a material fact to a client or an investor of a client, engages in any act, practice or course of business that operates as a fraud or deceit on a client or an investor of a client or engages in any manipulative practice with respect to a client or an investor of a client. Conflicts of interest and potential of conflicts of interest are required to be reported to the Chief Compliance Officer ("CCO") of Denham. Denham conducts ongoing training and has active discussions with its employees to ensure understanding of potential conflicts and the avenues to report them to the proper management individuals.

Denham prohibits insider trading by any employee or related person in possession of Denham information. Through its evaluation of potential investment opportunities for its clients, Denham may, from time to time, come into possession of material nonpublic information regarding outside companies and businesses. Under applicable law, Denham and its employees are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Denham. Denham maintains internal procedures designed to ensure information is kept confidential and prohibits trading in such companies by its employees. Similar restrictions may be applicable as a result of Denham's employees serving as directors of public companies and may restrict trading on behalf of clients, including the Denham accounts. Due to these restrictions, the Denham accounts may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.

Further to the Code of Ethics, Denham requires its employees to pre-clear the purchase or sale of securities for which they have beneficial ownership. Excluded from the preclearance requirements are open-ended mutual funds, open-ended funds, exchange traded funds and notes, direct obligations of the United States, banker's acceptances, bank certificates of deposit, high-quality government short-term debt instruments, employees stock option purchase plans of spouses, shares issued by money market funds and unit investment trusts. Additionally, Denham employees are required to pre-clear the purchase of any initial public offering or private placement.

Denham's Code of Ethics additionally places restrictions on employees' outside activities, requiring them to pre-clear employment by another entity, board or officer membership of an outside entity, holding an official position for a candidate seeking public office or being a candidate for public office, or operating a fund or group formed to invest in securities. Denham employees must also seek approval from the CCO or his or her designee prior to making a political contribution on any level.

Denham monitors gifts and entertainment both received and given by its employees, requiring reporting over a threshold of \$250 for gifts.

Denham provides a copy of the Code of Ethics to any client or prospective client upon request to at 617-531-7200 or [legalnotices@denhamcapital.com](mailto:legalnotices@denhamcapital.com).

If a violation of Denham's Code of Ethics is found to have occurred, the CCO in his or her sole discretion shall determine what appropriate actions are to be taken. Such actions may include disgorgement of personal trading profits, letter of censure or suspension, termination of employment and/or referral to civil or criminal authorities.

#### *Participation or Interest in Client Transactions*

Denham provides ongoing portfolio management and advisory services for the Denham accounts. Investment decisions are made by the investment committee for the applicable Denham account. The investment committee is responsible for monitoring and managing the investment portfolio of the applicable Denham account in accordance with its particular investment objectives, limitations and guidelines, and as set forth in the applicable governing agreements. Denham also complies with restrictions provided in the applicable governing agreements relating to principal transactions or other affiliated transactions, in which we or our personnel may have interests that are not aligned with the interests of one or more of our clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction. Denham does not currently engage in such transactions, and, if it does so in the future, will follow all requirements applicable under its relevant agreements with its clients and the Advisers Act.

Client cross transactions occur where an adviser executes a transaction between two (or more) of its managed client accounts. These can create conflicts of interest because, by not exposing such buy and sell transactions to market forces, clients may not receive the benefits of best price, or an adviser might seek to prop up the performance of one fund by selling under-performing assets to another fund in order, for example, to earn higher fees in the aggregate. Client cross transactions are conducted either (i) in accordance with the governing agreements of the involved clients or (ii) pursuant to policies approved by the advisory committees or consented to by the limited partners of the Denham funds. For example, Denham's funds operating in the Sustainable Infrastructure and Mining sectors are expected to permit purchase or sales to or from other Denham funds of projects that have not yet reached certain operational or financial milestones, without the consent of the applicable advisory committees or applicable limited partners in some cases, and with such consent in other cases. In some cases, these provisions specify the price at which such purchases and sales are to be conducted. Moreover, Denham's Sustainable Infrastructure and Mining funds may permit the sharing of portfolio company personnel among portfolio companies of the Denham funds, without the consent of the applicable advisory committees or applicable limited partners. Related costs and expenses are then shared among the applicable Denham funds in accordance with the governing documents of the Denham funds (or other applicable procedures).

Additionally, a fund may invest in the same projects or portfolio companies with another Denham fund, subject to limitations set forth in the applicable fund partnership agreements. Such investments, or investments within a single Denham fund, may be in different parts of the capital structure of a company in which one or more Denham fund has an investment in a debt and/or equity tranche. Given the differing tranches and corresponding priorities in the capital structure of a single company, Denham may in certain

circumstances face a conflict of interest in respect of the advice they have given to, and the actions they take on behalf of, the funds. In addition, where one or more fund invests in different parts of the capital structure, the respective interests may diverge significantly in the case of financial distress of the company. Denham will determine allocations of investment opportunities in a manner that they believe is fair and equitable to the funds consistent with its obligations to each such fund, including as set forth in relevant fund agreements and Denham's allocation policy. Where necessary, Denham will consult and receive consent to conflicts from an advisory committee consisting of limited partners of the funds subject to any conflict of interest.

To the extent that one or more Denham investment vehicles invest in the same securities of the same issuer, Denham will generally seek to ensure that all participants in such investment participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and one or more Denham investment vehicles may participate in such investments on different and potentially less favorable terms than other participants if Denham deems such participation as being otherwise in the best interests of the participating Denham clients. This may have an adverse impact on one of the participating Denham clients.

#### *Personal Trading; Investment Alongside Client Funds*

Conflicts of interest may arise between a Denham fund and Denham personnel when we invest on our own behalf in the same securities that we recommend to the Denham funds. The governing documents for the Denham funds contain specified procedures for managing or obtaining client consent with respect to potential or actual conflicts of interests, including, in some cases, obtaining consent from an advisory committee comprised of investor representatives.

In addition, we have established internal procedures to identify and manage such conflicts. Pursuant to our Code of Ethics, each of our employees is required to submit to the CCO a report of the employee's securities holdings (which must be updated annually), as well as provide to the CCO a report of any personal securities transactions on a quarterly basis. In addition to these reports, our employees have an obligation to report any personal conflict of interest to the CCO as such conflict becomes known. Our employees must obtain the CCO's prior approval before buying or selling any security for their own account with limited exceptions.

We are also subject to the following potential conflicts of interest, although the discussion below does not describe all of the conflicts that may potentially be faced by Denham.

#### *Interests in the Funds*

Each Denham fund's general partner (or its affiliates) is required by the fund's governing documents to commit capital to such Denham fund, either as an investor or through a parallel vehicle. This capital requirement is intended to further align the general partner's interest – i.e., Denham's interest – with that of the client fund's investors.

Denham, its employees, and certain business associates and other "friends and family" of key professionals currently invest and may in the future invest directly or indirectly in one or more Denham funds. Such investments generally are not subject to the management or performance-based fees described in Items 5 and 6 above. The fact that Denham and its employees have financial ownership interests in certain funds creates a potential conflict in that it could cause Denham to make different investment decisions than if such parties did not have such financial ownership interests. Additionally, Aflac's ownership stake in DSIM may create potential conflicts, including by giving DSIM an incentive to

provide more favorable terms to investors affiliated with Aflac than to other investors. Denham carefully considers the risks involved in any investments and Denham provides to investors disclosure in the Denham funds' offering documents regarding the potential risks that come with an investment in the Denham funds.

#### *Receipt of Other Fees*

Denham or its affiliates may, from time to time, receive fees or other payments in respect of investments completed by certain Denham funds, such as deal fees, monitoring fees or transaction fees. Such parties may also receive "break-up" fees and other compensation with respect to portfolio company investments (including unconsummated investments). Such fees are not dependent on the performance of the investment and may create a conflict of interest between Denham and its clients. To address this potential conflict, some or all of a client's pro rata share of these fees generally offset the management fees otherwise payable by clients to Denham, if any. In addition, as described herein, Denham has internal policies and procedures designed to address conflicts of interest, and each Denham fund has a limited partner advisory committee which, in accordance with the governing agreements of the respective Denham fund or on a voluntary basis, the general partner of a fund may consult in seeking to resolve any conflicts of interest.

#### *Portfolio Company Representation*

Employees of and related persons of Denham and consultants affiliated with Denham may serve on the boards of, serve as employees of, or otherwise be retained as consultants by portfolio companies of Denham clients. Since Denham may be reimbursed for certain compensation and other fees and expenses that relate to the employment of certain expected portfolio company employees or retention of certain consultants, Denham could have a conflict of interest in connection with the applicable fund's initial investment in such portfolio company and the resulting reimbursement of such amounts. In addition, as a result of the funds' controlling interests in portfolio companies, Denham typically has the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of compensation for board members, portfolio company employees and/or consultants retained by portfolio companies. Serving on a portfolio company board may give rise to conflicts to the extent that a Denham employee's (or consultant's) fiduciary duties to a portfolio company as a director may conflict with the interests of the Denham clients that are invested in such portfolio companies.

Denham may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Denham clients. Additionally, Denham and/or its personnel may maintain relationships with (or may invest in) financial institutions or other service providers, some of which may invest (or may be affiliated with an investor) in, engage in transactions with and/or provide services to, Denham, and/or Denham's clients. From time to time, situations may arise where Denham is in the position of recommending one portfolio company's services to other portfolio companies. Denham will generally have a conflict of interest in making such recommendations, in that Denham has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the funds, while the products or services recommended may not necessarily be the best available or the lowest priced for the other portfolio companies. The benefits received by a portfolio company providing a service may be greater than those received by the fund(s) and its portfolio companies receiving the service. Denham seeks to mitigate any such conflicts where possible.

The funds may invest in a company that competes with, is a customer of, or a service provider or supplier to a portfolio company of another fund. In addition, as noted above, principals and employees of Denham

may serve as directors and officers of companies that are competitors of portfolio companies of certain funds. These circumstances may give rise to certain conflicts of interest. A fund or its portfolio company may take actions for commercial reasons that have adverse consequences for another Denham fund or its portfolio company, such as seeking to increase market share, withdrawing business in favor of a competitor, or commencing litigation. A Denham fund could obtain information while investigating investment opportunities or dealing with existing portfolio companies that it is prohibited from acting on or disclosing to anyone, including another Denham fund or portfolio company, as a result of confidentiality requirements or applicable law, regardless of whether acting on or disclosing such information would be in the interest of a Denham fund or portfolio company.

#### *Co-Investment Vehicles*

Denham serves as investment advisor to certain co-investment vehicles that invest alongside the funds in certain portfolio companies and also, from time to time, may offer certain investors or other persons the opportunity to co-invest directly in a portfolio company. In certain instances, a co-investment vehicle or other co-investor may evaluate a potential investment alongside a fund. If the potential investment or co-investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment will typically be borne entirely by the fund allocated such investment rather than the co-investors. Generally, Denham in its sole discretion will select which investors or other persons are permitted to co invest based on various factors as disclosed in each fund's offering and governing documents. In addition, Denham may grant certain investors the opportunity to evaluate specified amounts of possible co-investments, and may give priority to such investors when allocating potential co-investment opportunities. Co-investment opportunities typically will be offered to some and not to other fund investors. Investors that participate in co-investments, whether directly or through a co-investment vehicle, may be in a position to obtain additional information regarding the applicable portfolio company that may not generally be available to investors in the fund. In addition, co-investors' interests are not always aligned with the funds' interests.

In circumstances where an entire investment could be made by a fund, Denham may still allocate a portion of such investment to one or more co-investment vehicles or other co-investors in accordance with such fund's partnership agreement and Denham's allocation policy if, for example, Denham believes in its good faith judgment that the full investment would unreasonably limit the diversification of the applicable fund or that a particular co-investor would add value to the fund or the investment.

Denham may make investments on behalf of the funds with the expectation that co-investors will participate in the investment. In the event that Denham does not successfully offer a co-investment opportunity to potential co-investors, in whole or in part, one or more funds will consequently hold a greater concentration and have a larger exposure in the related investment opportunity than was intended, which could make such funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by the fund which is not syndicated to co-investors as anticipated could significantly impact the fund's overall investment returns.

#### *Receipt of Performance Fees*

The performance-based fees (i.e., carried interest) charged by Denham may create an incentive for Denham to make investments that are riskier or more speculative than in the absence of such fees.

## Item 12. Brokerage Practices

### A. Broker-Dealer Recommendations

Due to the nature of investments made by Denham's clients (mostly negotiated equity investments in private companies), Denham rarely executes trades on behalf of its clients through broker-dealers. When Denham does execute a trade on behalf of its clients through a broker-dealer, Denham will seek to obtain best execution. Denham considers a variety of factors in seeking to obtain best execution, including, among other things:

- available price and compensation to broker;
- financial standing of broker;
- efficiency and documentation needed to execute such trade; and
- past experience with any such broker.

Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. As a result, the client may not necessarily pay the lowest commission or commission equivalent.

When selling a private company on behalf of an account, Denham may retain a broker-dealer or investment bank, the costs of which will be borne by the relevant account and/or portfolio company. In doing so, Denham considers a variety of factors, including:

- broker fees to be charged;
- networking ability and relationships of broker;
- financial integrity of broker; and
- past success of broker in similar transactions.

As a result, although Denham generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Denham accounts may not necessarily pay the lowest commission or fee for such services.

*Research and Soft dollars.* Denham occasionally may receive unsolicited research and information from brokers, often referred to as "soft dollar benefits", which benefit Denham because we do not produce or pay for the research or related services. Thus, we may have an incentive to select a broker-dealer based on this interest, rather than on our clients' interest in receiving most favorable execution. However, Denham does not currently participate in any soft dollar arrangements, and soft dollar benefits do not influence Denham's decisions on brokerage selection.

*Brokerage for Client Referrals.* Denham does not receive referrals for clients from any broker-dealers.

*Directed Brokerage.* As Denham's clients are all private investment funds and SMAs, Denham selects all broker-dealers. Denham's clients do not direct brokerage.

### B. Aggregation of Securities for various Denham accounts

Denham's clients are private equity funds and SMAs with differentiated sets of upstream investors, and therefore Denham does not typically aggregate the purchase or sale of securities for various Denham funds or SMAs (with the exception of a parallel or co-investment fund with its main fund). On the occasion when two separate Denham accounts share an investment, trades in connection with such investment would be executed and allocated separately to each account.

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

A. Denham's investment professionals routinely review the accounts of its clients and their underlying portfolio investments. Denham reviews financial performance, exit strategy, operations and management during its routine reviews. Additionally, Denham's professionals review each quarter the valuation and performance of the client accounts, and a valuation committee approves all final information distributed.

B. There are no specific triggers to launch a portfolio review on a non-periodic basis.

C. In accordance with the applicable partnership agreement of each client (other than certain co-investment vehicles), Denham delivers to the investors of each client written quarterly financial statements and annual statements, which annual statements are audited by an independent auditor and prepared in accordance with GAAP. In addition to the information provided to all investors, Denham may provide certain investors with additional information or more frequent reports that other investors will not receive.

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

A. Denham does not receive economic benefits from persons who are not clients for providing investment advice or advisory services to our clients. Denham may, on occasion, receive management fees, monitoring fees or similar fees, or reimbursements of certain expenses, from portfolio companies in which a Denham fund has invested. To address this potential conflict, a certain portion of the client's pro rata share of these fees may offset the management fees otherwise payable by investors in the Denham funds. These potential fee arrangements are disclosed in the private offering materials for each particular private offering and governed by the Denham fund's governing documents. Co-investment vehicles generally do not pay a management fee and therefore do not participate in such offsets or otherwise receive a share of such fees.

B. We or our affiliates may, from time to time, enter into arrangements in which persons will assist in the capital raising efforts of one or more of the Denham funds in exchange for a fee. This fee may be a flat fee or based on a percentage of commitments to a particular fund. These relationships will affect the independence of the placement agent in connection with the placement agent's recommendations of a particular Denham fund. These types of arrangements are disclosed to investors of the Denham funds in the funds' private offering materials.

### **Item 15. Custody**

Due to Denham's access to clients' funds and discretion to deduct fees and expenses from the client accounts and services by our affiliates as general partners of the Denham funds, we are deemed to have custody of our clients' funds. Denham generally holds all client assets with a bank or other qualified custodian, unless not otherwise required in accordance with SEC guidance. Denham's professionals review custodial statements regularly to ensure agreement with positions stated therein. Denham's clients are generally subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounts Oversight Board. Denham distributes audited financial statements to all investors of the audited Denham funds within 120 days of the end of



the fiscal year of each such client. For any clients that are not audited, Denham complies with other provisions of the custody rule, such as confirming quarterly account statements are being sent by a qualified custodian and being subject to a surprise custody examination.

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

Denham has discretionary authority to manage accounts on behalf of its clients pursuant to the accounts' governing documents. Such discretion is subject to the investment strategy and guidelines as set forth in the offering document and partnership agreement of the applicable client. As a general matter, Denham does not allow clients to place limits on this discretionary authority. Denham and its affiliates, however, have entered (and may in the future enter) into agreements, or "side letters," with investors whereby such investors may be subject to terms and conditions that vary from those applicable to other investors in the Denham funds, including rights to opt out of particular investments.

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

##### **A. Policies and Procedures**

Pursuant to rule 206(4)-6 of the Advisers Act, investment advisers who exercise authority over client securities are required to implement proxy voting policies and procedures. To the extent Denham exercises or is deemed to be exercising voting authority of client securities, it will vote those securities in accordance with such policies. Notwithstanding the foregoing, a client's ownership of securities may be subject to a voting agreement or shareholders' agreement, in which case, any such voting agreement or shareholders' agreement will control in the event of a conflict between the terms of such voting agreement and the terms of Denham's proxy policies. Denham's policy is to vote proxy proposals, amendments, consents or resolutions relating to its clients as determined by Denham in its discretion and at all times in the best interests of its clients.

Denham's CCO or his or her designee will maintain written or electronic copies of each proxy statement received and of each executed proxy. Investors of the Denham accounts may receive a copy of Denham's proxy policies and procedures at any time upon request to 617-531-7200 or [legalnotices@denhamcapital.com](mailto:legalnotices@denhamcapital.com).

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

Denham does not require or solicit prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the brochure. There is no financial condition that is reasonably likely to impair Denham's ability to continue to meet its contractual commitments and provide services to its clients and we have not been the subject of a bankruptcy petition at any time during the past decade.