

# KNIGHT VINKE



KV SERVICES II LIMITED

P.O. Box 10008

Willow House, Cricket Square

Grand Cayman KY1-1001, Cayman Islands

+ 377.93.30.40.70

31 March 2021

This Brochure provides information about the qualifications and business practices of KV SERVICES II LIMITED. If you have any questions about the contents of this Disclosure Brochure, please contact Knight Vinke at +377.93.30.40.70 or [info@knightvinke.com](mailto:info@knightvinke.com). The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. KV SERVICES II LIMITED is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about KV SERVICES II LIMITED (the “Adviser”) is also available on the SEC’s website at <https://adviserinfo.sec.gov/firm/summary/151518>. KV SERVICES II LIMITED’s SEC No. is 801-70612 and CRD# is 151518.

## Item 2 – Material Changes

This item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The date of our last annual update of this Brochure was 23 April 2020.

In the past the Adviser has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, Knight Vinke will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days of the close of the business' fiscal year. Knight Vinke may further provide other ongoing disclosure information about material changes as necessary.

Knight Vinke will further provide you with a new Disclosure Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Disclosure Brochure may be requested by contacting Knight Vinke at +377 93 30 40 70 or [info@knightvinke.com](mailto:info@knightvinke.com).

Our Disclosure Brochure is also available at: <https://adviserinfo.sec.gov/firm/summary/151518> free of charge.

The SEC's website also provides information about any persons affiliated with KV SERVICES II LIMITED who are registered, or are required to be registered, as investment adviser representatives of KV SERVICES II LIMITED.

**As of 31 March 2021, KV SERVICES II LIMITED has no material changes to report.**

## Table of Contents

Item 1 – Cover Page	
Item 2 – Material Changes	
Item 3 -Table of Contents	
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	1
Item 6 – Performance-Based Fees and Side-By-Side Management .....	2
Item 7 – Types of Clients.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9 – Disciplinary Information .....	7
Item 10 – Other Financial Industry Activities and Affiliations .....	7
Item 11 – Code of Ethics .....	7
Item 12 – Brokerage Practices .....	9
Item 13 – Review of Accounts .....	12
Item 14 – Client Referrals and Other Compensation .....	13
Item 15 – Custody .....	14
Item 16 – Investment Discretion .....	14
Item 17 – Voting Client Securities.....	14
Item 18 – Financial Information.....	15

#### **Item 4 – Advisory Business**

KV SERVICES II LIMITED (the “Adviser”) provides investment advisory services to clients (“Investors”), including U.S. and offshore limited partnerships and other pooled investment vehicles (the “Investment Fund”). The Adviser provides investment advisory services to its Investors and receives a fee. The Adviser may enter into additional investment supervisory services relationships where it will provide all investment advice and receive both a management and a performance fee.

The Adviser is one of a number of companies in the Knight Vinke group of companies (together, including the Adviser, “Knight Vinke”) providing asset management advice and, primarily, specializing in corporate governance.

Prior to establishing Knight Vinke, Eric Knight, along with two other founders of Knight Vinke, had been the senior investment team at Sterling Investments Limited (“Sterling”), a firm co-founded by Eric Knight in 1996. At that time, Sterling was dedicated to corporate governance investing principally in the United Kingdom but was also active in the United States where it led the successful proxy contest (through its subsidiary, SSP Special Situations Partners, Inc.) against ICN Pharmaceuticals. The fourth co-founder of Knight Vinke was a private investor.

As of 31 December 2020, the Adviser had no regulatory assets under management with no clients.

#### **Item 5 – Fees and Compensation**

The Adviser’s fees generally are negotiable. Management fees are payable by Investors directly to the Adviser or to an affiliate of the Adviser. Management fees typically are a percentage of a certain market adjusted commitment amount. Depending on the amount of the commitment, the basic management fee schedule ranges from 0.1% (10 bps) per annum to 1.0% per annum. The Adviser may negotiate “side-letter” agreements with Investors whose terms may impact upon the amount of fees they pay.

The Adviser is also entitled to a 20% carried interest that typically is payable on the net gain from the realization of investments calculated on the absolute return methodology or 20% carried interest on both realized and unrealized gains using the hurdle-based methodology.

Termination and refund provisions are generally agreed to in advance by the Adviser and its Investors. Typically, Investors may terminate investment advisory agreements upon a material breach of such agreement by the Adviser, upon prior written notice, or in certain other circumstances as set forth in the respective agreements. Investors are subject to certain

restrictions on withdrawal from such funds, as set forth in the governing documents of the respective Client.

From time to time the Adviser or one of its affiliates may enter into arrangements with certain investors in an Investment Fund pursuant to which such investors are granted certain rights or benefits not granted to other investors in connection with such investments. Such agreements may be entered into by the Adviser or one of its affiliates without the consent of or notice to the other investors in the Investment Fund. The Adviser reviews any proposed special investor arrangement for potential conflicts of interest and seeks to manage or mitigate such potential conflicts so that all investors are treated fairly and in conformance with the fiduciary duty owed by the Adviser to each investor. Such arrangements may include provisions relating to investment prohibitions, voluntary or mandatory withdrawals, most-favored nation provisions, and other investor-specific provisions.

Item 12 further describes the factors that Adviser considers in selecting or recommending broker-dealers for Investor transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In some cases, the Adviser has entered into performance fee arrangements with qualified Investors: such fees are subject to individualized negotiation with each such Investor. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (the “Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth under Rule 205-3.<sup>1</sup> In measuring Investors’ assets for the calculation of performance-based fees, the Adviser in certain circumstances shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented to ensure that all Investors are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Investors.

---

<sup>1</sup> Rule 205-3 of the Advisers Act of 1940 allows for investment advisers to collect performance-based compensation when the Investor is a “qualified client.” As of June 14, 2016, a “qualified client under Rule 205-3 is one who: (i) has at least \$1 million in assets under management with the investment adviser immediately after entering into the advisory contract; or (ii) has a net worth (together, in the case of a client which is a natural person, with assets held jointly with a spouse) which the investment adviser reasonably believes to be in excess of \$2.1 million immediately prior to entering into the advisory contract.

## Item 7 – Types of Clients

Currently, the Adviser's core investor base is institutional. The Adviser's investor base is composed entirely of Qualified Institutional Purchasers ("QIP") as defined under the United States Federal Securities Laws, specifically the Exchange Act of 1933. The Adviser provides or will provide investment advice generally to U.S. based tax-exempt investors such as state and governmental pension funds and to non-U.S. entities such as sovereign wealth funds, funds of funds, endowments, foundations, family offices, and high net-worth individuals.

## Types of Investments

The Adviser is authorized to enter into any type of investments transactions that it deems appropriate for its Investors, pursuant to the terms of the partnership or other types of advisory agreements, with some limited exceptions. The Adviser does not currently advise Investors on any types of investments other than those identified below.

Currently, the Adviser may offer investment advice on investments that the private funds invest primarily in, which are large capitalized Western European equities.

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

The Adviser's investment process is discussed in detail below. It can be segmented into the following phases: origination, preliminary analysis, detailed analysis, shareholder contact, investment, active engagement and monitoring, and exit. The Investment Committee is integrally involved throughout the investment process.

### 1. Origination

The Adviser actively sources opportunities often overlooked or avoided by investors lacking resources and local market knowledge.

- Internal sources include systematic screening of news flow and tracking value-destructive strategies employed by management at certain companies over various time periods, as well as traditional value screens and industry analyses. External sources include other shareholders, senior industry contacts, specialist consultants, investment bankers, M&A lawyers, private equity investors, leading industry sell-side analysts, journalists, governance specialists, and other resources the Adviser uses from time to time as circumstances dictate.

### 2. Preliminary Analysis and Minimum Requirements

As a first step, companies identified from the sources above are evaluated on the basis of the following criteria:

- Is the company truly undervalued, both in relative and in absolute terms?

- Is the company sound from a fundamental point of view? Can the Adviser rely on management's integrity?
- Is there further downside risk with respect to the share price? If so, can this be hedged or mitigated?
- Does the low stock price result from a cause (or causes) capable of redress within a reasonable timeframe?
- Are management, the board of directors and/or the controlling shareholders prepared to take the necessary steps to unlock shareholder value?
- In case of need, is there an alternative value-realization strategy that the Adviser could propose?
- Is the shareholder structure conducive to change? Could the Adviser count on or reasonably expect to develop sufficient shareholder support to implement its strategy?
- Are there other "roadblocks" to the Adviser's strategy (e.g., legal, voting restrictions, market practice) and, if so, can these be overcome?
- Is there sufficient liquidity in the stock for the Adviser to be able to build up a position at an acceptable price and ultimately to sell the position, and if not, are there alternative entry and exit strategies?

The investment team ensures that all of the above tests are met to a sufficient degree – or are capable of being met – before proceeding to the next stage. The Adviser only invests in a small number of companies each year, so although the minimum criteria are stringent, they allow the team to narrow down the universe of potential investments. Those companies which appear to meet the investment criteria are subject to an initial desktop review which typically takes several days. A short report is completed which is used for internal discussion purposes before being submitted to the Investment Committee for initial consideration. It is important to note that not all potential investments will be suitable targets.

### 3. Detailed Analysis

Based on the preliminary analysis, a decision is taken by the Investment Committee as to whether to buy a small initial stake or reject the idea. If a toehold investment is made, then a period of private equity style due diligence is entered into which can take several thousand-man hours. This will involve the comprehensive analysis of financials; disaggregation of the consolidated financial statements to create the appropriate segmental financial information that can be used for valuation; the establishment of independent valuation models; the complete analysis of public market comparables; investigation of potential liabilities; an evaluation of the reasons for share price underperformance; and the formulation of a possible value creation strategy. The Adviser

will often supplement its resources with outside advisers possessing particular specialist expertise that it is not necessary or practicable to develop in-house. These specialists may include investment banks, management consultants, actuaries, and lawyers, as a way of reviewing and providing a means of external validation. When the detailed analysis is completed, a decision is then taken by the Investment Committee as to whether or not to increase its position in the target company. In the case of an increased investment, it will set objectives in terms of entry and exit prices.

Where appropriate, the Adviser performs a governance analysis. Management and board structure, compensation practices, and other factors such as political influences, the motivations of companies' management and directors are also examined. Additionally, the Adviser performs a detailed shareholder analysis to help understand the ownership structure and to identify investors who can either hinder or support any potential engagement. A key component of the detailed analysis is the development of an action plan to unlock value or accelerate value creation. The plan addresses the reasons for share price underperformance and evaluates the impact of changes in business strategy, capital structure, and/or corporate governance. The bargaining position and likely support/opposition from management, the board, shareholders, and/or other stakeholders is evaluated. Feasibility of effecting change if the plan is opposed is gauged. Analysis of control mechanisms legally available in the local market is incorporated. Building a consensus often involves preliminary discussions with institutional or other shareholders to provide support for the Adviser's position. Often, the analysis is shared with shareholders, the management, and the board; the plan is tailored and/or amended to suit the response. The media is used to broaden debate and carry public opinion, where this is deemed appropriate.

Outside advisers are often used in this phase of the due diligence and in the development of the action plan. They include management consultants to review company strategy and alternatives; industry executives hired as project-based consultants; investment bankers to prepare fairness opinions or to underwrite financing alternatives and advise on debt structure and covenants. Local law firms are engaged to review contracts, fiduciary duties, anti-trust issues; forensic accountants and/or investigators are often engaged. Pension consultants and/or actuaries review pension plans and employee benefits.

One of the risks facing any investor is investment risk. This can be defined in broad terms as the risk of a permanent or temporary decline in the value of an asset or the inability to unlock the value that is inherent in an asset within some specific period of time. While it is impossible to eliminate investment risk entirely, the Adviser believes that it is possible to reduce it substantially through a combination of superior knowledge and the ability to have some



influence on the value realization strategy and/or exit that comes from being a proactive and respected owner. This is not available to passive owners who rely on diversification to mitigate risk.

Since late 2007, the financial services industry has faced unprecedented market volatility and has come under increased scrutiny from regulators for reasons that have been well-documented. In the light of this uncertainty, the Adviser may become subject to new legal or regulatory requirements, suffer reputational damage, or encounter unforeseen risks that could have a material adverse effect on its business or operations. In addition, there are several risks specific to active corporate governance investing which the Adviser addresses at various stages in its investment process. These risks include:

- Lack of Liquidity: This is an inevitable risk when operating in the small cap arena. This risk diminishes rapidly as the size of the target increases. The Adviser virtually eliminates this risk by focusing primarily on large cap companies.
- Risk of Becoming an Insider: Inability to transact in the market is a major drawback and is the reason that the Adviser has generally avoided seeking direct representation on a board of directors. The Adviser's experience is that there is a great deal one can do to assist a company or its shareholders in realizing value from the outside without becoming an insider.
- Risk of the Stock Price "Running Away": One of the risks associated with spending a substantial amount of time and effort in researching an opportunity before investing is that the share price can "run away" before one has had the chance to buy a significant block. The easiest, most cost effective solution to this problem is to use derivative instruments to lock in price levels. This can be done at various stages in the detailed analysis/due diligence phase of the process. Other solutions include negotiating to buy a large block of stock from existing shareholders – purchasing a portion but not all of their holdings.
- Reputation Risk: Involvement in shareholder activism can often put the reputation of the investment manager at risk. This is particularly true of high profile "aggressive" campaigns against management. It has been the Adviser's experience that institutions in Europe generally do not support such strategies – or their instigators – and its policy is to seek consensual solutions wherever possible.
- Geographic: There may be geographic risk since the Investment Fund invests primarily in Western European equities.

### **Item 9 – Disciplinary Information**

SEC Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KV SERVICES II LIMITED or the integrity of KV SERVICES II LIMITED's management. KV SERVICES II LIMITED has no information applicable to this Item.

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

The Adviser is not registered and does not have an application pending as a securities broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. The Adviser does not have arrangements that are material to its advisory business and its Investors with a related person which includes foreign broker-dealer, and domestic and foreign registered investment advisers.

#### Foreign Broker-Dealer and Investment Adviser:

Knight Vinke Asset Management (Monaco) S.A.M.  
Knight Vinke (Switzerland) SA

### **Item 11 – Code of Ethics**

To avoid any potential conflict of interest involving personal trades, the Adviser has adopted its Code of Ethics and Insider Trading Policy (hereafter known as the "Code of Ethics"). All employees of the Adviser are considered Supervised Persons. Every Supervised Person is covered by and receives a copy of the Code of Ethics initially and annually. They must sign an attestation that such Supervised Person has read, understood, and will comply with the Code of Ethics.

The Adviser's Code of Ethics sets forth certain standards of business conduct, including compliance with U.S. Federal and other countries' securities laws and applicable stock exchange codes or regulations. In addition, each Supervised Person must treat information belonging to Investors as confidential and take care to minimize any unauthorized access to third parties. Supervised Persons may not use material, non-public information ("MNPI") in such Supervised Person's possession to such Supervised Person's personal benefit.

The Adviser's Code of Ethics requires each Supervised Person to disclose to the Chief Compliance Officer ("CCO") or their designee such Supervised Person's personal securities. In addition, Supervised Persons will (i) upon starting employment (and in no event later than 10 days after becoming a Supervised Person) and annually, provide a complete record of his/her securities holdings to the CCO or CFO; (ii) be required to obtain the approval of the CCO or CFO before investing in any initial public offering or private placement; (iii) provide quarterly reports

of personal securities transactions within 30 days following the end of the quarter, unless such information has been provided through other means; and (iv) be required to inform the Chief Compliance Officer of any violation of the Code of Ethics that comes to his/her notice.

Pursuant to the Code of Ethics, the Chief Compliance Officer (or their designee) of the Adviser maintains a restricted list containing all securities owned, being acquired or actively under consideration by Investors. Trading in securities on the restricted list is only permitted by any of the Supervised Persons or by their spouses or dependents with prior approval of the Chief Compliance Officer. Once a security on the restricted list is purchased, a Supervised Person must follow the protocols as found under the Code of Ethics. Any variance from the Code of Ethics must be approved by Chief Compliance Officer.

The Adviser's Code of Ethics also prohibits Supervised Persons from serving as director of any publicly traded company without first consulting with the Chief Compliance Officer. A copy of the Adviser's Code of Ethics will be provided to any Investor or prospective Investor upon request.

#### **Other Conflicts of Interest**

The Adviser and its affiliates may, exceptionally, enter arrangements with certain Investors pursuant to which such Investors are granted certain rights or benefits not granted to other Limited Partners in connection with their investments ("side letters"). Such arrangements may be entered without the consent of or notice to the other Investors.

The Adviser reviews any proposed special arrangement for potential conflicts of interest and seeks to manage or minimize such potential conflicts so that all Investors are treated fairly and in conformance with the fiduciary duty owed by the Adviser to each Investor. Such arrangements may include provisions relating to investment prohibitions, transfers to affiliates, voluntary or mandatory withdrawals, most-favoured nations provisions, and other investor-specific provisions.

In connection with the management of investments, the Adviser is deemed to have a fiduciary relationship with the Investors and consequently the responsibility for dealing fairly with the Investors. The Adviser and its affiliates Supervised Persons may engage in activities that may conflict with the interests of the Investors. Without limiting the generality of the foregoing, the Supervised Persons may make and maintain investments in their own name or through other entities and may serve as an officer, director, consultant, partner, or stockholder of one or more investment funds, partnerships, securities firms, or advisory firms. Any compensation received by a Supervised Person of the Adviser while serving in any of these roles will be remitted back to the Investment Fund.

Other entities or accounts managed by the Adviser may have investment objectives or may implement investment strategies similar or different to those of the Adviser. In addition, the Supervised Persons may, through other investments, including other investment funds, have interests in the securities in which the Adviser invests as well as interests in investments in which the Adviser does not invest. The Supervised Persons may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to the Adviser.

Other present and future activities of the Supervised Persons may give rise to additional conflicts of interest which are required to be disclosed to the Chief Compliance Officer.

#### **Item 12 – Brokerage Practices**

The Adviser does not have any relationships that would adversely affect its trading flexibility. Trading costs do not play a significant role in the Adviser's strategy, given the small number of positions held (generally between 5 to 6) and its investment focus on large cap stocks, but the Adviser's Supervised Persons review each trade with the goal of ensuring that best execution is consistently met.

The Adviser has relationships with a number of brokers, both global and local. The Adviser uses the one that provides the best execution on a given stock.

The Adviser does not use soft dollars.

#### **Best Execution**

Knight Vinke and its affiliated SEC Registered Investment Adviser, the Adviser, have full discretionary authority (under certain advisory agreements though it also advises under non-discretionary authority) to direct Investor trades. As a result, the Adviser is subject to a duty to obtain best execution for Investor securities transactions. The SEC has described this requirement generally as a duty to execute securities transactions so that an Investor's total costs or proceeds in each transaction are the most favorable under the circumstances. The SEC also has stated that when seeking best execution an adviser should consider the full range and quality of a broker-dealer's services in placing trades. The SEC has added that best execution is not determined by the lowest possible commission costs, but by the best qualitative execution. Finally, the SEC has suggested that to ensure continuing compliance with the best execution duty, advisers should periodically and systematically evaluate the execution performance of broker-dealers executing their transactions.

In placing orders to purchase and sell securities for our Investors, the Adviser considers a number of factors in selecting appropriate broker-dealers, including, without limitation, execution capability, commission rates, financial responsibility, counterparty risk, the value of research provided, and responsiveness to the Adviser. The Adviser's management on an on-going basis is responsible for developing, evaluating, and changing when necessary the Adviser's order execution practices. The Adviser's management will monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and its Investors. The Adviser's Best Execution Guidelines are set forth below:

### **Statement of Policy**

As a fiduciary, the Adviser has a duty to obtain "best execution" for the securities transactions being affected for our Investors. Best execution essentially means that the Adviser's trading process seeks to maximize value in such a manner that total cost or proceeds in each transaction is the most favorable to the Investor under the circumstances. In seeking best execution, the Adviser should consider the full range of the broker's services, not just price.

### **Selection of Brokers.**

The Adviser has established general criteria to determine which brokers are qualified to provide brokerage services to our Investors, and considers, among others, the following relevant factors:

- Quality of execution – accurate and timely execution, clearance, and error/dispute resolution.
- Reputation, financial strength, and stability of the broker.
- The difficulty of execution and the broker's ability to handle difficult trades.
- Confidentiality of trading activity.
- The broker's willingness and ability to commit capital.
- Overall costs of trades (i.e., net price paid or received) including commissions, mark-ups, mark-downs, or spreads in the context of the Adviser's knowledge of negotiated commission rates currently available and other current transaction costs.

- Research<sup>2</sup> and custodial services provided by the broker that are expected to enhance the Adviser's general portfolio management capabilities.
- Nature of the security and the available market makers.
- Desired timing of the transaction and size of trade.
- The operational facilities of the broker, including back office efficiency.
- Block trading and block positioning capabilities; and
- Market intelligence regarding trading activity.

The Firm **will not** consider the following factors in its selection of brokers:

- Any gifts or entertainment.<sup>3</sup>
- Access to underwritten offerings and secondary markets.
- The broker's ability or willingness to cover trading errors caused by Adviser; or
- Client referral/capital introduction services by the broker.

### **The Trader and Execution**

Unless otherwise exempted, all orders must be sent to the Trader for execution. The Trader(s) must seek best execution based upon the factors described in this policy, including using reasonable diligence to seek a price that is as favorable as possible under the prevailing market conditions. This might include considering quotes from multiple brokers. However, the extent of diligence required will depend, among other things, upon the character of the market for the security, the size of the transaction, the number of primary markets, the availability of a reliable quote, and the urgency of the order. For example, for a highly liquid security where a national market price is readily determinable, the Trader generally would not need to seek multiple quotes prior to execution.

An officer of the Adviser should review all trades and notify the Trader of any issues. In such review, Management will consider the following:

---

<sup>2</sup> Any research provided by a broker must be either generally available or if otherwise, must be provided to the Adviser in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

<sup>3</sup> The Adviser's Code of Ethics & Insider Trading Policy details the policies on gifts and entertainment.

- Was the trade consistent with instructions?
- Do the executions appear to be reasonable?

### **Periodic Reviews**

Periodically, Management will review the performance of the brokers on the Approved Broker List. Management will consider, as applicable, the factors set forth above, as well as the following:

- The services provided by the broker other than execution (i.e., research or other services used in the management of the Investor's account).
- Whether the execution and other services provided by the broker were satisfactory, taking into account such factors as the speed of execution, the certainty of execution, and the ability to handle large orders or orders requiring special handling.
- Reason for using that broker (e.g., research, execution only, specific type of trade, etc.).
- Unusual trends, such as higher than usual commission rates or a large volume of business directed to an unknown broker.
- Potential conflicts of interest, such as directing brokerage to a broker who makes Investor referrals to the Adviser; and
- Any other factors that the Management thinks necessary for the Adviser to make a reasonable decision about its best execution determinations.

In addition, the Management should conduct spot checks of executions during the relevant period. If necessary, Management will take any action to rectify the situation including but not limited to reimbursing the Investor or reprimanding or dismissing the broker.

Documents or information required to be retained in this Policy shall be retained in accordance with the Record Retention rules as found under the Investment Advisers Act of 1940.

### **Item 13 – Review of Accounts**

The Adviser has appointed State Street Cayman Trust Company Ltd. ("SSC") as Administrator and Registrar and State Street Bank and Trust Company ("SSB") as Custodian of the Investment Fund, although certain clients under Individual Managed Accounts ("IMAs") may from time to time require different custodians (such as the Bank of New York Mellon). SSB is responsible for maintaining the bank accounts of each Investor. SSC is responsible for:

- (a) recording general ledger entries.
- (b) calculating monthly net income.
- (c) reconciling activity to the trial balance.
- (d) calculating monthly aggregate net asset value.
- (e) preparing account balances.
- (f) preparing annual financial statements; and
- (g) preparing a monthly valuation.

The individuals performing these tasks are State Street Corporation employees and follow the internal guidelines and procedures of State Street Corporation as identified in the Global Controls Examination report issued by PricewaterhouseCoopers LLP. All work is performed by an Investment Accountant and reviewed by a senior investment accountant or supervisor and by the Adviser's Management before distribution. State Street Corporation's controls and procedures are tested by PricewaterhouseCoopers LLP and are reported in the Global Controls Examination report on a semi-annual basis.

The Adviser will not provide reports to Investors; however, it will assist in providing to each Investor on a monthly basis an unaudited interim report setting forth as of the end of or for such period a statement of its capital account and a statement of investments. It will also provide to partnership Investors at the end of each fiscal year an audited financial report setting forth as of the end of such fiscal year (i) a balance sheet, an income statement, and a cash flow statement; (ii) a statement of such limited client's investments; and (iii) such Investor's capital account and the manner of its calculation, allocations, and distributions with respect to such limited Investor's capital account during such fiscal year were computed in accordance with the relevant agreement. The Adviser provides reports directly to managed account Investors, such as regular trade reports, monthly valuations, and performance reports and quarterly management reviews.

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

There are no sales charges payable to the Adviser in connection with the offering of Private Fund Interests to Investors. However, the Adviser may enter arrangements with a placement agent under which such placement agent may receive commissions or other compensation from time to time. All such commissions and compensation will be paid by the Adviser.



### **Item 15 – Custody**

Investors will receive account statements directly from qualified custodians and should carefully review these account statements. We also urge Investors to carefully compare the information provided on these statements with any statements from us. With respect to private funds over which the Adviser and/or one of its affiliates is deemed to have custody, the Adviser requires that each such fund be subject to an audit by an independent accountant and distribute financial statements, audited in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors on an annual basis.

### **Item 16 – Investment Discretion**

The Adviser usually receives discretionary authority from the Investor at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives.

When selecting securities, and determining amounts, the Adviser observes the investment policies, limitations, and restrictions of the Investors for which it advises.

### **Item 17 – Voting Client Securities**

Investors may obtain a copy of the Adviser’s complete proxy voting policies and procedures upon request. Investors may also obtain information from the Adviser about how the Adviser voted any proxies on behalf of their account(s).

#### **Voting Policy**

Members of the Investment Committee or their designated representatives may attend all annual general meetings or extraordinary general meetings of Portfolio Companies (or vote by proxy, if permitted) and will vote on all matters which require shareholder approval on behalf of the Investment Fund. The Adviser will disclose to their respective Investors their voting policies with respect to Investor securities over which they have voting power.

The way in which Portfolio Company shares are voted is integral to the investment strategy. Voting will therefore be treated on a case-by-case basis and, in each case, the Investment Committee or its designated representative will assess which course of action best serves the Investors. In certain circumstances, this may require that the Investment Committee recommends that some or all the shares not be voted.

The Adviser will maintain a record of each vote cast together with how each decision was reached and copies of any documents or working papers used to reach such decisions. This

information will be available for review by Investors on request and for some reports are provided on a regular basis.

#### **Item 18 – Financial Information**

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about KV SERVICES II LIMITED's financial condition. KV SERVICES II LIMITED has no financial commitments that impairs its ability to meet contractual and fiduciary commitments to Investors and has not been the subject of any bankruptcy proceedings.