

# Vida Capital Management, LLC Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Vida Capital Management, LLC ("VCM"). If you have any questions about the contents of this brochure, please contact us at 512-961-8265. 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.

VCM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, such registration does not imply a certain level of skill or training.

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

## **Item 2. Material Changes**

This brochure contains information about VCM and there are no material changes since its last filing of this brochure on November 25, 2020.

### **IMPORTANT NOTE ABOUT THIS DISCLOSURE BROCHURE**

This Disclosure Brochure is not:

- an offer or agreement to provide advisory services to any person
- an offer to sell interests (or a solicitation of an offer to purchase interests) in any Fund (as defined below)
- a complete discussion of the features, risks or conflicts associated with any Fund

As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), VCM provides this Brochure to current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors with other relevant governing documents (as defined below), such as private offering memorandum. Although this publicly available Brochure describes investment advisory services and products of VCM, persons who receive this Brochure (whether or not from VCM) should be aware that it is designed solely to provide information about VCM as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant governing documents. More complete information about each Fund is included in relevant governing documents, certain of which may be provided to current and eligible prospective investors only by VCM. To the extent that there is any conflict between discussions herein and similar or related discussions in any governing documents, the relevant governing documents shall govern and control.

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

Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	6
Item 6. Performance Based Fees and Side-by-Side Management .....	11
Item 7. Types of Clients.....	11
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9. Disciplinary Information .....	16
Item 10. Other Financial Industry Activities and Affiliations .....	16
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..	17
Item 12. Brokerage Practices .....	18
Item 13. Review of Accounts .....	19
Item 14. Client Referrals and Other Compensation .....	20
Item 15. Custody .....	20
Item 16. Investment Discretion .....	21
Item 17. Voting Client Securities.....	21
Item 18. Financial Information .....	22

## Item 4. Advisory Business

VCM is a Delaware Limited Liability Company formed in August 2010 and registered with the Securities and Exchange Commission on November 4, 2010. VCM focuses its investment advice on managing longevity-contingent assets, such as life settlements, annuities, loans and insurance-linked securities (“ILS”) products characterized by longevity risk. Additional details about these assets are included in *Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* below.

VCM is wholly owned by its parent company Vida Capital, Inc., which is owned by Lynx Topco LP through various other entities disclosed in Schedule B of Form ADV Part 1.

VCM (either directly or via a wholly-owned subsidiary) provides discretionary investment management services to the following affiliated pooled investment vehicles (each a “Fund” or “Funds” and collectively, the “Clients”)<sup>1</sup>:

- Vida Longevity Fund, LP (“VLF”), a Delaware limited partnership, whose general partner is Vida Management I, LLC (“VMI”), a Delaware limited liability company and wholly-owned subsidiary of VCM.
- Vida Longevity Fund III, LP (“VLF III”), a Delaware limited partnership, whose general partner is Vida Management V, LLC (“VMV”), a Delaware limited liability company and wholly-owned subsidiary of VCM.
- Vidaquant QIAIF ICAV (“VQ”), an Irish Collective Asset Management Vehicle, whose AIFM<sup>2</sup> is Intertrust Alternative Investment Fund Management (Ireland) Limited, and who is advised by VCM as a delegated investment manager.
- VCM is the subadvisor to the Vida Insurance Fund Series (“VIDF”), a series (“Series”) of the SALI Multi-Series IV, LP (“SALI”), a Delaware series limited partnership.
- VCM is the subadvisor to the Vida Insurance Fund II Series (“VIDF II”), a series (“Series II”) of SALI Multi-Series Fund, LP, (“SALI MSF”) a Delaware series limited partnership.
- Vida Insurance Credit Opportunity Fund II, LP, (“VICOFF II”) a Cayman Islands exempted limited partnership whose general partner is Vida Insurance Credit Opportunity Fund II GP, LP, (“VICOFF II GP”) a Cayman Islands exempted limited partnership and wholly-owned subsidiary of VCM.
- Vida Insurance Credit Opportunity Fund III, LP, (“VICOFF III”) a Cayman Islands exempted limited partnership whose general partner is Vida Insurance Credit Opportunity Fund III GP, LP, (“VICOFF III GP”) a Cayman Islands exempted limited partnership and wholly-owned subsidiary of VCM.

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<sup>1</sup> “Fund” or “Client” means a private investment fund to which VCM provides investment advice and/or invests on a discretionary or nondiscretionary basis. The individuals and other persons that invest in the VCM private investment funds are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the terms “Fund” and “Client” do not include “investors.”

<sup>2</sup> “AIFM” means Alternative Investment Fund Manager, as defined in the Irish AIFMD Regulations (the European Union (Alternative Investment Fund Managers) Regulations 2013).

VCM has also periodically entered into an investment management agreement to provide discretionary investment management services to a separate account client.

VCM's services to the Funds consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Funds; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Funds. VCM's services to each Fund are subject to the specific investment objectives and restrictions applicable to such Fund, as set forth in such Fund's limited partnership agreement and other governing documents (collectively, the "Governing Documents").

The Funds are offered exclusively to individuals and other persons who qualify as "accredited investors" under Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and/or "qualified purchasers" as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Company Act") and are therefore not required to register as investment companies with the SEC in accordance with the exemptions set forth in Sections 3(c)(1) or 3(c)(7) of the Company Act, where may otherwise be required.

Investors and prospective investors in each Fund should refer to the Governing Documents of that Fund for information on the investment objectives and investment restrictions with respect to that Fund. There can be no assurance that any of the Funds' investment objectives will be achieved. As such, VCM's services are generally not tailored to the individualized needs of any particular investor of the Fund. Since VCM does not provide individualized advice to investors (and an investment in the Fund does not, in and of itself, create an advisory relationship between the investor and VCM), investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

VCM markets its advisory services to prospective separate account clients. VCM expects to provide advisory services to separate accounts that are materially similar to the Funds. Terms of investments, including objectives, limitations and strategies for separate account clients are governed exclusively by the terms of applicable Governing Documents. A separate account client may impose restrictions on investments for its account.

As of December 31, 2020, VCM had approximately \$278 million in Regulatory Assets Under Management, which is defined as the gross value of all Clients/ pooled investment vehicles and the separate account client(s) to which VCM provides continuous and regulatory supervisory or management services and which meet the definition of a securities portfolios as defined by the U.S. Securities and Exchange Commission. While VCM has 7 distinct Clients, only 2 pooled investment vehicle Clients and two separate account clients meet the aforementioned criteria to be included as Regulatory Assets Under Management. Discretionary net assets under management for VCM, which includes all VCM Clients/ pooled investment vehicles, and the separate account client(s) or applicable portions of such vehicles to which VCM provides advisory or sub-advisory services, totaled approximately \$4.3 billion as of December 31, 2020.

## Item 5. Fees and Compensation

Compensation received by VCM (or one of its wholly-owned subsidiaries) is generally comprised of fees based on a percentage of assets under management, carried interest and performance allocations. Fees for separate account clients are negotiable. VCM (or one of its wholly-owned subsidiaries) may enter into side letter agreements with some investors in the Funds varying the terms of their investment, including lower fee arrangements. Current and prospective Clients should carefully review all fees charged by VCM (or one of its wholly-owned subsidiaries).

### *Management Fee*

In connection with its advisory services provided to VLF, VMI is entitled to receive management fees, paid quarterly in arrears and calculated based on the net asset value of each investor's capital account, as of the last business day of each calendar quarter.

With respect to the A-Share Interests in VLF, VMI is entitled to receive a management fee ("A-Share Management Fee") at an annual rate of 2.0% (0.5% quarterly) of the capital account balance of each investor who owns A-Share Interests as of the last business day of each calendar quarter, calculated and paid in arrears.

With respect to the B-Share Interests in VLF, VMI is entitled to receive a management fee ("B-Share Management Fee") at an annual rate of 1.5% (0.375% quarterly) of the capital account balance of each investor who owns B-Share Interests as of the last business day of each calendar quarter, calculated and paid in arrears.

With respect to the C-Share Interests in VLF, VMI is entitled to receive a management fee ("C-Share Management Fee") at an annual rate of 1.75% (0.4375% quarterly) of the capital account balance of each investor who owns C-Share Interests as of the last business day of each calendar quarter, calculated and paid in arrears.

The A-Share Management Fee, B-Share Management Fee and C-Share Management Fee are deducted directly from the accounts of investors who own A-Share Interests, B-Share Interests and C-Share Interests, respectively. The A-Share Management Fee, B-Share Management Fee and C-Share Management Fee will be prorated for any period that is less than a full quarter and will be adjusted for contributions made during the quarter. VMI has entered into, and anticipates continuing to enter into, side letter agreements that reduce the standard fee and expense reimbursement arrangements for certain investors.

Vida Capital SARL ("SARL") is a wholly-owned subsidiary of Vida Capital, Inc., and an independent sister company of VCM. For SARL's provision of administrative services to VLF III, it is entitled to a quarterly management fee calculated at an annual rate of 1.00% (0.25% quarterly) multiplied by VLF III's net asset value as of the last business day of each preceding calendar quarter. The VLF III management fee is paid quarterly in advance and is deducted from VLF III's accounts. VLF III is a closed-end partnership and, as a result, redemptions are not permitted and refunds of VLF III

management fees paid in advance will not occur.

During the investment period of VICOF II, VCM is entitled to a quarterly management fee, payable in advance, equal to 1.5% (0.375% quarterly) of investors' commitments in VICOF II. After the investment period expires, the management fee is calculated based on a percentage of a net invested capital or as otherwise described in applicable Governing Documents.

During the investment period of VICOF III, VCM is entitled to a quarterly management fee, payable in advance, equal to 1.5% (0.375% quarterly) of the lesser of net invested capital or aggregate commitments. After the investment period expires, the management fee is calculated based on a percentage of a net invested capital or as otherwise described in applicable Governing Documents.

VCM, as the Delegate Investment Manager of VQ, is entitled to annual fees for its advisory services equal to \$200,000, paid in advance and earned in equal amounts of \$50,000 per quarter.

In connection with the sub-advisory services provided to VIDF, VCM is entitled to receive sub-advisory fees, which are equal to 1.75%, 1.50% or 1.35% per annum of the net value of interests in the Series, depending on the specific class of interests. Except as expressly detailed otherwise in the confidential offering documents of the SALI, the sub-advisory fee shall accrue and be calculated on the net asset value of each class of interests in the Series on the last business day of each calendar quarter. VIDF invests a portion of its investment capital into VLF. Because VIDF pays management fees in respect of its investment in VLF, the management fee paid by VIDF to VCM is net of such management fees to ensure there is no double fee being paid by VIDF.

In connection with the sub-advisory services provided to VIDF II, VCM is entitled to receive sub-advisory fees, equal to a combination of 1.90% per annum and 1.65% per annum of the net value of interests in the Series, depending on the specific class of interests, less the SALI MSF's Fee<sup>3</sup>, less the portfolio fund management fee. Except as expressly detailed otherwise in the confidential offering documents of the SALI MSF, the sub-advisory fee shall accrue and be calculated on the net asset value of interests in Series II on the last business day of each calendar quarter. VIDF II invests a portion of its investment capital into VLF and VICOF II. Because VIDF II pays management fees in respect of its investments in VLF and VICOF II, the management fee paid by VIDF II to VCM is net of such management fees to ensure there is no double fee being paid by VIDF II.

In general, management fees for advisory services offered to separate account clients range up to 2% per annum of committed capital during the investment period and up to 2% of the unreturned capital balance after the investment period, as set forth in applicable investment management agreements or other account Governing Documents. Management fees for advisory services are directly deducted either monthly or quarterly, in advance or in arrears depending on the client, prorated for any period that is less than a full fiscal quarter or month, as

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<sup>3</sup> SALI's Fee ranges from 0.050% to 0.15% depending on AUM.

applicable, and adjusted for additional capital contributions or commitments occurring during the period. Separate accounts are generally offered and structured as commitment-based accounts and, as a result, withdrawals of capital are not permitted, and refunds of any management fees paid in advance will not occur.

#### *Performance Fees and Carried Interest*

With respect to VLF, a performance allocation is payable to VMI (the “VLF Performance Allocation”), one of VCM’s affiliates and general partner to VLF, after taking into account the acquisition costs, premiums and other capitalized costs of maintaining VLF’s assets. The VLF Performance Allocation is calculated differently between the A-Share Interests, B-Share Interests, and C-Share Interests, and has been historically calculated as noted below.

With respect to the A-Share Interests, the performance allocation is equal to 5% of the net amount by which the balance of the capital account of a limited partner who owns A-Share Interests exceeds the highest historical capital account’s balance, not inclusive of any additional investments or redemptions. The performance allocation is generally calculated on a monthly basis and is due and payable annually in arrears.

With respect to the B-Share Interests, the performance allocation is equal to 10% of the net amount by which the balance of the capital account of a limited partner who owns B-Share Interests exceeds the highest historical capital account’s balance, not inclusive of any additional investments or redemptions. The performance allocation is generally calculated on a monthly basis and is due and payable annually in arrears.

With respect to the C-Share Interests, the performance allocation is equal to 15% of the net amount by which the balance of the capital account of a limited partner who owns C-Share Interests exceeds (a) the highest historical capital account’s balance, not inclusive of any additional investments or redemptions and (b) the amount that would be earned at 4% per annum, compounded monthly, on the (i) balance of capital account as of the commencement of the calculation period, *plus* (ii) any credits to the capital account’s balance during the calculation period, to reflect contributions, minus (iii) amounts redeemed on or after the commencement of the calculation period. The performance allocation is generally calculated on a monthly basis and is due and payable annually in arrears.

VCM provided notice of a change to this performance allocation calculation in VLF at the end of the second quarter of 2020, which reduced the potential amount of a performance allocation fee payable to VCM (or its affiliate). VCM noted that it would be adding a 5% preferred return requirement to the A-Share and B-Share Interests and would be raising the noted hurdle amount in the C-Share Interests from 4% to 5%. VCM noted that it (or its applicable affiliate) would not receive any performance allocation in the noted Interest classes in VLF until the net returns were greater than 5%.

With respect to VLF III, VMV will receive, generally at the end of each calendar quarter, 20% of all



net available cash remaining after the payment or deemed payment of any unreturned capital and a preferred return to the client.

VICOF II GP or an affiliate, as the general partner of VICOF II, is entitled to a carried interest which is calculated based on a share of capital gains on or capital appreciation of the assets of the Fund, as negotiated and determined at the time the Fund is established and as set forth in its Governing Documents. The Carried Interest is generally not paid until all investors have received aggregate distributions equal to the sum of their capital contributions to the Fund and subject to a specified, annually compounded preferred return, if any, and a related general partner catch-up provision.

VICOF III GP or an affiliate, as the general partner of VICOF III, is entitled to a carried interest which is calculated based on a share of capital gains on or capital appreciation of the assets of the Fund, as negotiated and determined at the time the Fund is established and as set forth in its Governing Documents. The Carried Interest is generally not paid until all investors have received aggregate distributions equal to the sum of their capital contributions to the Fund and subject to a specified, annually compounded preferred return, if any, and a related general partner catch-up provision.

With respect to VQ, VCM as the Delegate Investment Manager does not receive any performance fees until specific threshold amounts representing capital contributions and profits returned to VQ's investors have been met. Once such thresholds have been achieved, VCM is entitled to 5% of all profits and 20% of all profits above a 10% IRR (internal rate of return) to the investor. During 2020, VCM received \$5M in performance fees and will not receive any further performance fees.

With respect to VIDF, VCM is entitled to a performance fee, paid quarterly in arrears to VCM by the Series, equal to 5% of the net amount by which the capital account of each investor in the Series exceeds the highest historical capital account's balance on a net basis, after taking into account any additional subscriptions and redemptions. VIDF invests a portion of its investment capital into VLF, and as such, changes in the value of the VLF investment related to income (loss) is not a part of the calculation of the performance fee. This is done to ensure there is no double fee paid by VIDF.

With respect to shares held by VIDF II in any Funds advised or sub-advised by VCM, VCM is not entitled to a performance allocation or carried interest.

Separate accounts are generally subject to carried interest of up to 20% after a preferred return to the client.

#### *Additional fees*

In certain instances, VCM may decide that it is in the best interest of the Funds to convert a term life insurance policy held by a Fund into a permanent or universal life insurance policy. In connection with such conversions, the Fund holding the policy being converted will be required to pay conversion premiums with respect to the policy being converted to the life insurance carrier.

Certain affiliates of VCM are licensed insurance agents and may facilitate such a conversion. In this instance, the Fund holding the policy would be obligated to pay the conversion premium to the carrier and the carrier would in turn pay a commission to a VCM affiliate for facilitating the conversion. To mitigate any potential conflict of interest, the amount of any such commission received by an affiliate of VCM will be applied to offset the management fee payable by the Fund that owns the converted policy. If the amount of commission applied to reduce the management fee exceeds the amount of management fee due in any quarter, VCM shall continue to apply the remaining portion of such commission against the management fee for each succeeding quarter until the full amount of the commission has been so applied. If any excess commission remains at the termination or dissolution of the Funds, such excess shall be distributed pro rata to the limited partners (other than any limited partner that elects in writing upon or prior to admission not to receive such excess).

VCM or its affiliates had received compensation in a form of mark-ups generated due to cross-trades between affiliated Funds in the past. These trades generally were priced and traded at their net asset value or net asset value plus a markup. Such markups were retained by the Fund and any difference between the cost basis and the price traded was retained by VCM or an affiliate. There is no intent to do such trades as a general course of business. All cross-trades were reviewed and approved by applicable Fund's Limited Partner Advisory Committee ("LPAC").

Magna Life Settlements, Inc. ("Magna"), an affiliate of VCM, is a licensed originator that facilitates the sale of life insurance policies to Clients. Magna receives origination fees for life settlement assets it facilitates for the Clients. As discussed below in *Item 12. Brokerage Practices*, any fees paid to Magna are considered transaction costs, paid by the Clients, and not offset against the management fees payable by the Funds.

### *Expenses*

VCM and its affiliates generally pay all of their own operating and overhead costs and expenses, including salaries, benefits and rent. In addition to the management fees and performance-related compensation payable to VCM or its affiliates, investors' capital accounts bear the operating fees and expenses charged to the Funds. Separate accounts clients bear similar fees and expenses as the Funds, as agreed upon and set forth in applicable investment management agreements or other Governing Documents. Those fees vary, but typically include, but are not limited to: legal/compliance; research expenses; audit and accounting fees; commitment fees and interest expenses associated with lines of credit established for the Funds or separate accounts; and administrative fees and custodial and transaction costs paid to custodians, brokers and other third parties. Investors should review the Funds' operating and offering documents for further descriptions of expenses paid by the Fund and all fees charged by VCM, custodians and brokers and other third parties to fully understand the total amount of fees to be paid by the Funds. Likewise, separate accounts should review applicable investment management agreements or other account Governing Documents for further descriptions of applicable fees and expenses.

See *Item 12. Brokerage Practices* below for additional information regarding transaction costs.

Certain employees of VCM or its affiliates are registered representatives of an unaffiliated broker-dealer. VCM pays sales-related compensation to such unaffiliated broker-dealer, and the broker-dealer pays a portion of such compensation to those employees who are registered with the broker-dealer in connection with the marketing and sale of interests in VCM's Funds. See *Item 14. Client Referrals* below for additional information.

The types of other fees and expenses incurred will vary from Fund to Fund. Please refer to the Governing Documents of each applicable Fund for more complete information.

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

As discussed in *Item 5. Fees and Compensation*, affiliates of VCM are entitled to receive performance-based compensation from the Clients. The fact that VCM, or one of its affiliates, is compensated based on such profits creates an incentive for VCM to make investments on behalf of the Funds or separate accounts which are riskier or more speculative than would be the case in the absence of such compensation. Also, since the Funds incur varying incentive compensation, there is an incentive for VCM to make trades for certain Funds over others. Incentive-based compensation creates an incentive for VCM to favor Funds or accounts that pay incentive-based compensation over other Funds or accounts that do not pay an incentive-based compensation.

VCM understands the existence of these conflicts, and therefore seeks to ensure that investment opportunities are allocated to the Funds and separate accounts on a fair and equitable basis over time. For example, in 2017, VCM adopted a new process for allocating assets among and between Funds in an effort to enhance its methods for ensuring fair and equitable allocation of investment opportunities over time. Policies identified by VCM for purchase which are only eligible for one particular VCM Client, according to the investment criteria and offering documents of VCM Clients, are allocated to such Client if the Client has available capital. In the event that a policy is eligible to be purchased into multiple Clients, VCM uses an allocation policy, which is summarized as follows. VCM periodically aggregates a list of policies which are eligible for purchase by multiple VCM Clients. All Clients with sufficient capital to purchase policies participate in the allocation process. The process then randomly allocates policies between the VCM Clients after taking into account specific restrictions defined in the respective Funds' Governing Documents. VCM documents such restrictions to the extent they are not part of a Client's Governing Documents. These restrictions include things such as: available capital to be spent by the Client, life insurance carrier concentration, age or life expectancy restrictions, amount of purchase price or face value, and other characteristics which may be identified from time to time. Such restrictions are documented prior to each iteration of the allocation program. The aforementioned process is intended to be a summary of the full allocation process, and the formal VCM Allocation Policy in effect is available to current or prospective investors upon request.

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

As discussed in *Item 4. Advisory Business* above, VCM provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of VCM, and not individually to the Funds' investors. VCM also markets its advisory services to prospective separate account clients.

Details concerning applicable investor suitability criteria are set forth in each Fund's Governing Documents. For example, although VCM has the authority to accept subscriptions for lesser amounts, the minimum investment size in VLF is \$250,000 for B-Share Interests and C-Share Interests, and \$500,000 for A-Share Interests.

Generally, each investor in a Fund is required to meet certain suitability qualifications, such as (a) being an "accredited investor" under Rule 501 of Regulation D of the Securities Act, (b) a "qualified client" as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended or (c) "qualified purchaser" under the Investment Company Act of 1940, where appropriate. Certain separate account clients may be required to meet certain criteria as well, such as the "qualified client" standard.

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

The principal objective of VCM is to preserve the capital of Clients and the investors in the Funds and seek long-term appreciation in the value of separate accounts' and the Funds' assets. VCM will attempt to achieve these objectives by primarily investing in life settlement assets. A life settlement is an existing life insurance policy, sold to a third party for more than its cash surrender value but less than its death benefit. These policies generally insure elderly individuals or businesses and are no longer wanted or needed by the owners due to circumstances changes since the initial issuance of policy.

VCM also considers purchasing other "life settlement assets", such as existing portfolios of life settlements, fractions of life settlements, synthetic instruments and derivative instruments related to life settlements, life settlement-backed notes, annuities tied to life settlements, and other opportunistic investments in mortality and/or longevity-related instruments.

Some of VCM's Funds may also invest in funds managed by "hedge fund" managers and/or other private managers that invest in life settlement assets.

**ALL INVESTING INVOLVES A RISK OF LOSS. THE FOLLOWING RISK FACTORS REPRESENT SOME OF THE UNIQUE RISKS ASSOCIATED WITH INVESTING IN THE FUNDS AND SEPARATE ACCOUNTS MANAGED BY VCM. THE FOLLOWING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE LIST OR EXPLANATION OF THE RISKS INVOLVED. ADDITIONAL RISKS AND UNCERTAINTIES NOT CURRENTLY KNOWN TO VCM OR THAT VCM CURRENTLY BELIEVES TO BE IMMATERIAL MAY ALSO MATERIALLY AND ADVERSELY AFFECT VCM'S INVESTMENT STRATEGIES AND THE VALUE OF INVESTMENTS. INVESTORS AND CLIENTS SHOULD CONSIDER AN INVESTMENT IN A FUND OR SEPARATE ACCOUNT MANAGED BY VCM AS INVOLVING A HIGH DEGREE OF FINANCIAL RISK AND SHOULD THEREFORE CAREFULLY CONSIDER ALL RISK FACTORS SET FORTH IN THE RELEVANT**

**OFFERING, OPERATIONAL, AND/OR GOVERNING DOCUMENTS OR RELEVANT INVESTMENT MANAGEMENT AGREEMENTS OF EACH FUND. EACH PROSPECTIVE INVESTOR OR CLIENT SHOULD CAREFULLY REVIEW AGREEMENTS, OFFERING AND/OR OPERATIONAL DOCUMENTS, AS APPLICABLE, WHICH CONTAIN MORE DETAILED DESCRIPTIONS OF THE RISKS INVOLVED, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE FUNDS OR ENGAGE VCM TO MANAGE A SEPARATE ACCOUNT.**

**Cybersecurity Risk.** Investment advisers, including VCM, must rely in part on digital and network technologies (“Cyber Networks”) to maintain substantial computerized data about activities for Client accounts and otherwise conduct their businesses. Such Cyber Networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or Client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. VCM maintains policies and procedures on information technology security, it has certain technical and physical safeguards intended to protect the confidentiality of its internal data and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about VCM or its Clients or their investors, and/or cause damage to Client accounts or VCM’s activities for Clients or their investors. VCM will seek to notify affected Clients and investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such Clients or investors to unintended parties.

**Uncertainty of Life Settlements Market.** The value of a policy in the life settlements or secondary market depends significantly on the health and medical condition and life expectancy of the insured, life expectancy tables then in use by the life settlement industry, and any changes in general economic conditions, including interest rates, inflation rates, government regulations, overall industry conditions, competition, political conditions, volatility in the financial markets, and legislation at the time VCM may seek to sell the policy. The demand for the purchase, and the liquidity, of in-force policies is uncertain. Therefore, policies acquired by VCM may be over-priced by VCM or its affiliates and/or may not be readily able to be resold in the tertiary market for life insurance if the need should arise for the liquidation of any of the policies.

**Uncertainty of Life Expectancy.** The cost in the life settlements market of the policies that may be obtained by VCM depends, in large measure, upon the life expectancy of the insured life under the policy. The return to the Funds or separate accounts on such purchases is almost entirely dependent upon how accurate the expectancy was as compared to actual life expectancy. Life expectancies are estimates of the expected longevity or mortality of an insured and are inherently uncertain. There can be no assurance that any life expectancy obtained on an insured for a policy

will be predictive of the future longevity or mortality of the insured.

**Insurable Interest Risk.** All states require that the initial owner of a new life insurance policy insuring the life of an individual has an insurable interest in such individual's life at the time of original issuance of the policy. Whether an insurable interest exists at the time of the issuance of a life insurance policy is critical because, in the absence of a valid insurable interest at that time, the life insurance policies would be unenforceable under the laws of most states. When a life insurance policy has been issued to a policy holder without an insurable interest in the life of the individual who is insured, the life insurance company is generally not required to pay the death benefit under the policy, but typically must repay to the owner of the policy certain amounts of premium payments, usually without interest. Generally, there are two forms of insurable interests in the life of an individual: familial and financial. Additionally, an individual is deemed to have an insurable interest in his or her own life. Insurable interest is determined at the inception of the policy. Issuing insurance companies and/or the estates of the insured individual may seek to challenge the insurable interest determination on a policy and a loss thereunder could impact the receipt or retention of payment on the asset. Any determination that a policy purchased by VCM was issued without insurable interest may render the policy void, and thus could potentially impact overall performance.

**Cost of Insurance Increases.** For any policies that may be obtained for the Funds or separate accounts, the Funds or separate accounts will be responsible for maintaining the policies, including paying insurance premiums. If a life insurance company is able to increase the cost of insurance charged for any of the policies, the amounts required to be paid for insurance premiums due for these policies may increase, requiring the Funds or separate accounts to incur additional costs for the policies, which may adversely affect returns on such policies and consequently reduce the resale value of such policies in the tertiary market for life insurance policies.

**Leverage.** VCM may utilize leverage in its management of Funds' assets, including to make premium payments on life insurance policies purchased by the Funds. While leverage presents opportunities for increasing the Fund's total return, it will have the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Funds would be magnified to the extent it is leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds, which would be greater than if the Funds' investments were not leveraged. Leverage will increase the exposure of the Funds to adverse economic factors such as significantly rising interest rates, severe economic downturns or deterioration in the condition of the Funds' investments or their corresponding markets.

**Viatical Settlements Model Act/Legislation.** Groups, including the National Association of Insurance Commissioners ("NAIC"), the National Conference of Insurance Legislators ("NCOIL") and the North American Securities Administrators Association ("NASAA"), had perceived there to be an industry regulatory void and subsequently took action to pass the NAIC & NCOIL Model Acts and subsequent Guidelines Regarding Viatical Investments to protect seniors from over-

reaching by less than scrupulous and forthcoming life settlement brokers and providers. In addition to the states which adopted the guidelines, other states which license insurance purchases follow many of the provisions of the NAIC & NCOIL Model Acts. Most states regulate life settlements through their insurance departments and/or securities administrators.

**Compliance with State Insurance Laws.** Forty-five states have adopted viatical or life settlement laws which require entities that buy or sell life settlement and viatical settlement contracts be licensed in such states. Depending on governmental or judicial interpretation of these laws, it could mean that VCM, its subsidiaries, the Funds or the separate account clients, may be required to be licensed as a viatical or life settlement provider, or purchase policies only through such licensed entities. If that were the case, VCM, its subsidiaries, the Funds or the separate account clients, may not be able to comply with every state's laws, or to renew or prevent revocation of a previously issued license or approval and may be precluded from doing business in any state in which they are unable to obtain or otherwise maintain a required license or otherwise comply with the laws of that state. In the event VCM, its subsidiaries, the Funds or the separate account clients, are not licensed or approved to do business, or has a license suspended, revoked or non-renewed, in any state (or is unable to purchase policies through such a properly licensed entity), VCM, its subsidiaries, the Funds or the separate account clients, may not be able to acquire and then resell policies in such states. The inability to purchase policies from the regulated states may significantly diminish the number of policies available for purchase by the Funds and separate account clients.

**Changes in U.S. Insurance Regulation.** Changes in state and federal statutes, laws and regulations might make it more difficult to purchase and sell policies, thereby hindering the implementation of the Funds' and separate accounts' strategies for acquiring, reselling, holding, or securitizing the policies.

**Risks Relating to Admission of ERISA Investors to the Fund.** VCM intends to conduct the operations of a Fund so that the assets of a Fund will not be deemed to constitute "plan assets" of investors which are subject to the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or the prohibited transaction rules of Section 4975 of the Code ("Benefit Plan Investors"). If, however, a Fund were deemed to hold "plan assets" of Benefit Plan Investors, (i) if any such Benefit Plan Investors are subject to ERISA, ERISA's fiduciary standards would apply to the Fund and might materially affect the operations of the Fund, and (ii) any transaction with the Fund could be deemed a transaction with each Benefit Plan Investor and may cause transactions into which the Fund might enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. In order to avoid having a Fund's assets treated as "plan assets", VCM intends to restrict the acquisition, redemption and transfer of interests to ensure that the ownership interest of Benefit Plan Investors does not become "significant" with respect to any class of a Fund's equity interests (and such restrictions could delay or preclude an investor's ability to redeem or transfer its interests) or may cause an early termination of the Fund.

**Epidemic/Pandemic Risk.** An epidemic or pandemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including VCM's business, and may adversely affect the performance of the global economy, including causing market volatility, business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. VCM has policies and procedures to address known business situations, but because a large epidemic or pandemic may create significant market and business uncertainties and disruptions, not all events that could affect VCM's business can be determined and addressed in advance.

**Work from Home.** In addition, in response to the spread of COVID-19, many businesses, including VCM, have encourage or mandated that their personnel work from home in an effort to help slow the spread of the coronavirus pandemic. Notwithstanding such precautionary measures, VCM may still experience a significant increase in illness of their respective personnel. Work-at-home arrangements could also lead to employee fatigue, reduced collaboration and less optimal communication and supervision relative to traditional office structures which could severely impair our and/or such service providers' operational capabilities, potentially having a detrimental impact on our business and operations. To the extent personnel, as a result of working remotely, rely more heavily on external sources for information and technology systems for their business-related communications and information sharing, that business will likely be more vulnerable to cybersecurity incidents and cyberattacks and could have more difficulty resuming normal operations in the event it is the target of such incident or attack.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to investor's evaluation of VCM or the integrity of VCM's management.

On March 19, 2021, a civil action was brought against VCM, and other related parties, alleging the misrepresentation and failure to disclose in the offering materials of VLF alleged weaknesses in VLF's internal processes and procedures relating to risk and underwriting. The plaintiffs also assert a claim that VCM (and the other defendants) failed to disclose alleged material conflicts of interest pertaining to information that was alleged to be material to investors and should have been provided to investors prior to making a decision as to whether to invest in the Fund. VCM and the other defendants deny the allegations made and will be defending themselves accordingly.

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

While assets acquired may be subject to challenge on insurable interest grounds as previously noted, VCM intends to invest only in life settlement assets where there is a clear expectation of payment upon policy maturity. VCM believes that the key to ensuring such payment is a rigorous due diligence process on the part of licensed and regulated companies that facilitate the sale of policies to investors by identifying, examining, and acquiring the policies as agent for the



purchasers (each an “Originator”). Magna Life Settlements, Inc. (“Magna”), an affiliate of VCM, is a licensed Originator that employs a detailed quality assurance program when evaluating policies. By working with an affiliated Originator, VCM can verify that the policies it purchases for the Funds and separate accounts are originated in strict adherence with state and federal laws and compliant with internal due diligence and quality assurance processes. Magna receives origination fees for life settlement assets it facilitates for the Funds and separate accounts. As discussed below in *Item 12. Brokerage Practices*, any fees paid to Magna are considered transaction costs, paid by the Fund or separate account, and they are not credited to reduce the management fees owed by the Fund or the separate account. Notwithstanding the foregoing, the Funds and separate accounts may also engage additional, non-affiliated Originators. All prospective investors will be informed of the affiliation between VCM and Magna, and thus be aware of this incentive prior to the time they invest capital in a Fund.

Magna also offers educational information to investment advisers (and other third parties) and their clients about life settlement options for qualified policy owners. Certain third-party investment advisers may have also recommended an investment in the Funds to these same clients. Consequently, there is a possibility that Magna may originate a life settlement asset for purchase by one of VCM’s Clients that was sold by an investor in one of the Funds.

Merion Square Capital LLC (“MSC”), an investment adviser registered with the Securities and Exchange Commission, is a joint venture between Vida Capital Inc. and Rewire Holdings LLC founded in 2018. MSC is an alternative investment manager focused on ILS, with an emphasis on Property and Casualty insurance. MSC pursues materially different investment strategies and asset classes than VCM. The CEO of Vida Capital Inc., Mr. Jeffrey Serra, the Chief Financial Officer of VCM, Mr. Christopher Munson, and the President of VCM, Mr. William Tice, are also on the Investment Committee of MSC, and Mr. Munson and Mr. Tice also serve on the Board of Directors of MSC. In addition, the Chief Compliance Officer of VCM, Mr. Stephen Kirkwood, is also the Chief Compliance Officer of MSC.

In addition, certain of VCM’s ultimate owners, and their affiliates (“Parent Entities”) conduct other investment activities not related to the investment activities of VCM. However, these activities do not present a material conflict of interest for VCM. The Parent Entities and their affiliates conduct their investment activities within a different asset class than VCM and do not make any day- to-day investment decisions for VCM.

Mr. William Tice, President and Mr. Brian O’Grady, along with three other employees of VCM or its affiliates, are registered representatives of Britehorn Securities, which is registered with the SEC as a broker-dealer and is a member of the Financial Industry Regulatory Authority (“FINRA”). See *Item 14. Client Referrals* below for information regarding VCM’s arrangement with Britehorn Securities.

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

To avoid potential conflicts of interest and mitigate risks involving personal trades, VCM and its affiliates have adopted written personal trading policies and procedures for their employees that include a formal Code of Ethics (the “Code”) and insider trading policies and procedures. Procedures have been adopted to ensure compliance with the provisions of the Code, including pre-approval of certain personal securities transactions, annual affirmations of compliance, and regular reviews of holdings and transactions. VCM and/or the officers or employees of VCM and its affiliates are generally not permitted to trade in the same asset that has been purchased for the Funds or separate accounts except when participating directly through an investment in the Funds or when the matter has been disclosed, reviewed and approved by VCM’s compliance group.

In the past, VLF traded with affiliated parties from time to time, and each such trade was reviewed with and approved by its LPAC. These trades generally were priced and traded at net asset value or a markdown of net asset value plus 1%. The 1% markup in value would be realized by VLF and any difference in the value sold and cost basis would be retained by VCM, VMI, or an affiliate. Generally, VLF no longer engages in such trades. If such a trade were to occur, the asset would be traded at its net asset value and would be reviewed and approved by the LPAC.

A copy of VCM’s Code of Ethics can be reviewed by an investor or prospective investor upon request.

## **Item 12. Brokerage Practices**

VCM is focused on making investments primarily in life settlement assets. As discussed in *Item 10. Other Financial Industry Activities and Affiliations* above, this entails a due diligence process on the part of licensed and regulated companies, such as VCM’s affiliate, Magna Life Settlements, Inc., which facilitate the sale of policies to Clients by identifying, examining, and acquiring the policies as agent for the purchasers. As Funds and separate accounts acquire life settlement policies, the Funds and separate accounts typically pay a market-based origination fee as part of the cost of acquisition of each policy. This is a transaction cost, which is part of the capitalized cost basis of each policy and is ultimately borne by the relevant Fund or separate account. Where VCM uses a third-party originator, which is extremely rare, VCM attempts to negotiate the best possible price and transaction costs for the Fund or separate account. If VCM uses Magna (VCM’s affiliate Provider and originator), which is typically the case, VCM adheres to strict guidelines in an effort to seek the best possible transaction price and costs to the Fund or separate account. Where VCM chooses to purchase life settlement policies for a Fund or separate account from Magna, the transaction costs paid by the Funds or separate accounts to Magna are generally 1% of face value of each life settlement policy, however fees paid to Magna may be less than 1% of face value and certain Funds have negotiated a lower fee schedule in specific circumstances. VCM generally utilizes Magna to effect purchases and sales of life settlement policies for the Funds and separate accounts unless Magna is not licensed to operate in a particular state and thus cannot effectuate a transaction involving a policy holder in that state.

The fact that Magna is affiliated with VCM creates an incentive for VCM to purchase life settlement policies for the Funds and separate accounts from Magna due to the common ownership of VCM

and Magna, rather than on the Funds' and separate account clients' interest in receiving most favorable overall execution. In selecting providers or originators to effect life settlement transactions, VCM seeks best overall execution and considers such factors as life settlement policies offered, origination rates, price, the ability of the originator to effect the transaction, the due diligence process, the originator's maintenance of state licenses, the originator's facilities, reliability and financial responsibility and the provision of, or payment for, the costs of research-related products or services that are of benefit to the Funds, separate account clients or VCM and related accounts. VCM does not have an obligation to seek the lowest available fees and other costs and considers qualitative factors when considering execution price. Accordingly, if VCM determines in good faith that the amount of any fees and other compensation charged by an originator are reasonable in consideration of the value and quality of the execution and/or research-related goods and services provided by such originator, the Funds and separate accounts may pay fees and other compensation to such originator which are greater than those another might charge.

To the limited extent VCM transacts in public securities, it intends to select brokers based upon the broker's ability to provide best execution for the Funds and separate accounts. VCM is generally authorized to make the following determinations, subject to each Fund's and separate account's investment objectives and restrictions, without obtaining prior consent from the relevant Funds or any of their investors: (1) which securities or other instruments to buy or sell; (2) the total amount of securities or other instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

VLF has traded with affiliated parties in the past and may do so again in the future, however there is no intent to do so as a general course of business or as an investment strategy. Such trades are reviewed with and approved by its LPAC, as detailed further in VLF's limited partnership agreement. These trades generally are priced and traded at net asset value or a markup of net asset value plus 1%.

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

VCM focuses primarily on investments in life settlement assets. A "buy-and-hold" approach is generally taken with respect to the investments purchased for the Funds and any separate accounts, but if VCM believes there is a basis to sell assets and replace/acquire additional assets, it will do so accordingly. The Funds' and separate accounts' progress is carefully reviewed and monitored on a monthly basis by VCM.

VCM's communication with investors differs from Fund to Fund, however generally, VCM (or the respective fund administrator) provides all Fund investors and separate account clients with a quarterly report and account statements in writing. Additionally, on an annual basis, VCM provides audited financial statements for each Fund to such Fund's investors and also a copy of the VCM Privacy Policy if any changes have occurred since the prior year.

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

VCM makes payments to third parties, which are registered as broker-dealers, for introducing potential investors to the Funds or for separate accounts managed by VCM. Aside from management fees and incentive-based compensation received by VCM and its affiliates and fees paid to Magna from which VCM and its owners indirectly benefit, VCM does not receive any other economic benefits from non-investors or non-clients in connection with the provision of investment advice to the Funds and separate accounts. Fund investors who subscribe through an authorized dealer, placement agent, or other third party may be subject to a sales charge in accordance with a prior written disclosure provided to such investors. All or a portion of any such subscription charge is paid to authorized dealers, placement agents, or independent third parties other than VCM for services provided in connection with the solicitation of subscriptions. Any applicable subscription charge is paid to the recipient out of the investor's capital contribution. Such subscription charges paid out the investor's capital contribution amount are disclosed, reviewed, and approved by the investor during the subscription process.

With respect to referral fees or commissions paid to third parties, certain employees of VCM or its affiliates are registered representatives of Britehorn Securities, which is registered with the SEC as a broker-dealer and is a member of FINRA. Britehorn Securities is not an affiliate of VCM. VCM or an affiliate (typically the general partner of the applicable Fund in which interests are sold) pays Britehorn Securities in connection with sale of securities of such Fund effectuated by such employees who are registered with Britehorn Securities. Britehorn Securities pays some portion of such payments to those registered representative-employees in connection with the marketing and sale of interests in the Funds, and therefore, such registered representative-employees are incentivized to recommend the Funds. Investors should recognize that any parties, including employees of VCM or its affiliates who are registered representatives of Britehorn Securities and other third parties who are compensated for introducing potential investors to a Fund may be influenced by their interests in current or future fees received in connection with the referral. Investors should be aware of the inherent conflicts of interest when making their investment decisions. As mentioned previously, investors are made aware of any subscription charge in writing prior to making any investment in a Fund.

## **Item 15. Custody**

VCM and/or its affiliates are deemed to have custody of the Funds' cash and securities. VCM maintains custody of such assets in the name of one or more Funds with unaffiliated qualified custodians who generate account reports and statements for the Funds. These reports are monitored by VCM or its affiliates and, generally, by a third-party administrator to ensure accuracy and consistency with reports generated by VCM or its affiliates.

Custody decisions with respect to any investments VCM sub-advises are made by the advisor or manager. Generally, VCM has access to Fund assets and separate account clients' assets since its affiliates serve as the general partners or managers of the Funds or in a similar capacity for the separate account clients. Fund investors may not receive statements directly from the

custodians, but generally will receive them from the respective fund administrators. The Funds are subject to an annual audit and the audited financial statements are distributed to each investor in accordance with certain custody requirements under the Advisers Act. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year ends.

With respect to separate account clients, VCM is not deemed to have custody. Qualified custodians send quarterly, or more frequent, account statements directly to a separate account client. Separate account clients should carefully review these statements. Separate account clients will also generally receive account statements from VCM. Clients are urged to compare the account statements they receive from qualified custodians with those they receive from VCM.

## **Item 16. Investment Discretion**

As discussed previously, VCM generally has discretionary authority to determine, without obtaining specific consent from the Funds, their investors, or separate account clients, the amounts and types of assets, securities and other instruments to be bought or sold. Any limitations on authority are discussed in detail in the Funds' respective private placement memorandums, investment management agreements, or other offering and Governing Documents.

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

Due to the nature of VCM's investment programs and the types of investments made on behalf of the Funds and separate account clients, VCM is rarely requested to vote the proxies of traditional operating companies. Given the fact that the Funds and separate account clients primarily invest in life settlement policies and other life settlement assets, it is more common for VCM to receive requests related to amendments, consents, and/or resolutions as a result of investments in life settlement assets.

However, to the extent any Funds or separate accounts receive proxies, VCM will vote proxies in a manner that it believes maximizes the value of the Funds' and separate account clients' investments. In so doing, VCM may take into consideration recommendations made by third-parties, such as attorneys and independent actuaries.

VCM will not neglect its proxy voting responsibilities, but VCM may abstain from voting if it deems that abstinence is in the Funds' or separate account clients' best interests. The Chief Compliance Officer will ensure that documentation, such as meeting minutes or a separate memorandum, is maintained that describes the rationale for any instance in which VCM does not vote a Fund's or separate account client's proxy.

If VCM determines that it is faced with a material conflict of interest in voting proxies, an Advisory Committee (the "Committee") will be convened and will determine the appropriate vote. Decisions of the Committee are nonbinding. If a unanimous decision cannot be reached

by the Committee, a competent third party will be engaged, at VCM's expense, who will determine the vote that will maximize the applicable Fund's or separate account's value. As an added protection, the third party's decision is binding.

VCM's proxy voting policy and procedures are memorialized in writing and are available for review by investors and prospective investors. In addition, VCM's proxy voting record is available to Fund investors and separate account clients, but only to Fund investors for the Funds in which they are invested and separate account clients for their accounts. Please contact VCM if you have any questions or if you would like to review either of these documents.

In addition, if class action documents are received by VCM on behalf of the Funds and/or separate account clients, VCM will ensure that the Funds and separate account clients either participate in, or opt out of, any class action settlements received. VCM will determine if it is in the best interest of the Funds and separate account clients to recover monies from a class action. The Chief Compliance Officer will determine the action to be taken when receiving class action notices. In the event VCM opts out of a class action settlement, VCM will maintain documentation of any cost/benefit analysis to support its position.

## **Item 18. Financial Information**

VCM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients. VCM has never filed for bankruptcy, does not collect management fees six months or more in advance, and is not aware of any financial condition that is expected reasonably likely to impair its ability to manage accounts or meet its contractual commitments.