

**FORM ADV PART 2A: FIRM BROCHURE**

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**NEW VERNON INVESTMENT MANAGEMENT LLC**

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**March 30, 2021**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF NEW VERNON INVESTMENT MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 847-926-5700. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.**

**ADDITIONAL INFORMATION ABOUT NEW VERNON INVESTMENT MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

**REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

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## **MATERIAL CHANGES**

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New Vernon Investment Management LLC (“NVIM”) previously filed a brochure with the Investment Adviser Registration Depository dated March 30, 2020. There are no material changes to be disclosed since our previous filing.

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## ADVISORY BUSINESS

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NVIM is a Delaware limited liability company and is the surviving entity of a Delaware migratory merger, effected on August 23, 2010, with Millennium Group, LLC, an Illinois limited liability company. Millennium Group, LLC was founded in 1998 to provide trading and asset management services to U.S. and foreign investors and clients. NVIM is managed by Steven Shapiro and is principally owned by NV Capital Holdings II, LLC (“NVCH II”), a financial services holding company in which members of the Shapiro family hold a non-controlling minority interest.

NVIM acts as a discretionary investment adviser to several private investment funds sponsored by NVIM and its affiliates (the “NVIM Funds”). As of the date hereof, NVIM advises private investment funds, grouped into 2 “master-feeder” structures (referred to herein as the “Global Opportunities Funds” and the “Insurance Funds,” respectively) and 1 stand-alone fund (referred to herein as the “Global Fixed Income Fund”). NVIM has the flexibility to employ a broad array of investment strategies on behalf of the NVIM Funds that NVIM determines are consistent with the NVIM Funds’ investment objectives. The specific investment objectives and strategies utilized by the NVIM Funds vary between the different fund families, as further described below. See “*Methods of Analysis, Investment Strategies and Risk of Loss.*”

In addition to advising the NVIM Funds, NVIM also offers discretionary advisory services to managed accounts (the “Client Accounts”), which may be owned by private investment funds sponsored by third-party advisers or other clients. The terms, nature and scope of such advisory services may be negotiated by NVIM and the applicable client, based on the client’s specific financial and investment objectives, risks and goals.

As of December 31, 2020, NVIM managed approximately \$88,952,590 of client assets on a discretionary basis.

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## FEES AND COMPENSATION

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NVIM charges both asset-based “management fees” and performance-based “performance fees” to the NVIM Funds (with the exception of the Global Fixed Income Fund, which is charged management fees only).

With respect to its management of the Global Opportunities Funds, NVIM generally receives a quarterly asset-based management fee equal to approximately 0.375% (approximately 1.5% per annum) of the net asset value of the fund family. With respect to its management of the Insurance Funds, NVIM generally receives a monthly asset-based management fee equal to approximately 0.083% (approximately 1.0% per annum) of the net asset value of the fund family. With respect to its management of the Global Fixed Income Fund, NVIM generally receives a quarterly asset-based management fee equal to approximately 0.1875% (approximately 0.75% per annum) of the net asset value of the Global Fixed Income Fund, payable in advance as of the first business day of each calendar quarter.

NVIM has in the past, and may in the future, in its sole discretion, waive or reduce the management fee with respect to certain NVIM Funds and/or any investor in the NVIM Funds, including its affiliates or employees. Management fees are paid by the NVIM Funds by the deduction of such fees from the funds’

assets. The performance fees paid by the NVIM Funds are described below in “*Performance Based Fees*.”

With respect to its management of a Client Account, NVIM may charge either or both an asset-based “management fee” and/or a performance-based “performance fee,” which may be higher or lower than the fees paid by the NVIM Funds. The types and amounts of fees payable in respect of a Client Account will be set forth in an investment advisory agreement between NVIM and the applicable client and may be negotiated based on a variety of factors, including, but not limited to, the size, composition and complexity of the Client Account, length and nature of NVIM’s relationship with the client, special services agreed upon with the client or other factors deemed relevant by NVIM. Additionally, in some cases, NVIM’s affiliate, SFI, may receive rebates from Pershing, LLC for certain administrative and/or recordkeeping services based on the average amount of Client Account cash balances invested through a money market program as described below in “*Client Referrals and Other Compensation*.”

NVIM has also entered an arrangement with a third-party investment adviser pursuant to which NVIM receives an annual fixed fee in exchange for NVIM’s dissemination of historic portfolio data relating to the NVIM Funds. In addition, NVIM may receive a discretionary bonus calculated in the manner as such client may determine in its sole discretion.

**Other Fees and Expenses.** The NVIM Funds will incur other expenses in connection with NVIM’s advisory services. NVIM’s fees do not include transaction fees, brokerage commissions, custody fees and other related costs and expenses that will be incurred by the NVIM Funds with respect to the transactions for their account. The NVIM Funds will also bear the investment management or other fees charged by any mutual funds, exchange-traded funds or collective investment vehicles in which they may invest, as disclosed in the prospectus for the applicable fund.

Each NVIM Fund has incurred legal and organizational expenses in connection with its formation and offering, which will be borne by the applicable NVIM Fund (and, therefore, indirectly by its investors). In addition, the NVIM Funds will also bear ongoing expenses, which may include, without limitation, legal, bookkeeping, accounting, auditing, recordkeeping, administration, computer and clerical expenses (including expenses incurred in preparing reports and tax information and regulatory authorities and expenses for specialized administrative services); filing fees; the costs of any future restructuring of such fund and/or updates to such fund’s organizational and offering documents; printing and duplication expenses; investment related travel expenses, investment research expenses, market data, newswire and data processing expenses; software and connectivity charges; brokerage commissions, bank charges, custody fees and borrowing costs; exchange, board of trade or other trading or execution facility membership or participation expenses; reasonable costs of attending directors’ meetings; annual registration fees; directors’ fees; directors’ and officers’ liability insurance; investment and operating expenses; and such other expenses necessary to perform the operation of such fund. The NVIM Funds will also be responsible for any applicable extraordinary expenses of such fund (including taxes, indemnification costs, litigation costs, trade errors or damages).

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## PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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As compensation for its management of the Global Opportunities Funds and the Insurance Funds, NVIM or NVP (as defined below) also will be entitled to receive a performance-based fee or allocation from each fund family. This performance-based compensation generally is equal to 20% (with respect to the Global Opportunities Funds) or 10% (with respect to the Insurance Funds) of the net increase in value (if

any) of each investor's equity interest in the applicable NVIM Fund (including both realized and unrealized gains and losses) over the applicable measurement period, after payment of the management fees described above and recovery of losses experienced by such investment in prior measurement periods.

This performance-based compensation is calculated and payable annually as of the end of each year or upon withdrawal by an investor of all or part of its investment in the NVIM Fund. NVIM and NVP have in the past, and may in the future, waive, reduce or otherwise vary this compensation with respect to certain NVIM Funds and/or any investor in the NVIM Funds, including affiliates and/or employees of NVIM or its affiliates.

With respect to its management of a Client Account, NVIM may charge a performance-based fee in addition to, or in lieu of, an asset-based management fee. The amount and payment terms associated with any such fee may be subject to negotiation between NVIM and the client, as described above. See "*Fees and Compensation*."

**Conflicts of Interest Related to Performance-Based Compensation.** As noted above, unlike the other NVIM Funds, the Global Fixed Income Fund does not pay performance-based compensation to NVIM or its affiliates. In addition, certain Client Accounts may not pay such performance-based compensation or, conversely, may pay a higher rate of performance-based compensation than that paid by the other NVIM Funds. This gives rise to a potential conflict of interest, as NVIM may have an incentive to favor the accounts of clients for which it or its affiliates receive performance-based compensation (or receive higher amounts of performance based compensation) over accounts for which they receive only an asset-based fee (or receive lower amounts of performance-based compensation) by, for example, seeking to allocate more profitable investment opportunities to the accounts for which NVIM or its affiliates receive performance-based compensation. Due to differences in their respective trading programs, NVIM generally does not anticipate that the Global Fixed Income Fund or the Client Accounts currently managed by NVIM will be competing with the other NVIM Funds for limited investment opportunities. However, in the event that the NVIM Funds and/or other Client Accounts seek to effect trades in the same securities, NVIM has implemented aggregation and allocation procedures to allocate the securities bought or sold between the applicable clients on a fair and equitable basis over time. See "*Brokerage Practices*" below.

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## TYPES OF CLIENTS

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Currently, NVIM provides investment advice primarily to private investment funds operated by NVIM or its affiliates. NVIM operates certain of the NVIM Funds in reliance upon the exclusion from the definition of an "investment company" described in Section 3(c)(1) of the Investment Company Act of 1940, as amended (the "1940 Act"). In order to qualify for this exclusion, investment in such NVIM Funds is generally limited to no more than 100 U.S. persons who are "accredited investors," as defined in Rule 501 of Regulation D under the Securities Act of 1933, as well as non-U.S. investors. In general, the definition of "accredited investor" includes (a) individuals with either (i) \$200,000 in annual income, (ii) \$300,000 in joint annual income with his/her spouse, or (iii) \$1 million in net worth, excluding his/her primary residence and certain related indebtedness; and (b) entities (i) with \$5 million in assets, or (ii) which are wholly-owned by other accredited investors.

NVIM also operates certain of the NVIM Funds in reliance upon the exclusion from the definition of an "investment company" described in Section 3(c)(7) of the 1940 Act. In order to qualify for this exclusion, investment in such NVIM Funds is generally limited to U.S. persons who are "qualified

purchasers,” as defined in Section 2(a)(51) of the 1940 Act, as well as non-U.S. investors. In general, the definition of “qualified purchaser” includes individuals with \$5,000,000 or more in “investments” (as defined by the U.S. Securities and Exchange Commission (“SEC”)) and entities with \$25,000,000 or more in “investments,” as well as certain other specified categories of entities.

NVIM also provides investment advisory services to a limited number of Client Accounts. Currently, NVIM advises one Client Account owned by an insurance company and one Client Account owned by a fund of funds. NVIM has also entered into a research contribution agreement with an unaffiliated investment adviser, to whom NVIM provides certain dated information regarding the trading and portfolio composition of certain NVIM Funds.

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## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### **NVIM Fund Strategies**

Each of the NVIM Fund families has unique investment objectives and strategies, based upon the specific investment focus of the applicable fund.

**Global Fixed Income.** The primary investment objective of the Global Fixed Income Fund is to provide investors with non-U.S. currency diversification by investing in a diversified portfolio of non-U.S. fixed income securities, with a focus on non-U.S. sovereign debt, in local currencies. Through an analysis of fundamental economic indicators, such as monetary and fiscal governmental policies, political stability, and market data, NVIM seeks to identify countries that are viable investment candidates, and then screens within these countries in an effort to identify bonds that exhibit relative value.

**Global Opportunities.** The primary investment objective of the Global Opportunities Funds is to achieve capital appreciation through investment in a variety of securities and derivatives instruments, with a focus on securities or derivatives related to, or believed to be affected by, global growth and emergence of middle-class consumers in developing markets, based on NVIM’s analysis of various fundamental factors. NVIM seeks to capture the higher returns that it believes are offered by emerging market investments, while seeking to minimize draw-downs caused by the volatility of such investments, by implementing a “core equity” investment process, and simultaneously employing supplemental “pairs trading” and “macro trading” strategies in an attempt to provide additional return and enhance diversification.

**Insurance.** The primary investment objective of the Insurance Funds is to employ the insurance and investment industry experience of certain of NVIM’s principals to earn superior risk-adjusted returns in insurance and insurance-related securities. The Insurance Funds primarily focus on the U.S. property/casualty sector within the insurance industry, but may also invest in insurance brokers and the life and health insurance sectors. In its trading on behalf of the Insurance Funds, NVIM utilizes a value-based fundamental approach in an effort to identify undervalued securities for investment, as well as potential short sale candidates.

### **Client Account Strategies**

NVIM may manage the assets of other Client Accounts pursuant to one or more of the strategies described above, or may provide customized advisory services to such clients, as agreed between NVIM

and the applicable client. The Client Accounts currently advised by NVIM employ a modified version of the Insurance Funds' strategy, subject to specific guidelines agreed upon between NVIM and the clients.

### **Certain Risk Factors.**

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential clients should consider the following risks before engaging NVIM to manage their assets.

**Reliance on Fundamental Analysis.** NVIM may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading methodologies consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, a fundamental trading program may not be able to detect and/or accurately predict price trends. There can be no guarantee that NVIM's fundamental analysis and trading methodologies will enable NVIM to accurately value the securities and other instruments in which the NVIM Funds or Client Accounts invest or that any anticipated price trends will materialize with respect to such investments.

**Changes in Trading Approach.** NVIM may not follow one specific investment strategy, but rather, may employ different trading strategies which NVIM feels are consistent with an NVIM Fund's or Client Account's investment objective. Because NVIM may change an NVIM Fund's allocation of assets among a variety of diverse investments and strategies at any time, investors in an NVIM Fund or Client Account may be exposed to the risks associated with each of those investments and strategies but may not know at the time of investment, or over the duration of their investment, the precise nature of such exposure. An investment in an NVIM Fund or Client Account therefore may involve a high degree of uncertainty and investors may be exposed to a significant degree of risk.

**Trading on Exchanges in Non-U.S. Jurisdictions.** The NVIM Funds and Client Accounts may engage in trading on exchanges outside the United States. Trading on such exchanges is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. For example, some foreign exchanges are "principals markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of an exchange or clearing organization. Moreover, such trading may be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect an NVIM Fund's trading activities. The risks of investing in non-U.S. securities and other financial instruments may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets and higher brokerage commissions and custody fees. Furthermore, foreign trading is also subject to the risk of changes in the exchange rate between United States dollars and the currencies in which products traded on such exchanges are settled. Some foreign futures exchanges require margin for open positions to be converted to the "home currency" of the contract. Additionally, some brokerage firms have imposed this requirement for all foreign futures markets traded, whether or not it is required by a particular exchange. Whenever margin is held in a foreign currency, the applicable NVIM Fund or Client Account is exposed to potential gains or losses if exchange rates fluctuate.

**Investments in Emerging Markets.** Where an NVIM Fund or Client Account invests in emerging market securities or related instruments, such NVIM Fund or Client Account will be subject to certain additional risks that are not usually associated with similar investments in the U.S. and other



industrialized democracies including fluctuation in currency exchange rates, the imposition of exchange control regulations, the possibility of expropriation decrees, more limited information about issuers and their operations, different accounting standards, and smaller, less liquid markets. Investment in emerging market countries carries a high degree of risk.

**General Economic and Market Conditions.** The success of NVIM's investment activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, climate change, local epidemics and global pandemics, national and international political circumstances (including wars, terrorist acts or security operations), and changes in laws that could have a negative impact on the national, regional or global economy and business activity in any of the countries in which any NVIM Fund or Client Account may invest and thereby adversely affect the performance of any such client's investments. These factors may affect the level and volatility of securities prices and the liquidity of the investments of any NVIM Fund or Client Account. Unexpected volatility or illiquidity could impair the profitability or result in losses for any NVIM Fund or Client Account.

**Sovereign Debt.** NVIM may invest in sovereign debt securities on behalf of the NVIM Funds and Client Accounts, including debt obligations issued or guaranteed by national, state or provincial governments, political subdivisions or quasi-governmental or supranational entities, in developed and emerging markets. Certain sovereign debt may have non-investment grade ratings or be in distress or even default. Sovereign debt issued by many emerging market countries is considered to be below investment grade, and should be viewed as speculative with respect to the issuing government's ability to make payments on interest and principal. Risks that are inherent in sovereign debt, such as the ability of the issuing country to make timely payments, amounts outstanding, market liquidity, limited legal recourse, economic and fiscal factors affecting the price of the sovereign debt, and other external factors, all could have a material impact on the market value of the securities in which NVIM Funds and Client Accounts may invest. Additionally, all the aforementioned risks inherent in sovereign debt may impact the ability of NVIM to execute hedging strategies involving sovereign debt.

**Trading in Currencies.** Certain NVIM Funds and Client Accounts may trade currencies in interbank and forward contract markets which NVIM believes to be well-established and of recognized standing. Nonetheless, the NVIM Funds and Client Accounts may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the fund's position, with little or no prior notice. Among other things, price movements of foreign currencies are influenced by interest rates, changes in balance of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations and various other unpredictable factors. Although certain currency trades may be effected through exchange-traded instruments, the foreign currency market remains predominantly an over-the-counter market, and is therefore subject to the risks typical to over-the-counter trading. See "*Certain Risk Factors – Over-the-Counter and Other Derivatives Trading in General*" below. NVIM may effect such trades with brokers, banks and other market participants which it believes to be creditworthy.

**Fixed-Income Investments.** NVIM may invest in fixed-income instruments on behalf of the NVIM Funds and Client Accounts. The value of fixed-income instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income instruments can be expected to rise. Conversely, when interest rates rise, the value of such instruments can be expected to decline. Investments in lower rated or unrated fixed-income instruments, while generally providing greater opportunity for gain and income than investments in higher rated instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such instruments).

**High Yield Securities.** NVIM may invest on behalf of the NVIM Funds and Client Accounts in “high yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer’s capacity to pay interest and repay principal. They also are generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

**Equity Securities.** NVIM will trade in equity securities on behalf of the NVIM Funds and Client Accounts. Common stock and similar equity securities generally represent the most junior position in an issuer’s capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. NVIM may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

**Small- to Micro-Cap Stocks.** NVIM may invest in small- to micro-cap companies on behalf of the NVIM Funds and Client Accounts. While smaller companies may have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger corporations. In addition, the NVIM Funds and Client Accounts may be unable to sell certain small- or micro-cap stocks at an advantageous time or price. In most cases, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an investment in these stocks may be considered less liquid than an investment in many larger-capitalization stocks, making purchases or sales at desired prices or in desired quantities more difficult. When making large sales, it may be necessary to sell the securities at discounts from quoted prices or to make a series of small sales over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, such stocks may be required to be held for a lengthy period of time and often require more time to sell and result in higher selling expenses than does the sale of securities for which there is an active market. In some cases, an NVIM Fund’s or Client Account’s disposition of the securities may be dependent upon a major issuer liquidity event (i.e., a sale of the issuer).

**Trading in Options.** Among the instruments that the NVIM Funds and Client Accounts may trade are options. An option is a right, purchased for a certain price, to buy or sell an underlying instrument or product during or at the end of a certain period of time (the “expiration”) for a fixed price (the “strike price”). The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. For example, if NVIM buys an option for an NVIM Fund or Client Account, that fund or account will be required to pay a “premium” representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset

relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, the client may lose the entire amount of the premium. Conversely, if NVIM sells an option on behalf of an NVIM Fund or Client Account, that fund or account will be credited with the premium, but will have to deposit margin due to its contingent liability to deliver or accept the underlying instrument or product in the event that the option is exercised. Sellers of certain options are subject to unlimited risk of loss, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may be restricted in the event that trading in the underlying instrument or product becomes restricted.

**Over-the-Counter and Other Derivative Instruments in General.** NVIM may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Derivative instruments may not be liquid in all circumstances, so that in volatile markets NVIM may not be able to close out a position without incurring a loss to the NVIM Funds or Client Accounts. Trading in derivative instruments also may result in large amounts of leverage, which may magnify the gains and losses experienced by the NVIM Funds and Client Accounts, as well as the volatility in their investment portfolios. NVIM may trade over-the-counter derivative instruments including swap transactions, forward foreign currency transactions and derivatives on bonds and other fixed income securities. Over-the-counter instruments, unlike exchange traded financial instruments, are negotiated, two-party contracts. Because performance of over-the-counter instruments is not guaranteed by any exchange or clearinghouse, the NVIM Funds and Client Accounts will be subject to the risk of the inability or refusal to perform with respect to such instruments on the part of the counterparties with which they trade.

**Commodities and Futures Trading.** NVIM may invest in certain futures products on behalf of its clients. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain futures contracts, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures prices may be highly volatile, and can be influenced by a wide range of macro- and micro-economic variables. Futures trading also is subject to various regulatory limitations, including limitations on the maximum net long or net short positions that any trader (such as NVIM) may hold or control in particular futures contracts and limitations on daily price movements, which could limit NVIM's ability to trade futures under certain circumstances. Because futures contracts are typically traded on "margin"—meaning that only a small portion of the total value of the futures contract must be posted with a broker to establish a futures position—a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin.

**Illiquid Investments.** The securities and other instruments in which certain NVIM Funds and Client Accounts may invest include assets that are subject to legal or contractual restrictions on their resale (e.g., securities issued by privately-held entities) or for which there is a relatively inactive, "thin" or illiquid trading market, making purchases or sales at desired prices or in desired quantities difficult or impossible. Illiquid investments may be required to be held for a lengthy period of time and often require more time to sell and result in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or for which there is an active over-the-counter market. In addition, due to thin trading in certain securities or other instruments, investments in such securities or instruments may be less liquid than alternative investments for which there is a more

active trading market, which could cause NVIM to suspend a fund's net asset value calculations and/or withdrawals and/or take other steps to manage the illiquidity associated with such investment. Therefore, investments in illiquid or thinly-traded securities or other instruments may reduce the returns to investors because NVIM may be unable to sell the illiquid or thinly-traded securities or other instruments at an advantageous time or price.

**Risks Associated with Seeking to Influence Management.** Certain NVIM Funds or Client Accounts may seek to influence or change management or management decisions of a company in which the fund has an investment, which may subject NVIM and the fund to various, and potentially burdensome, disclosure and filing obligations under applicable law. Furthermore, if NVIM becomes involved in the affairs of such a company, NVIM may receive material non-public information regarding the company, which could restrict its clients' ability to buy or sell securities of the company at advantageous times or prices. If an NVIM Fund or Client Account were to become an "insider" of a public company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, the fund or account would become subject to the "short-swing profits" recovery provision of Section 16, which would require the fund or account to disgorge any "profits" made from any purchase and sale, or any sale and purchase, of the company's securities within a 6-month period. Finally, there can be no assurance that NVIM will succeed in any efforts to influence or change the management or management decisions of an issuer or that, if successful in bringing about a requested change or causing the issuer to take a particular action, the value of any NVIM Fund's or Client Account's investment in the issuer will increase.

**Turnover.** An NVIM Fund's or Client Account's capital may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions, mark-ups and fees. These commissions and fees will reduce the applicable NVIM Fund's or Client Account's profits.

**Concentration.** There is no limit on the amount of assets that NVIM can invest in any particular position or strategy on behalf of its clients. Accordingly, a loss in any single position or strategy could have a material adverse impact on an NVIM Fund's or Client Account's capital.

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**Investment in securities and other financial instruments involves certain significant investment risks, including loss of an investor's entire investment. The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with NVIM's investment programs or an investment in any fund or account advised by NVIM. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors in an NVIM Fund should carefully review the sections on Risk Factors of the offering documents of the applicable NVIM Fund(s). Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of NVIM.**

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## DISCIPLINARY INFORMATION

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NVIM is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of NVIM or the integrity of NVIM's management. NVIM has no such information to report regarding NVIM or its management persons.

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## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NVIM is affiliated with New Vernon Wealth Management LLC (“NV-WM”), a registered investment adviser that is equally owned by (i) Daniel Shapiro and Steven Shapiro and certain gift trusts established for their benefit (with a collective 33% ownership interest), (ii) NVCH II (also with a 33% ownership interest); and (iii) another principal of NV-WM (also with a 33% ownership interest). NV-WM is the successor to the advisory business historically operated by its affiliate, SFI, and provides investment advice primarily to high-net-worth individuals, but also advises other individuals, pension and profit-sharing plans, charitable organizations and corporations and other businesses; NV-WM does not act as an investment adviser to other private funds. NVIM is also affiliated with SFI, a registered broker-dealer that is principally owned by three trusts for the benefit of certain executive officers of SFI and members of their families. SFI primarily acts as broker to transactions executed on behalf of NV-WM’s advisory clients, but has on occasion, and may in the future, also act as executing broker on behalf of one or more of the NVIM Funds or Client Accounts. See “*Affiliated Brokerage*” and “*Brokerage Practices*” below. Steven Shapiro, NVIM’s Manager, and Daniel Shapiro are Registered Principals of SFI, and many of NVIM’s employees also provide services to both NV-WM and SFI.

NVIM also is under common ownership and control with New Vernon Partners LLC (“NVP”), a firm managed by Steven Shapiro which generally acts as the non-trading manager or general partner of the private investment funds advised by NVIM. Members of the Shapiro family also have significant ownership interests in Protective Insurance Corporation (“Protective Insurance”), a property and casualty insurer. Nathan Shapiro is a member of the board of directors of Protective Insurance.

NVCH II, which is the principal owner of NVIM and an owner of NV-WM, is a financial services holding company that also beneficially owns a majority interest in New Vernon Advisers LP (“NVA”), a registered investment adviser that advises private investment funds (including the India Fund and the Matrix Fund, as such terms are defined below). Daniel Shapiro, Steven Shapiro and their father, Nathan Shapiro, are also minority owners of NVCH II.

NVIM operates independently from NVA, and NVA and its trading personnel generally are not involved in NVIM’s day-to-day trading operations. However, personnel of NVIM and NVA in some cases provide administrative and back-office services (such as legal and operational services) to both firms. In addition, a limited number of NVIM’s personnel share and discuss market information and potential investment opportunities, and from time-to-time review fund investment positions, portfolio composition and anticipated transactions, with a limited number of personnel at NVA. NVIM at all times retains independent investment discretion over the NVIM Funds and Client Accounts, including determination of the investments to be made by the NVIM Funds and Client Accounts and the timing and price of transactions in their respective portfolios.

The relationship between NVIM and NVA creates certain potential conflicts of interest, as it may enable each firm to use investment information generated by personnel of the other firm to the disadvantage of clients of the other firm (for example, by acting on an investment opportunity identified by the other firm, and thereby adversely impacting the price or availability of the opportunity for the other firm’s clients). Further, because of the overlap in beneficial ownership between NVIM and NVA, principals of the firms could have an incentive to direct investment opportunities to either NVIM or NVA based upon the relative fee income generated by the opportunity (and, indirectly, received by such principals), rather than considering the appropriateness of the opportunities for their respective client bases. However, the NVIM Funds and Client Accounts implement materially different investment strategies than the India Fund and the Matrix Fund, and because of the differences between the investment mandates and strategies utilized by the NVIM Funds, the India Fund and the Matrix Fund, it is not generally anticipated that they will

compete with one another for investment opportunities. Furthermore, in relation to the India Fund, there are certain limitations on NVIM's capacity to access Indian markets directly. Moreover, in light of the size and liquidity of those markets in which the NVIM Funds and Client Accounts and the India Fund and the Matrix Fund may trade, NVIM and NVA generally do not anticipate that their trading would have a material impact on market prices. NVIM and NVA have adopted policies and procedures to mitigate these conflicts of interests, including a single restricted list, and the Chief Compliance Officers of each firm actively coordinate the compliance function of each firm as particular circumstances arise.

**Affiliated Brokerage.** SFI has on occasion acted, and may in the future act, as broker to transactions entered into on behalf of the NVIM Funds and Client Accounts, and may receive commissions with respect thereto. While such transactions cannot necessarily be considered the result of arm's length negotiations, NVIM believes that the terms are fair to the NVIM Funds and Client Accounts and also believes that its relationship with SFI provides the NVIM Funds and Client Accounts with a number of advantages. However, the use of affiliated brokers such as SFI creates certain conflicts of interest, including between the duties of NVIM to its clients and its incentive to direct business to an affiliate, and may result, among other things, in an NVIM Fund or Client Account paying higher commissions to execute its transactions than might otherwise be the case. NVIM has adopted policies and procedures that seek to mitigate these conflicts of interest, including best execution policies and review procedures for the use and selection of brokers for its clients. See "*Brokerage Practices.*"

**Other Funds.** As described above, affiliates of NVIM act as investment adviser to other private investment funds and clients. Although NVIM and its affiliates manage investments on behalf of a number of clients, investment decisions and allocations will not necessarily be made in parallel among all such accounts. Other accounts managed by NVIM, NV-WM, NVP, NVA or their respective principals or affiliates may make investments and utilize investment strategies that may not be made or utilized by NVIM on behalf of all (or any) of its NVIM Funds or Client Accounts, and may take positions that are opposite those of all or some NVIM Funds and Client Accounts. Accordingly, the various accounts managed by NVIM, NV-WM, NVP, NVA and their respective principals and affiliates may produce results that are materially different from those experienced by a particular NVIM Fund or Client Account, and the records of any investment management activities that NVIM, NV-WM, NVP, NVA and their respective principals and affiliates engage in on behalf of other clients will not be available to any such NVIM Fund or Client Account. Although they are not expected to arise often, in the event that a limited investment opportunity (including, but not limited to, purchasing securities in an initial public offering) is identified by NVIM that is within the investment mandate of more than one fund family or Client Account advised by NVIM, the relevant NVIM Funds and Client Accounts generally will be offered an opportunity to participate in the investment and, if such other funds or clients participate in the investment, NVIM will make an equitable allocation of the opportunity among all participating funds and clients.

A portion of the assets of the Global Opportunities Funds will be invested in a private fund operated by NVA, which focuses on investment opportunities in and related to Indian markets (the "India Fund"). In connection with this investment, the Global Opportunities Funds will bear the fees charged by the India Fund, which are somewhat higher than those otherwise charged by NVIM in respect of its management of the Global Opportunities Funds. NVIM believes that investing in Indian financial instruments indirectly through investment in the India Fund provides the Global Opportunities Funds with certain advantages, including access to professional investment managers with extensive experience investing in Indian markets. In addition, a portion of the assets of the Global Opportunities Funds will be invested in a private fund operated by NVA, which is a global tactical asset allocation fund that primarily uses equity, fixed income, commodities, and volatility exchange traded funds to provide exposure to geographically diversified markets across a range of asset classes (the "Matrix Fund"). NVIM believes that investing in a variety of financial instruments indirectly through investment in the Matrix Fund provides the Global

Opportunities Funds with certain advantages, including access to a variety of geographically diverse markets. However, this creates certain conflicts of interest, as certain principals of NVIM indirectly benefit from the fees charged by the India Fund and the Matrix Fund. To mitigate this conflict, NVIM has agreed to waive its fees with respect to the portion of the assets of the Global Opportunities Funds invested in the India Fund and the Matrix Fund.

**Other Activities of NVIM and Related Persons.** NVA, NV-WM and SFI are affiliates of NVIM. As described above, certain key personnel of NVIM are also members of and/or involved in the operations of NV-WM and SFI and, in some cases, NVA. Although these individuals are expected to commit an appropriate amount of their business efforts to NVIM, they are not required to devote all of their time to the affairs of NVIM or of a particular NVIM Fund or Client Account.

NVIM, NV-WM, SFI, NVP, NVA and their respective principals and affiliates may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles, and the NVIM Funds and Client Accounts shall have no right in or to any such activities or the income or profits derived therefrom. NVIM may have a conflict of interest in rendering advice to a NVIM Fund or Client Account because the financial benefit to NVIM or one of its affiliates from managing some other client's account may be greater, which could provide an incentive to favor such other account.

NVIM, NV-WM, SFI, NVP, NVA and their respective principals and affiliates invest and trade for their own accounts, including in securities which may be the same as or different or opposite from those traded or held by the NVIM Funds or Client Accounts. As a result, NVIM, NV-WM, SFI, NVP, NVA and their respective principals and affiliates may from time to time have proprietary investments in securities in which an NVIM Fund or Client Account may take a position, may trade and invest simultaneously with the NVIM Funds or Client Accounts and may take investment positions that are different or opposite from the positions taken by the NVIM Funds or Client Accounts. As a result, conflicts of interest may arise between the NVIM Funds or Client Accounts and NVIM, NV-WM, SFI, NVP, NVA or their respective principals or affiliates with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. The records of trading by NVIM, NV-WM, SFI, NVP, NVA and their respective principals and affiliates will not be made available to NVIM Funds or Client Accounts, except to the extent required by law. However, it is NVIM's policy that the interests of its advisory clients must precede the interests of NVIM's own proprietary trading on a given trading day, with client transactions to be executed at the same price or better than NVIM's proprietary transactions. In addition, trading by principals and personnel of NVIM will be subject to NVIM's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," which seeks to further mitigate the conflicts described above. Among other things, NVIM's Code of Ethics requires employees to pre-clear all securities transactions for their personal accounts with appropriate personnel of both NVIM and NVA.

**Relationship with Unaffiliated Investment Adviser Client.** As mentioned above in "*Fees and Compensation*," NVIM has entered into an arrangement with an unaffiliated investment adviser (the "**IA Client**") through which NVIM shares historic portfolio data for certain NVIM Funds in exchange for an annual fixed fee and potentially a discretionary bonus (as the IA Client may determine in its sole discretion). Such NVIM Fund portfolio data includes, but is not limited to, daily positions, trades, and details of dividends, spin-offs or other corporate actions affecting the NVIM Fund holdings, all of which NVIM provides to the IA Client on a T+1 basis. The IA Client intends to utilize this daily portfolio data (together with similar data from other third-party asset managers) to design, refine and implement the IA Client's own investment advisory strategies.

NVIM's arrangement with the IA Client creates a conflict of interest for NVIM given that it receives an economic benefit from the distribution of NVIM Fund portfolio data. However, sharing daily position and trade information could give the IA Client insight into the trading strategies the NVIM Funds are pursuing, creating competition for certain market opportunities. NVIM believes that these conflicts are mitigated by the fact that the portfolio information provided is historic and therefore should not interfere with the trading opportunities that the NVIM Funds intend to pursue on a prospective basis. In addition, the IA Client has advised NVIM that it applies strict limitations in terms of the daily trading volume and liquidity of the positions it takes based on NVIM's data, further mitigating the risk that the IA Client will infringe on the NVIM Funds' trading opportunities. Additionally, although the information provided to the IA Client is provided on a time lag, NVIM does not believe that this represents a material conflict of interest between the interests of NVIM and the IA Client. The IA Client is not relying on NVIM's advice to guide its own trading, but rather is using such information (consistent with the IA Client's own proprietary methodologies) as research inputs for purposes of designing and implementing its own trading strategies. Accordingly, the fact that the IA Client does not receive information at the same time as the NVIM Funds does not represent a material conflict of interest with the IA Client, in light of the specific purposes for which such information is being used.

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## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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NVIM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at NVIM must acknowledge the terms of the Code of Ethics annually, or as amended. Clients or prospective clients may request a copy of NVIM's Code of Ethics by contacting the firm's Chief Compliance Officer, Gary Just, at (847) 926-5724.

As a matter of policy, NVIM does not cause clients to effect transactions in which such client purchases securities or other instruments from, or sells securities or other instruments to, NVIM or its principals or affiliates (i.e., principal trades) or another NVIM client (i.e., cross trades), or in which one of NVIM's affiliates acts as broker for both the NVIM client and the other party to the transaction (i.e., agency cross transactions).

NVIM may, in appropriate circumstances when deemed consistent with a client's investment objectives, cause client accounts to purchase or sell securities in which NVIM, its affiliates and/or clients, directly or indirectly, have a position or interest. See "*Other Financial Industry Activities and Affiliations – Other Activities of NVIM and Related Persons.*" As noted above, the Global Opportunities Funds invest in the India Fund and the Matrix Fund, private funds advised by NVIM's affiliate, NVA, which results in certain conflicts of interest. Please see "*Other Financial Industry Activities and Affiliations – Other Funds*" for additional discussion.

NVIM's employees and persons associated with NVIM are required to follow NVIM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of NVIM and its affiliates generally are permitted to trade for their own accounts in securities which are recommended to and/or purchased for clients, as described above in "*Other Financial Industry Activities and Affiliations.*" The Code of Ethics is designed to assure that the personal transactions, activities and interests of the employees of NVIM will not interfere with (i) making decisions in the best interest of clients and



(ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of all transactions for the personal securities accounts of NVIM's "access persons" by appropriate personnel of both NVIM and NVA, and requires that the interests of the clients be placed ahead of those of NVIM employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between NVIM and its clients.

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## BROKERAGE PRACTICES

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NVIM will select the brokers to be utilized by the NVIM Funds, and will have discretion to select different brokers to be used for each transaction and to negotiate the rates and commissions its clients will pay. Brokerage arrangements for Client Accounts and responsibility for the selection of brokers (as between NVIM and the client) will be determined pursuant to the investment advisory agreement for such Client Account. NVIM may not adhere to any rigid formulae in making the selection of brokers, but will weigh a combination of criteria consistent with its obligation to seek "best execution" for its clients. In selecting brokers to execute transactions, NVIM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be selected generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including special execution capabilities, clearance, settlement, other transaction charges, block trading and block positioning capabilities, financial strength and stability, efficiency of execution and error resolution, the availability of stock to borrow for short trades, custody, recordkeeping and similar services ("Products and Services").

**Research and Other Soft Dollar Benefits.** In exchange for the direction of commission dollars to certain brokers, credits (or soft dollars) may be generated which may be used by NVIM to pay for the Products and Services provided by, or paid by, such brokers ("Credits"). Although the commission rates charged by such brokers may not be represented as reflecting such additional Products and Services, the commission rates charged by such brokers may be higher or lower than the commission rates charged by other brokers, and clients may be deemed to be paying for such other Products and Services provided by the broker which are included in the commission rate (i.e., "paying up"). Products and Services may be in any form (e.g., written, oral or on-line). NVIM may determine to limit its use of soft dollars to "research Products and Services" covered by the "safe harbor" of Section 28(e) under the Securities Exchange Act of 1934 ("Section 28(e)"). However, in the event that NVIM utilizes Products and Services and its practices do not qualify under Section 28(e), Credits may (to the extent permitted by applicable law) be utilized to reimburse expenses, including research-related expenses, payment of all or a portion of NVIM's costs and expenses of operation, such as office rent; newswire and data processing charges; quotation services; periodical subscription fees; office equipment; supplies; telephone charges; accounting fees, legal fees and the like; clearance; settlement; on-line pricing and financial information; access to computerized data regarding clients' accounts; consultations; economic and market information; portfolio strategy advice; market, economic and financial data; statistical information; data on pricing and availability of securities; electronic market quotations; charges on borrowed funds; marketing services; analyses concerning specific securities or other financial instruments, companies, governments or sectors; market, economic, political and financial studies and forecasts; industry and company comments; technical data, recommendations and general reports; quotation services; exchange memberships; referrals of prospective investors and any related finder's fees; custody; brokerage; recordkeeping,

bookkeeping and similar services; computer databases; equipment and any services and products delivered or deliverable by such equipment, along with any related parts or supplies necessary or convenient for the use of such equipment (regardless of whether the location of use is an office, residence or in transit), including computers, terminals, monitors, servers, copiers, telephones (including cellular, wireless, satellite and land line types) and any related telephone equipment and lines (including DSL lines); and, to the extent related in any way to any of the foregoing: service contracts, repairs, replacement parts, consultants, usage fees, connections, filing fees, software, charges (including, subscription, use, access, installation and removal charges), disbursements and expenses of any kind, as determined by NVIM.

NVIM may derive substantial direct or indirect benefit from these Products and Services, particularly to the extent it uses Credits to pay for research or other expenses which it would otherwise be required to pay. To the extent that NVIM receives the benefits of Products and Services, a potential conflict of interest exists between NVIM's duty to manage or trade for the NVIM Funds and the Client Accounts in the best interests of their respective investors and in an effort to obtain best execution, and NVIM's desire to receive the potential benefits of these Products and Services. In addition, NVIM may use Products and Services in servicing some or all of its clients and the clients of its affiliates, and some Products and Services may not necessarily be used by a particular client even though its commission dollars may have provided for the Products and Services. A client, therefore, may not, in a particular instance, be the direct or indirect beneficiary of the Products and Services provided.

In the last fiscal year, NVIM and its affiliates have acquired research reports and services, market data feeds and associated terminals and hardware with the brokerage commissions generated by its clients. In connection with its utilization of these soft dollar benefits, NVIM has made a good faith determination that the commissions payable to the broker providing such Products and Services are reasonable in relation to the value of the services provided by such brokers.

**Aggregation and Allocation of Client Orders/Investments.** In some cases, NVIM may seek to buy or sell the same security or other investment on behalf of multiple clients at the same time. In those cases, NVIM intends to combine purchase and sale orders on behalf of such clients and other accounts, including, when applicable, its own or members' or employees' personal accounts, and all such participants in the transaction will receive the average price (net of transaction costs) in the transactions. Although aggregation may operate to the disadvantage of particular clients in a given transaction, such aggregation is intended to promote fairness over the longer term among all accounts or entities involved in the transaction, including client and proprietary accounts.

**Use of Affiliated Brokers.** SFI has on occasion acted, and may in the future act, as broker to transactions entered into on behalf of the NVIM Funds and Client Accounts, and receive commissions with respect thereto. While such transactions cannot necessarily be considered the result of arm's length negotiations, NVIM believes that the terms are fair to clients and also believes that its relationship with SFI provides clients with a number of advantages. For example, NVIM believes that such relationship: (i) affords clients the opportunity to draw from and compensate a broader range of highly-qualified industry professionals who are employed by SFI to assist in the trading and management of clients' assets and business operations; (ii) enhances clients' access to the markets by providing NVIM with direct access to brokerage personnel servicing clients' accounts; (iii) provides clients with the ability to execute their trades more quickly, improving execution quality and increasing liquidity; and (iv) provides greater access to direct information on the markets and companies that are of interest to clients.

Notwithstanding the foregoing, the use of affiliated brokers creates certain conflicts of interest, including between the duties of NVIM to its clients and its incentive to direct business to its affiliate, SFI, and may result, among other things, in clients paying higher commissions to execute its transactions than might

otherwise be the case. The use of SFI could potentially impair the ability of clients to obtain the most favorable terms with respect to transactions in all cases, and the affiliate relationship might reduce the incentive to NVIM to use other brokers in such cases. In order to mitigate these potential conflicts, NVIM has adopted procedures for performing regular best execution reviews, designed (among other things) to assess and confirm whether the use of SFI continues to satisfy NVIM's duty of best execution and provides clients with quality executions.

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## REVIEW OF ACCOUNTS

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**Account Reviews.** The NVIM Funds have engaged third-party fund administrators who provide day-to-day administrative and bookkeeping services to the funds. NVIM conducts daily trade reconciliations and reviews of the positions held by the NVIM Funds and Client Accounts. These reviews are conducted by NVIM's operations staff, under the general supervision of NVIM's Manager.

**Client Reporting.** NVIM furnishes audited financial statements annually to all investors in the NVIM Funds. Such investors are also provided with monthly unaudited reports including information regarding such fund's net assets and performance. Reporting obligations with respect to Client Accounts will be determined at the time of engagement.

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## CLIENT REFERRALS AND OTHER COMPENSATION

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NVIM expects to invest Client Account cash balances (where such Client Accounts are opened with SFI) through sweep arrangements to bank deposit accounts pursuant to the Liquid Insured Deposits<sup>SM</sup> Program and, in connection therewith, NVIM's affiliate SFI may receive payments from Pershing, LLC for certain administrative and/or recordkeeping services. The amount of such payments is based upon the average amount of Client Account cash balances invested through the program (together with assets of clients of NVIM's affiliate, NV-WM) and averaged approximately 6 bps per month of such amounts during 2014, approximately 8 bps per month of such amounts during 2015, approximately 17 bps per month of such amounts during 2016, approximately 29 bps per month of such amounts during 2017, approximately 30 bps per month of such amounts during 2018, approximately 29 bps per month of such amounts during 2019, and approximately 16 bps per month of such amounts during 2020. In 2014, SFI received payments with respect to Client Account assets invested through the program of approximately \$38,171, which represented approximately 7.3% of SFI's total revenues for 2014. In 2015, SFI received payments with respect to Client Account assets invested through the program of approximately \$44,793, which represented approximately 10% of SFI's total revenues for 2015. In 2016, SFI received payments with respect to Client Account assets invested through the program of approximately \$146,823, which represented approximately 31% of SFI's total revenues for 2016. In 2017, SFI received payments with respect to Client Account assets invested through the program of approximately \$188,122, which represented approximately 20% of SFI's total revenues for 2017. (For the avoidance of doubt, no NVIM Client Account assets were invested through this program during the period discussed above, but certain Client Account assets were so invested in 2018.) In 2018, SFI received payments with respect to Client assets invested through the program of approximately \$185,760, which represented approximately 67% of SFI's total revenues for 2018. In 2019, SFI received payments with respect to Client assets invested through the program of approximately \$175,812, which represented approximately 40% of SFI's total revenues for 2019. In 2020, SFI received payments with respect to Client assets invested through the

program of approximately \$81,887, which represented approximately 20% of SFI's total revenues for 2020. In addition, NVIM may in the future invest Client Account cash balances through other cash management deposit or money market products for which SFI may receive similar payments, including in connection with shareholder servicing, distribution of fund shares (12b-1 payments) and/or certain other administrative or recordkeeping services. As a result of these payments, SFI (and, indirectly, certain principals of NVIM) may receive greater revenue in connection with the investment of Client Account assets through these programs than it might receive if such assets were invested in other cash management alternatives that might be available to Client Accounts. The beneficial owners of a Client Account are free to direct that their cash balances instead be managed through investment in U.S. Treasury securities or investment in other money market products that would not result in the receipt by SFI of the payments described above. The beneficial owners of a Client Account may also make arrangements to have their cash managed by persons or entities other than NVIM.

NVIM currently does not directly or indirectly compensate any third-parties for client referrals. However, NVP and/or NVIM have engaged, and may in the future engage, duly qualified placement agents to solicit prospective investors for one or more of the NVIM Funds.

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## CUSTODY

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NVIM or its affiliate NVP have custody of the funds and securities of the NVIM Funds, which are maintained at one or more "qualified custodians," as defined under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. A "qualified custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant will audit each of the NVIM Funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the NVIM Funds, as described above in "*Review of Accounts*." NVIM does not have, and does not intend to take, custody of the funds and securities of the Client Accounts.

Clients may receive periodic statements from the custodian that holds and maintains the client's investment assets. NVIM urges each client to carefully review such statements and compare such official custodial records to any account statements that NVIM may provide such client. NVIM's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities or other instruments.

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## INVESTMENT DISCRETION

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NVIM exercises discretionary authority over the accounts of its clients. NVIM generally receives discretionary authority from the client at the outset of an advisory relationship, by means of investment advisory or similar agreements, or, in the case of certain of the NVIM Funds, through the constituent documents of the funds themselves, which grant a power of attorney in favor of NVIM to select the identity and amount of any investments to be bought or sold for the client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the applicable client's account.

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## **VOTING CLIENT SECURITIES**

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NVIM holds the authority to vote proxies on behalf of the NVIM Funds and has adopted proxy voting policies and procedures designed to ensure that such proxies are voted in the best interests of the NVIM Funds. Pursuant to NVIM's proxy voting procedures, in the event that NVIM receives proxies sent to the NVIM Funds, the portfolio management team for the applicable NVIM Fund will be responsible for casting the proxy, consistent with NVIM's general voting guidelines and other applicable firm policies. However, NVIM may also engage an independent third party to cast any proxy votes on behalf of the NVIM Funds in the event that the Chief Compliance Officer identifies a material conflict of interest in casting such votes. Clients generally may not direct specific proxy votes for the securities held in their accounts.

Unless otherwise agreed in respect of a particular Client Account, NVIM does not, and does not have any authority to, vote proxies on behalf of Client Accounts. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in Client Accounts.

Clients may obtain a copy of NVIM's complete proxy voting policies and procedures and information about how NVIM voted any proxies on behalf of their account(s) by contacting the Chief Compliance Officer, Gary Just, at (847) 926-5724.

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## **FINANCIAL INFORMATION**

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NVIM is required to provide certain financial information or disclosures about its financial condition. NVIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.

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