

# Caius Capital LLP

## Part 2A of Form ADV

### The Brochure

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May 2021

This brochure provides information about the qualifications and business practices of Caius Capital LLP (“Caius Capital” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at +44 20 7190 7946. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## Material Changes

There have been no material changes since the last filing in June 2020.

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## Item 4. Advisory Business

Caius Capital LLP (“Caius Capital” or the “Firm”) is an opportunistic credit hedge fund manager based in London, United Kingdom. The Firm was founded in January 2016 by António Batista and William Douglas. Mr. Batista is the Firm’s Chief Investment Officer and Mr. Douglas is Chief Operating Officer and Chief Compliance Officer. Caius Capital is 92% owned (in terms of voting power) by Mr. Batista and the balance is equally divided among six individuals and one entity, Caius Capital Services Limited, a corporate member of Caius Capital.

Caius Capital manages two private funds, Caius Capital Master Fund and Caius Capital Financials Master Fund (together, the “Funds”). The Firm also manages a separately managed account which is generally managed *pari passu* to the Caius Capital Master Fund.

The Caius Capital Master Fund and the managed account (also herein after referred to as the “Master Strategy”) focuses on investments in levered capital structures within three core strategies: Distressed, Performing and Special Situations. The Master Strategy’s investment universe comprises corporate issuers, financial institutions and sovereign wealth funds predominantly within Europe, the Middle East and Africa.

The investment strategy for the Caius Capital Financials Master Fund principally focuses on performing credit and typically invests in credit instruments issued by financial sector issuers, including regulatory and legacy capital securities issued by banks, insurance companies and other companies active in the financial sector, going long or short risk. There is a particular focus on Europe and the wider EMEA region, although investments in other regions may also be considered.

Caius Capital is authorized and regulated by the UK Financial Conduct Authority and the SEC.

Caius Capital does not tailor its advisory services to the individual needs of investors in the Caius Capital Master Fund and Caius Capital Financials Master Fund (as defined below) and does not accept Fund investor-imposed investment restrictions.

As noted above, Caius Capital also provides investment and advisory services to a Separately Managed Account (“SMA”). Such services are provided pursuant to the agreed-upon investment guideline terms set forth in the investment management agreement. Unlike investors in the Caius Capital Master Fund and Caius Capital Financials Master Fund, SMA clients may impose reasonable mandates, guidelines, or restrictions relating to investments. For example, SMA clients may impose limits on concentration, risk, exposure, and liquidity that may be different from those in the Funds. An SMA client directly owns the positions in its separately managed account, therefore, the client will typically have full, real-time transparency to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the Funds. Caius Capital may advise other SMA clients in the future.

As of March 31, 2021, Caius Capital managed approximately \$ 1,425,359,672 of assets under management on a discretionary basis. The Firm does not manage any assets on a non-discretionary basis.

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

### **Caius Capital Master Fund Information**

The Firm currently advises the Caius Capital International Fund and Caius Capital Domestic Fund LP, which are feeder funds to the Caius Capital Master Fund (unless otherwise specified the feeder and master funds will be collectively referred to as the “Master Funds”). The Master Funds currently offer the below share class to Investors:

- Class A Shares, paying a management fee of 1.5% per annum, billed monthly in arrears, and a performance fee of 20% per annum, calculated annually and paid in January.
- Class B Shares, paying a management fee of 1.5% per annum, billed monthly in arrears, and a performance fee of 17.5% per annum subject to a hurdle rate of 3% with a two year rolling lock-up, calculated annually and paid in January.

For the avoidance of doubt, the Master Funds have three additional share classes that are not currently available to new investors: Strategic Shares, which were offered to investors who made a significant investment in the Master Funds at launch, and pay management and performance fees at a discounted rate; Management Shares, offered to members of Caius Capital, and do not pay management or performance fees and Class F Shares which were limited to the first EUR150,000,000 early stage investments in the Master Funds, paying a management fee of 1.25% per annum, billed monthly in arrears, and a performance fee of 17.5% per annum, calculated annually and paid in January.

### **Caius Capital Financials Master Fund Information**

The Firm currently advises the Caius Capital Financials Fund which is a Cayman Island feeder fund to the Caius Capital Financials Master Fund (unless otherwise specified the feeder and master funds will be collectively referred to as the “Financials Master Funds”). The Caius Capital Financials Fund LP (US Feeder) has been formed but not yet funded.

The Financials Master Funds currently offer the below share class to Investors:

- Ordinary A Shares: these are the main share class of the Financial Funds, paying a management fee of 1.5% per annum, billed monthly in arrears, and a performance fee of 20% per annum, calculated annually and paid in January.

For the avoidance of doubt, the Financials Master Funds have two additional share classes that are not currently available to new investors: Strategic Shares, which were available to investors who invested or committed to invest a significant amount of money in the Financials Master Funds at launch, and pay management and performance fees at a discounted rate; and Management Shares, that benefit from the economic performance of the Financials Master Funds but do not pay management or performance fees.

## **Fund Expenses**

The feeder funds will bear their own expenses and a pro-rata share of the Master Funds and Financials Master Funds expenses. In addition to the management and performance fees described above, additional fees include, but are not limited to; fund administrator, fund audit, general corporate legal expenses relating to the governance of the Master Funds and Financials Master Funds, regulatory expenses of the Master Funds and Financials Master Funds, Directors fees and expenses, legal expenses related to negotiation of prime brokerage and trading agreements, brokerage commissions, custody fees, borrowing costs, stock loan fees, investment specific legal, taxation and other professional fees (whether or not such an investment is entered into), research fees and related costs (whether or not such an investment is entered into), external valuation and accounting expenses, a portion of the Directors and Officers liability insurance which indemnifies the directors and officers in the event of a legal action against them, and costs related to the publication and dissemination of information to investors.

More detailed information about the fees and expenses described above are described in the applicable governing and offering documents of the Master Funds and Financials Master Funds.

## **Separately Managed Account Information**

Separately managed account clients are charged a management fee as set forth in the applicable investment management agreement. The fee is billed quarterly in arrears. If additional capital is contributed to the account or if capital is withdrawn on a date other than the first or last business day of a quarter, the management fee attributable to such capital for that quarter is pro-rated on a time-weighted basis.

In addition to the management fee, Caius charges a performance fee to the separately managed accounts. A full description of the management and performance fees for separately managed accounts is set forth in the applicable investment management agreement.

In all cases, the performance-based fees are assessed on the net realized and unrealized appreciation of the net asset value of a client or investor's capital account, subject to a hurdle rate as defined in the respective account or fund's governing documents. As such, the performance fee charged may be more than if it was solely based on realized gains, and clients and investors may pay a fee on gains that are not ultimately realized.

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

As noted in Item 5 above, the Master Funds, Financials Master Funds and SMA are charged varying levels of performance-based fees. These variances potentially incentivize Caius Capital to make riskier and potentially more profitable allocations or investments to any fund or account that pays a higher performance-based fee. The Firm has a well-defined investment process and a robust set of allocation policies and procedures designed to minimize this potential conflict. For example, while the SMA is charged a lower performance fee, Caius generally manages this account *pari passu* with the Master Funds, so any allocation to the Master Funds will be made on a pro rata basis to the SMA. There will be slight deviations to this policy due to various reasons; for example, the Firm may need to raise capital in the Master Funds to meet redemption

requests, or may be unable to allocate a portion of an investment to the managed account due to minimum size requirements. These deviations may cause differences in the holdings and performance between the SMA and the Master Funds over time.

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

Caius Capital provides discretionary investment advisory services to the Master Funds, Financials Master Funds and an institutional separately managed account as described in Item 4 above.

Investors in the Master Funds and Financials Master Funds are generally required to make a minimum initial investment of USD \$1 million, with subsequent minimum increments of USD \$100,000.

U.S. investors in the Master Funds and Financials Master Funds are typically limited to persons who are “qualified purchasers” as that term is defined in the Investment Company Act of 1940, and “accredited investors” as that term is defined in SEC Rule 501(a) under the Securities Act of 1933.

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

### **Methods of Analysis and Investment Strategies**

#### Caius Capital Master Fund

The Master Funds employ an opportunistic credit strategy (also known as the Master Strategy) which seeks to achieve superior absolute returns by investing in predominantly European levered capital structures. The Master Strategy is underpinned by a belief that whilst there are many idiosyncratic investment opportunities, the majority of high return credit opportunities arise in investment themes due to poor market technicals, economic fundamentals, industry specific trends and/or regulatory changes. It is key to the Master Strategy to identify and focus the portfolio in the most attractive investment themes.

The Firm’s methods of analysis and investment strategy can be further described in three sub-strategies:

- **Distressed:** investments in non-performing debt such as corporate restructurings and liquidations. The Firm will mostly be active in the developed European jurisdictions, however the diversity of the European legal systems in law and practice means that the Firm will price restructuring processes differently by jurisdiction;
- **Performing:** opportunities in this strategy are situations in which the Firm does not anticipate requiring a restructuring, but where the market is pricing risk at a premium to the underlying fundamentals of the relevant credit. Ideal investments are those that have the potential to generate double digit IRRs with minimal or no use of leverage; and
- **Special Situations:** these are situations, performing or distressed, where there is a specific risk component that is external to our investment thesis and which needs to be eliminated or reduced

through hedging and/or some form of capital structure arbitrage. Typical examples are investments with a strong commodity price element, e.g., in metals, mining and energy situations.

Allocations to each of these sub-strategies will vary significantly over time, as will the nature of the underlying sectors, investment themes and borrowers, as determined by Caius Capital's investment team. As mentioned in Item 4, the Master Funds and the separately managed account are generally managed *pari passu* and therefore, both follow the Master Strategy.

#### Caius Capital Financials Master Fund

The investment strategy for the Financials Master Funds ("Financials Strategy") principally focuses on performing credit and typically invests in credit instruments issued by financial sector issuers, including regulatory and legacy capital securities issued by banks, insurance companies and other companies active in the financial sector, going long or short risk. There is a particular focus on Europe and the wider EMEA region, although investments in other regions may also be considered. Caius Capital believes that continued shifts in regulatory focus will result in issuers of such securities being increasingly required to retire existing securities, issue new securities to comply with regulatory requirements, face challenges to their existing business models and/or undertake modifications to their business models, and accordingly create investment opportunities.

The Financials Strategy investment approach is based on three key elements:

1. Investment Themes – focus on financial sector companies with the potential to offer superior risk-adjusted returns.
2. Research – extensive fundamental research aims to generate a high win-to-loss ratio in investments, and thereby consistent returns.
3. Risk Management – positions are sized based on their estimated maximum impairment loss, combined with an active portfolio hedging strategy, in order to mitigate market gap loss risk.

Caius Capital employs risk management as part of its portfolio management process. The Firm's key risk management yardstick is the credit impairment risk of the investments. The limiting factor in sizing positions is therefore their potential downside and the requirement that the downside losses be limited to a small part of the portfolio.

The Firm closely monitors market exposures and the associated degree of volatility on a daily basis. Specifically, the Firm takes into account the risk of losses from regular market movements ("Mark-to-market Risk") and separately the risk of losses from large changes in markets' risk perception ("Gap Risk"). The Firm's investments incorporate specific event risks and as such they tend not to be highly correlated to the wider credit market. However, since the Firm's investments are at the riskier end of the spectrum of the market, they are exposed to large and sudden changes in markets' risk perception. Caius Capital therefore sees its exposure to Gap Risk as a key risk management tool. In order to monitor Mark-to-market Risk and Gap Risk and to optimize hedging ratios, the Firm undertakes market and asset class correlation analysis to determine the mark-to-market and gap sensitivities of each asset class.

As part of its portfolio management process, Caius Capital also monitors compliance with the investment objectives and restrictions set forth in the applicable governing documents of the separately managed account, Master Funds and Financials Master Funds.

## **Risk of Loss**

The investment strategies pursued by Caius Capital as summarized above will be subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest.

The descriptions contained below are a brief overview of associated risks related to Caius Capital's investment strategies; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of Caius Capital. The Master Funds' and Financials Master Funds' governing and offering documents contain a more detailed discussion of the associated risks of the Firm's investment strategy.

### General Investment Risks

An investment in the Firm's investment strategies is highly speculative and involves a high degree of risk due to the nature of the Firm's investments and the investment strategies and trading strategies to be employed. An investment in the Firm's investment strategies should not in itself be considered a balanced investment program. Investors should be able to withstand the loss of their entire investment.

### Limited Operating History

The Firm has limited operating history upon which prospective investors can evaluate the anticipated performance of the Firm's investment strategies. The limited past performance may not be indicative of the future performance of the Firm.

### General Economic and Market Conditions

The success of the Firm's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Firm's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of investments' prices and the liquidity of the Firm's investments. Volatility or illiquidity could impair the Firm's profitability or result in losses. The Firm may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

### Potential Implications of Britain's Withdrawal from the European Union ("Brexit")

Following the United Kingdom ("UK") departure from the European Union ("EU") in January 2020, the EU and the UK agreed an EU-UK Trade and Cooperation Agreement ("FTA") that governs the trading relationship between the UK and the member states of the EU from and after January 1, 2021. The agreement covers trade in goods and services, and also a broad range of other areas such as investment,



competition, state aid, tax transparency, air and road transport, energy and sustainability, fisheries, data protection, and social security coordination.

UK regulated firms in the financial sector may be adversely affected by these arrangements because the FTA does not provide for continued access by UK firms to the EU single market. Similarly, market access for those firms that conduct cross-border trade in goods may fall below what the single market previously allowed. The longer term process to implement the political, economic and legal framework between the UK and the EU is likely to lead to ongoing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider European and global markets. This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Firm to execute its respective strategies and to receive attractive returns, and may also result in increased costs to the Firm.

#### Business, Terrorism and Catastrophe Risks

The Firm will be subject to the risk of loss arising from exposure that they may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on Caius Capital's business and the Master Funds, Financials Master Funds and separately managed account including investments made by Caius Capital.

#### Limited Liquidity

An investment in the Funds provides limited liquidity since the shares are not freely transferable and an investor's right to redeem is subject to various terms and restrictions as set forth in the governing and offering documents for the Master Funds and Financials Master Funds. In the event that there are substantial redemptions of shares within a limited period of time, Caius Capital may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay redemptions, the Firm may be required to liquidate positions at an inopportune time or on unfavorable terms, resulting in lower net assets for the remaining investors and a lower redemption price for the redeeming investors. The Board of Directors may elect to cause the redemption of all shares and liquidate the Master Funds and Financials Master Funds at any time if, in its view, continued operation of the Master Funds and Financials Master Funds would be impracticable or imprudent for any reason, including if the amount of the Master Fund's and Financials Master Fund's assets declines to a significant extent. An investment in the Master Funds and Financials Master Funds is suitable only for sophisticated investors who do not require immediate liquidity for their investment.

#### Different Investor Terms and Information Rights

Fund investors are not permitted to invest on different terms that, among other things, provide access to information that may not be available to other investors. However, as more fully described in Item 4, the SMA has real-time transparency into its portfolio.

#### Debt Securities Generally

The Firm may invest in private and government debt securities and instruments including those that are unrated or “below investment grade”, and whether or not rated, the debt instruments may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer’s ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions.

#### Derivatives Risk and Volatility

The Firm’s investment program may involve the purchase and sale of relatively volatile instruments such as derivatives. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Fluctuations or prolonged changes in the volatility of such securities, therefore, can adversely affect the value of investments held by the Firm.

#### Counterparty Risk

Clients will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

#### Liquidity

In extreme market conditions, it may be difficult for a client to realize an investment at short notice without suffering a discount to market value. In such circumstances the investor may suffer a delay in realizing his investment or may incur a dilution adjustment. Depending on the types of assets invested in, there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

#### Leverage

A proportion of the Firm’s capital may be leveraged. While leverage presents opportunities for increasing the capital return, it has the effect of potentially increasing losses as well. Any event which adversely affects the underlying vehicles would be magnified to the extent the capital is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to the underlying investment vehicles could result in a substantial loss to capital that would be greater than if capital were not leveraged.

The foregoing list of risk factors is just a summary of certain risk considerations and does not purport to be a complete explanation of all risks involved in an investment in the Firm. Please see the Master Funds’ and Financials Master Funds’ organizational and offering documents for a more complete description of relevant risks.

## **Item 9. Disciplinary Information**

Caius Capital does not have any disciplinary information to disclose.

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

The Firm has received a capital contribution from Caius Capital Services Ltd. (“Company”) and has also engaged the Company to provide certain administrative and support services, the provision of which by the Company will assist the Firm in carrying on its activities as an Investment Manager. The Company is owned by Caius Capital Limited, a Cayman Islands company appointed by the funds to procure the Investment Management services of the Firm.

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

Caius Capital has adopted a Code of Ethics policy which, among other things, contains provisions designed to (i) prevent improper personal trading by employees; (ii) prevent improper use of material, non-public information about securities recommendations made by Caius Capital or securities holdings of advisory clients and (iii) identify conflicts of interest, including monitoring of gifts and pay-to-play issues that could arise due to political donations by Caius Capital or its personnel.

The Code sets forth a standard of business conduct that takes into account Caius Capital’s status as a fiduciary and requires staff to place the interests of clients above their own interests and the interests of Caius Capital. The Code requires staff to comply with applicable federal securities laws. Further, staff are required to promptly bring violations of the Code to the attention of Caius Capital’s Chief Compliance Officer. All staff are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by staff.

A copy of Caius Capital’s Code of Ethics shall be provided to any investor or client, prospective investor or client, upon request.

## **Item 12. Brokerage Practices**

### Trade Errors

Caius Capital will seek to detect trade errors prior to settlement and promptly correct and mitigate any trade error losses. Caius Capital generally will reimburse losses suffered by a separately managed account

client as a result of a trade error caused by Caius Capital's failure to act with reasonable care, skill and diligence.

Certain trade errors will be borne by the Master Funds and the Financials Master Funds in absence of a finding of gross or willful negligence on the part of Caius Capital. To the extent that a trade error is caused by a counterparty of the Master Funds, Financials Master Funds or separately managed accounts, such as a broker or agent, the Firm will seek to recover any related trade error losses from such counterparty. The Firm in its sole discretion may offset any trade error income with trade error losses.

#### Research and Other Soft Dollar Benefits

The Firm has not entered into any soft dollar or client commission sharing agreements. To the extent that Caius Capital uses investment research, it intends to do so consistent with guidance from the SEC and the European Commission regarding acceptable methods to pay for investment research under legislation in the European Union known as the Markets in Financial Instruments Directive (MiFID II), which came into effect on January 3, 2018.

#### Brokerage for Client Referrals

Representatives of Caius Capital may speak at conferences and programs for investors interested in investing in hedge funds which are sponsored by prime brokers. These conferences and programs may provide opportunities by which such representatives are introduced to prospective investors in the Master Funds and Financials Master Funds. Generally, the prime brokers are not compensated for providing such "capital introduction" opportunities. In addition, prime brokers may provide financing and other services to the Master Funds and Financials Master Funds. Consequently, such additional services by a prime broker may influence Caius Capital in deciding whether to use the services of such prime broker in connection with the investment activities of the Master Funds and Financials Master Funds, subject to Caius Capital's obligation to seek best execution.

Brokers may assist the Master Funds and Financials Master Funds in raising additional funds from investors. Subject to its obligation to seek best execution, Caius Capital may consider referrals in determining its selection of brokers. However, Caius Capital will not commit to an investor or broker to allocate a particular amount of brokerage in any such situation.

#### Best Execution

Caius Capital maintains a list of approved counterparties with whom orders are typically placed. Subject to the terms of the applicable investment management agreement, Caius Capital has full discretion to choose a counterparty from the Firm's current list of approved counterparties for executing any order or orders, but in doing so shall assess and balance a range of all relevant factors, including those set out in its best execution policy which Caius Capital considers (in its reasonable determination) relevant to achieving the best result for the clients.

On a periodic basis, the list of approved counterparties will be reviewed and, where appropriate, the list will be amended.

The typical factors that are considered to determine the manner in which an order will be executed include the following:

- Price
- Costs
- Size and nature of the order
- Speed
- Quality of back-office
- Counterparty risk
- Together with any other consideration relevant to the execution of the order, such as availability of liquidity, and the market impact of the order.

In determining the relative importance of these factors, Caius Capital will take into account the nature of the order, the characteristics of the financial instruments to which the order relates and the characteristics of the available execution venues, and will exercise its discretion to determine which of these factors, or combination of them, will be most relevant to achieve best execution.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for the client accounts. The next most importance factor is likely to be liquidity. However, in certain circumstances, for some financial instruments or markets, the Firm, at its absolute discretion, may decide that other factors may be more important in determining the best possible result in accordance with this policy.

#### Aggregate Orders

Caius Capital may aggregate client orders when it is in the best interests of all participating clients.

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

Caius Capital reviews the Master Funds', Financials Master Funds' and managed account investments on an ongoing basis and will provide investor NAV reports as set forth in the organizational and offering documents of the Master Funds and Financials Master Funds and Investment Management Agreement for the separately managed account.

#### **Master Fund and Financials Master Fund**

The investor NAV reports for the Master Fund and Financials Master Fund are generally prepared by Citco as the Administrator. Caius Capital runs a full shadow NAV in its internal system and reconciles with the Administrator's NAV calculations. Once the Administrator's investor NAV reports are approved by Caius, they are made available through the investor portal.

#### **Separately Managed Account**

HedgeServ provide a statement of the contents and the valuation of the portfolio, including details of each financial instrument held, its market value or fair value, cash balance and performance of the portfolio on a monthly and annual basis.

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

Caius Capital does not provide services or receive compensation from any account that is not a client. Similarly, the Firm has not formally engaged third parties to solicit investors, though, as described in Item 12, certain brokers may assist the Master Funds and Financials Master Funds in raising additional capital from investors.

## **Item 15. Custody**

The cash and securities of the Master Funds, Financials Master Funds and managed account are held by third party custodians and Caius Capital does not have direct custody of such cash or securities. However, Caius Capital is deemed to have constructive custody of the Master Funds and Financials Master Funds because an affiliate acts as general partner of the Master Funds and Financials Master Funds. Accordingly, where applicable, the Firm will comply with the “audit exception” to the SEC’s custody rule and deliver audited financial statements to investors in the Master Funds and Financials Master Funds within 120 days of the funds’ fiscal year end.

## **Item 16. Investment Discretion**

Caius Capital has discretionary authority to manage the assets of the Master and Financials Master Funds and the separately managed account in a manner consistent with their stated investment objectives and guidelines. There are no specific limitations placed on this authority, provided that Caius Capital will exercise its discretionary authority in accordance with the investment objectives and strategy and applicable limitations, if any, set forth in applicable offering documents or other governing agreements of each Fund. Fund investors do not have the ability to impose limitations on the discretionary authority of Caius Capital. Fund investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

The separately managed account is subject to investment objectives, guidelines, and restrictions, and fee arrangements, as well as other terms that are individually negotiated with the account owner, and set forth in an investment management agreement.

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

Caius Capital’s authority generally includes proxy voting with respect to the securities held in advisory client accounts. During the course of carrying out activities as an investment manager, the Firm may exercise voting rights held within client portfolios, on behalf of the Funds it manages. Caius Capital has adopted policies and procedures regarding its voting responsibilities for proxies, which will govern the voting process.

It is the policy of Caius Capital to vote proxies in the interest of maximizing value for its clients. Consideration will be given to both the short and long terms implications of the proposal to be voted on when considering the optimal vote. At times, Caius Capital may determine it is in its clients' best interests to abstain from voting. Copies of the Firm's proxy voting procedures and voting records are available upon request to Caius Capital's Chief Compliance Officer.

## **Item 18. Financial Information**

Caius Capital has never filed for bankruptcy and is not aware of any financial condition that is likely to impair its ability to provide services to clients.