

## **NYHAVN CAPITAL AB**

**VASUGATAN 28, 111 20 STOCKHOLM,  
Sweden**

**May 2021**

### **Part 2A Brochure**

This “**Brochure**” provides information about the qualifications and business practices of Nyhavn Capital AB (hereinafter “Nyhavn”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Thomas Segell, +46 73432 1908, [thomas@nyhavn-capital.com](mailto:thomas@nyhavn-capital.com)

Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Nyhavn Capital AB has applied as an “Investment Adviser Expecting to be Eligible for Commission Registration within 120 Days” with the SEC. Registration as an investment adviser does not imply that Nyhavn or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

---

This Brochure is Nyhavn's initial Form ADV Part 2A which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if the Brochure contains material changes from our last update, we will identify and discuss those changes in this section.

### Item 3: Table of Contents

---

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	6
Item 6: Performance-Based Fees and Side-By-Side Management .....	9
Item 7: Types of Clients .....	9
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss.....	10
Item 9: Disciplinary Information .....	24
Item 10: Other Financial Industry Activities and Affiliations .....	24
Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	24
Item 12: Brokerage Practices.....	26
Item 13: Review of Accounts .....	28
Item 14: Client Referrals and Other Compensation .....	28
Item 15: Custody .....	28
Item 16: Investment Discretion .....	28
Item 17: Voting Client Securities .....	29
Item 18: Financial Information .....	29

#### Item 4: Advisory Business

---

Nyhavn Capital AB (hereinafter “Nyhavn”, “we”, “us”, “our”, “the Investment Manager” or the “Firm”) is a Limited Company formed under the laws of Sweden. Nyhavn was incorporated on 07/01/2020 and founded by Mads Milan Idorn Thamsborg. Nyhavn is authorised and regulated by the Financial Supervisory Authority (“FSA”) in Sweden.

The Firm’s day to day management is carried out by the Senior Management team which consists of Mads Thamsborg, Chief Executive Officer (‘CEO’) & Chief Investment Officer (‘CIO’), and Thomas Segell, Chief Operating Officer (‘COO’), Chief Compliance Officer, Chief Financial Officer (‘CFO’) and Deputy CEO.

The Firm has implemented a global long/short equity investment strategy primarily investing in mid and larger capitalisation companies, in developed markets (primarily Europe and North America).

The long side focuses on announced spin-offs and conglomerates breaking up, taking advantage of mispriced franchises. This is complemented by a list of quality companies which are brought when trading at significant discounts to intrinsic value due to short term issues. The short strategy combines in-depth forensic accounting and fundamental business analysis with deteriorating end-markets, often with structural challenges or financial instability. Forensic accounting is then used again in combination with key KPIs and behavioural factors to identify when these challenges are most likely to negatively affect financial results and market expectations.

Within 120 days of registration with the SEC, Nyhavn Capital AB will provide discretionary investment management services to qualified investors through its private funds:

- Nyhavn Global Equity Long Short Master Fund LP (Master Fund, Cayman domiciled) “Master Fund”
- Nyhavn Global Equity Long Short Fund Limited (Feeder Fund, Cayman domiciled “the Company”
- Nyhavn Global Equity Long Short Fund LP (Feeder Fund, Delaware domiciled) “the Partnership”

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents.**”

In addition, Nyhavn expects to provide discretionary and/or non-discretionary investment management and advisory services to separately managed accounts (“**SMAs**”) or provide other investment advisory services to qualified individuals or institutions domiciled in or outside the United States.

All of the above and prospective clients are collectively referred to as “**Clients**” throughout this Brochure.

**Wrap Fee Programs:** We do not currently participate in any Wrap Fee Programs.

**Regulatory Assets Under Management:** As of the date of this Brochure, Nyhavn has \$0 in assets managed on a discretionary basis. This is due the fact that the Nyhavn Global Equity Long Short Master Fund LP has not yet been launched.

## **Item 5: Fees and Compensation**

---

The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

### ***Management Fee***

Nyhavn's fees and compensation are described in the Information Memorandum or equivalent, entered into with each Client. Nyhavn typically charges a Client an asset-based fee based on committed and invested capital (the "Management Fee") pursuant to an agreed upon schedule. Management fees are charged at rates ranging from 1.25% to 1.5% based each investor's capital contribution to the fund vehicle including factors such as committed and invested capital. No Management Fee will be payable in respect of Class M Shares and no separate management fee will be incurred at the level of the Master Fund as stated in the Information Memorandum.

The Investment Manager, in its sole discretion, may waive or modify the Management Fee for any Investor.

### ***Other Types of Fees or Expenses***

#### Directors' Fees and Expenses

Aggregate fees as agreed between the Directors and the Master Fund as set forth in the Offering Documents, will be paid on an annual basis, out of the assets of the Master Fund, to the Directors for acting as such. Separate fees are not payable at the level of the Partnership. The Directors may waive their fees or assign their respective fees to their employers.

#### Administration Fees and Expenses

Morgan Stanley Fund Services (Cayman) Limited, in its capacity as the Administrator, is entitled to receive a fee payable monthly in arrears at the level of the Master Fund, at an annual percentage rate of the net asset value of the Master Fund Shares as set forth in the Offering Documents. To avoid double charging, the Administrator will not take a fee at the level of the Partnership. The Administrator is also entitled to receipt of reasonable out of pocket expenses incurred on behalf of the Funds including, without limitation, communications, postage and printing.

#### Depository Services Provider's Fees and Expenses

Morgan Stanley Fund Services USA LLC, in its capacity as the Depository, is entitled to receive a fee for its services payable monthly in arrears at the level of the Master Fund based on the month-end net asset value of the Master Fund at the relevant basis points per annum rate, on a sliding scale basis commencing at an agreed number of basis points per annum (before deducting any accrued Performance Fee), reducing as the Master Fund's net asset value increases but subject to a minimum monthly fee as set forth in the Offering Documents. To avoid double charging, the Depository Services Provider will not take a fee at the level of the Partnership. The Depository is also entitled to reimbursement of its reasonable and properly incurred out of pocket expenses incurred in the performance of its duties under the Depository Services Agreement.

### Prime Brokerage Fees and Expenses

Morgan Stanley & Co. International plc and UBS Securities LLC, in their capacity as prime brokers, perform a variety of brokerage and custodial services on arm's length commercial terms for the Master Fund for which fees are charged at normal commercial rates and expenses are to be reimbursed. Any sub-custodian fees will be met by the Master Fund. All sub-custodian fees will be charged at normal commercial rates.

### Auditor's Fees and Expenses

PWC, in their capacity as the auditor, is entitled to receive a fee at normal commercial rates, to be approved by the Directors each year, and is also entitled to reimbursement of its out-of-pocket expenses.

### Redemption Fee

In addition, an early redemption adjustment of up to three per cent. will normally be made for Shares in Class F that are redeemed within the first 12 months following their issue. No early redemption adjustment will be made in respect of redemptions more than 12 months after issue. The early redemption adjustment may be waived or the amount adjusted, either generally or with respect to a particular redemption, at the discretion of the Directors.

Subject to the Directors' discretion to determine otherwise, subscriptions and redemptions will be dealt with on a "first in, first out" basis for the purposes of determining whether a redemption charge is payable in respect of the redeemed Shares.

Such fees shall be retained by the Master Fund for the benefit of the remaining investors.

The redemption fee may be waived or the amount adjusted either generally or in a particular case at the discretion of the Directors.

No redemption fee will be charged to the Partnership at the Master Fund level.

### Other Service Providers

The partnership secretary (if any), the legal advisers, the registered office service provider and the Funds' other service providers are paid fees at normal commercial rates, as may be agreed from time to time.

### General

#### *Master Fund*

The Master Fund will pay the costs and expenses incurred in its operation which may include without limitation, taxes, registered office fees, professional services (including experts, accounting, auditing, consulting) and data services, reasonable promotional activities, registration fees and other expenses due to supervisory authorities, insurance, interest, brokerage costs, legal expenses, costs relating to execution and all professional and other fees and expenses incurred in connection therewith, and the fees and out-of-pocket expenses of the Directors and the Service Providers. The Master Fund will also meet its liquidation and winding-up costs.

To avoid double charging, no separate management fee or performance fee will be charged at the level of the Master Fund.

The Master Fund (i) shall be responsible for the payment of any commissions, transfer fees, registration fees, taxes, duties and other fiscal liabilities and all other liabilities and costs properly payable or incurred by the Investment Manager and its delegates, (ii) shall reimburse the Investment Manager and its delegates for their costs in complying with its disclosure and reporting obligations under the AIFMD Rules, and (iii) shall reimburse the Investment Manager its delegates for any out of pocket expenses properly incurred by the Investment Manager and such delegates in connection with the discharge by the Investment Manager of its services and obligations. In addition the Master Fund shall reimburse the Investment Manager or its delegates (out of the assets of the Master Fund) for its reasonable expenses in meeting the Master Fund's obligations under the EMIR Regulations and SFTR Regulations.

The amount of fees, charges and expenses borne directly or indirectly by investors are not subject to any maximum limit and will depend on a number of factors.

#### *Nyhavn Global Equity Long Short Fund Limited 'the Company'*

By virtue of the Company's investment in the Master Fund, shareholders will suffer *a pro rata* portion of the fees and other costs and expenses referred to in relation to the Master Fund discussed above. The Company will also be responsible for the additional costs and expenses incurred in its operation, including, without limitation, taxes, registered office fees, legal expenses, professional services (including experts, accounting, auditing, consulting), reasonable promotional activities, registration fees and other expenses due to supervising authorities, insurance, interest and the cost of the publication of the net asset value. The Company will also meet its liquidation and winding-up costs.

To avoid double charging, shareholders will not incur any separate prime brokerage or administration or depositary services fees at the Company level. Management Fees and Performance Fees will be borne at the level of the Company only.

The amount of fees, charges and expenses borne directly or indirectly by investors are not subject to any maximum limit and will depend on a number of factors.

The rate of the Management Fee payable and the Performance Fee payable with respect to each Class may be increased or decreased from time to time in the sole discretion of the Directors on prior written notice to the shareholders, provided that there is at least one opportunity for each affected shareholder to redeem (without being subject to a redemption charge) prior to the effective date of the change if the change is an increase.

#### *Investment Manager*

The Investment Manager may, in its sole discretion and subject to legal and regulatory requirements, (i) pay commission out of its own resources to qualified financial intermediaries who refer prospective investors; or (ii) waive or rebate any applicable fees or charges for certain prospective investors based on factors deemed appropriate by the Investment Manager including, but not limited to, the amount of the proposed investment by a prospective investor. Investors requiring further information relating to such arrangements should submit any requests to the Investment Manager.

The Investment Manager may, in its sole discretion, pay some or all of the Company's and/or the Master Fund's costs or expenses on behalf of the Company and/or the Master Fund. For the avoidance of doubt, in the event that the Investment Manager pays an expense on behalf



of the Company and/or the Master Fund, it shall be under no obligation to pay a similar or recurring expense at a later date. Additionally, the Investment Manager may pay a cost or expense on behalf of the Company and/or the Master Fund and the Company and/or the Master Fund (as applicable) shall, if the Investment Manager so requests, reimburse the Investment Manager for such amounts.

Please also see Item 12: Brokerage Practices below.

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

---

Nyhavn is entitled to receive to received performance-based compensation from its clients. Since Nyhavn will be managing multiple Client accounts, including accounts with different fee arrangements, a potential conflict of interest exists for one Client to be favoured over another Client. For example, performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Nyhavn has procedures designed and implemented to ensure that its Clients are treated fairly, and to prevent this conflict from influencing its investment decisions. Nyhavn will address this possible conflict of interest through its trade allocation policy, in which investment opportunities are allocated among Clients according to each Client's investment objectives and other relevant factors and in a fair and equitable manner, without regard to differences in fee arrangements. Nyhavn's procedures also include a full review of the suitability of any investment in the Fund or managed account as well as conducting and maintaining documents on the due diligence process on the relevant assets held in the relevant Fund or managed account.

Any other incentive arrangements for Investment Advisory Services will be discussed in detail in each Client's Investment Management Agreement or other pertinent agreement.

Nyhavn is entitled to a performance-based fee based on returns generated to the Client. The structure of any performance fee is subject to negotiation and agreement with the Client and documented in the Information Memorandum and/or fund documentation. The Performance Fee may vary from 15% to 20%. The Performance Fee is payable in arrears in respect of each Performance Period. No performance fee is payable in respect of Class M Shares. The Performance Fee is subject to adjustment upon completion of the relevant audit for the Performance Period and subject to a High-Water Mark, as stated in the Information Memorandum.

#### **Item 7: Types of Clients**

---

Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments and other types of professional investor.. Any US investor must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" under the Investment Company Act of 1940, as amended (the "Investment Company Act").

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

---

The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

### ***Investment Objective***

The Investment Manager has maximum flexibility to invest in a broad range of asset classes and financial instruments in connection with their investment strategies.

The investment objective of Nyhavn Global Equity Long Short Fund Limited "the Company", Nyhavn Global Equity Long Short Fund L.P. "the Partnership" and the Nyhavn Global Equity Long Short Master Fund Limited "Master Fund" is to provide long-term capital returns while maximising capital efficiency. The Company seeks to achieve its investment objective by investing all of its assets in the Master Fund (save for subscriptions awaiting contribution to the Master Fund, distributions from the Master Fund awaiting distribution to shareholders and amounts pending expenditure for fees and expenses).

The Master Fund may also hold or invest in cash or cash equivalents, interest bearing accounts of a bank or broker, money market instruments, money market funds, certificates of deposit and such other assets as the Directors and/or the Investment Manager may consider appropriate in their or its sole discretion.

### ***Risk Management***

The Investment Manager operates risk management systems for the purposes of identifying, measuring and monitoring the risks relevant to the investment objective, policy and strategy of Partnership and the Master Fund. Risk management is an integral part of the investment process. The Investment Manager meets its risk management objectives by operating according to its risk management policy. The policy and the related procedures allocate risk management responsibilities, stipulate necessary systems and controls and define the main areas of risk.

In accordance with the AIFMD Rules, the Investment Manager has established a permanent, independent risk management function and given it the necessary authority to fulfil its risk management objectives. These systems are subject to robust controls and backup arrangements as well as regular testing and review as part of operational risk management.

Market, liquidity, and counterparty risks are managed at the position, strategy, institution, and portfolio levels. The approach involves both quantitative and qualitative analysis and metrics, adapted to the risk characteristics of the different investment strategies as well as to the profile of the aggregate portfolio. Normal and stressed market conditions are considered. In the case of liquidity risks, the potential behaviour of liquidity sources is also taken into account.

The Investment Manager may adopt all, some or none of the risk management systems described above and may also undertake risk management activities other than those described above or risk management activities that are variations of those described above.

There can be no assurance that the Investment Manager's risk management systems will be successful in monitoring and/or controlling the exposure of the Master Fund's portfolio to risk. Implementing risk management systems (whether or not successful) may involve substantial costs.

### ***Risk Factors***

The above strategies involve a significant degree of risk of loss that clients and Investors should be prepared to bear. The following is a summary of some of the material risks associated with the above strategies. Although the summary below does not fully describe all of the risks associated with such an investment, each Fund's offering memorandum contains a more complete description of the applicable risks associated with an investment in that Fund. Clients and Investors should understand that it is not possible to identify all of the risks associated with investing, and that the potential risks applicable to a Fund will depend on the nature of the Fund and its investment strategies, as well as the types of investments it holds.

While the Investment Manager seeks to manage the Funds so that risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Certain mandates may be limited as to type of investment and may not be diversified. The Funds are not intended to provide a complete investment program. Clients and Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

As a shareholder in the Master Fund, the Company and Partnership are subject to the risks of the Master Fund. Prospective investors should take into account the following factors in determining whether an investment in the Company or Partnership is a suitable investment.

### **General Risks**

*Lack of Operating History* – The Company, Partnership and the Master Fund and the Investment Manager are newly-formed. There can be no assurance that the Company, Partnership or the Master Fund will achieve its investment objectives. The past investment performance of the directors or other personnel of the Investment Manager cannot be construed as an indication of the future results of an investment in the Company or the Master Fund. The Company, Partnership and/or the Master Fund may not grow to or maintain an economically viable size, in which case the Directors may determine to wind up the Company and/or the Master Fund at a time that may not be opportune for investors.

*Business Dependent Upon Key Individuals* – The success of the Company, Partnership and the Master Fund is significantly dependent upon the expertise of members of the investment management team at the Investment Manager (including the Founder) and any future unavailability of their services could have an adverse impact on the performance of the Company, Partnership and the Master Fund.

*Fees and Expenses* – The Company, Partnership and/or the Master Fund pays fees, costs and expenses incurred in its operation, including, without limitation, taxes, expenses for legal, auditing, administration, custody, promotional activities, registration fees and other expenses due to supervisory authorities, insurance, interest, the fees of service providers and the cost of the publication of the net asset value. In addition, the Investment Manager is authorised to incur all expenses on behalf of the Company, Partnership and the Master Fund which it deems necessary or desirable. The fees, allocations and expenses to which the Company and the Master Fund will be subject could be substantial and will dilute the returns realised by investors.

*Valuation Policies* – The Company's, Partnership's and the Master Fund's valuation policies may employ practices which are contrary to IFRS and may, in certain circumstances, result in a qualified audit opinion. The Company, Partnership and/or the Master Fund may decide to make IFRS conforming changes for financial reporting purposes but use the valuation policies detailed under "Valuations" for the purpose of calculating net asset value. In such circumstances, there would be a divergence in the Company's, Partnership's or the Master Fund's fiscal year-end net asset value and the net asset value reported in the Company's or the Master Fund's financial statements in any year where IFRS conforming changes are made only to the Company's and/or the Master Fund's financial statements for financial reporting purposes.

*Rehypothecation and Transfer of Ownership of Assets* – The Prime Brokers and their respective groups may borrow, lend or otherwise use the Master Fund's money, investments and other assets for its or their own purposes and may take such investments as collateral. Such assets will cease to be the property of the Master Fund and, in the event of an insolvency of that Prime Broker may be available to creditors of that Prime Broker. As a result, the Master Fund may not be able to recover such assets in full.

*Counterparty Risk* – The Master Fund will be subject to the risk of the inability of any trading counterparty to perform with respect to transactions, whether due to its own insolvency or that of others, bankruptcy, market illiquidity or disruption or other causes and whether resulting from systemic or other reasons. Systemic risk may arise through a default by one of several large institutions that are dependent upon one another to meet their liquidity or operational needs, such that a default by one institution causes a series of defaults by the others. This may adversely affect financial intermediaries such as clearing agencies, clearing houses, brokers and listed companies in certain countries.

*Restrictions on Redemptions* – Investors are subject to restrictions relating to the redemption of Shares.

The ability of the Company and Partnership to meet redemption requests by investors will depend on numerous factors including the liquidity available to the Company, Partnership and the Master Fund and the speed at which the Master Fund may realise investments in securities and structures in which investment may be made. The Investment Manager intends to employ a long-term investment horizon and securities and structures held by the Master Fund may offer liquidity at intervals and in circumstances which may not provide sufficient liquidity for the Company, Partnership and the Master Fund to be able to fully meet redemption requests in certain circumstances. The delay in disposal of investments may adversely affect

both the value of the investment being disposed of, and the value and liquidity of the investment.

In addition, the Directors may suspend the calculation of the net asset value and/or redemptions of Shares in the circumstances set out under “*Valuations: Possible Suspension*” above. The Directors may limit the value of redemptions in respect of any Redemption Dealing Day as set out under “*Limitations on Redemptions*”.

*Conflicts of Interest* – The prospect of the Performance Fee may lead the Investment Manager to make investments that are riskier than would otherwise be the case. The Performance Fee is calculated on unrealised as well as realised gains and hence may arise although the relevant gains are not realised.

Other clients of the Investment Manager may have similar investment objectives although the Investment Manager, in particular in relation to the allocation of investment opportunities, will act fairly as between all of its clients. (See also “Conflicts of Interest” below.)

*Business, Legal, Tax and Other Regulatory Risks* – Legal, tax, and regulatory changes, as well as judicial decisions, could adversely affect the Company, the Master Fund, the Investment Manager and/or the investment strategies used by the Master Fund. The regulatory environment continues to evolve. Changes in applicable regulations may adversely affect the value of the Company’s, Partnership’s and the Master Fund’s investments and the ability of the Company, Partnership and the Master Fund to implement their investment strategy (including the use of short positions, derivatives and leverage). The financial services industry generally and the activities of private investment funds (such as hedge funds) and their investment advisers, in particular, have been the subject of increasing legislative and regulatory scrutiny. Such scrutiny may increase the Company’s, the Partnership’s, the Master Fund’s and/or the Investment Manager’s legal, compliance, administrative and other related burdens and costs as well as regulatory oversight or involvement in the Company, Partnership, Master Fund and/or the Investment Manager or result in ambiguity or conflict among legal or regulatory schemes applicable to the Company, the Partnership, the Master Fund or the Investment Manager. In addition, securities and futures markets are subject to extensive statutes, regulations and margin requirements. Various regulators, self-regulatory organisations and exchanges may be authorised to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and entities that engage in such transactions is an evolving area of law and is subject to further development and modification by governmental and judicial action. There can be no assurances that the Company, the Partnership and the Master Fund or the Investment Manager will not in the future be subject to regulatory review or discipline. The effects of any future legal or regulatory changes or developments on the Company, the Partnership and the Master Fund may affect the manner in which it is managed and may be substantial and adverse.

*Fraud and Misconduct Risk* – The Master Fund will be exposed to the risk of fraud or misconduct by Service Providers, employees, and third-party service providers to, or the directors, officers or agents of, an investment entity in which the Master Fund is invested. The Master Fund will adopt measures to select reliable service providers and prevent and deter employee misconduct and intends to seek to obtain transparency and monitor the activities of service providers and other agents of investment entities in which the Master Fund invests. However, there is no guarantee that the measures taken will be effective in eliminating the risk of fraud or other bad faith acts or practices.

*Currency* – Shares will be issued and redeemed in the currency applicable to each Class and Series. The underlying instruments held by the Master Fund may be denominated in other currencies. Changes in foreign currency exchange rates may therefore have a separate effect, favourable or unfavourable, on the gain or loss otherwise made on the instruments held by the Master Fund. Accordingly, the value of an investment in the Company and Partnership may be affected favourably or unfavourably by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations. In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than the currency of investment should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the relevant currencies. The Master Fund may enter into back-to-back currency borrowing or utilise derivatives such as forwards, futures, options and other derivatives to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be undertaken or if undertaken will be effective or beneficial or that there will be a hedge in place at any given time.

*Terrorist Action and Catastrophe Risk* – There is a risk of terrorist attacks causing significant loss of life and property and damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. Losses may also arise from exposure, directly or indirectly, to events such as hurricanes, earthquakes and other natural disasters and other events which adversely affect health or life expectancy. The impact of such events is unclear but could have a material effect on general economic conditions and market liquidity, which may in turn adversely affect the Master Fund and its investors including the Company and the Partnership.

*Impact of COVID - 19:* In December 2019, an outbreak of a contagious respiratory virus now known as COVID - 19 occurred and it has since spread globally. The virus has resulted in government authorities in many countries (including the People's Republic of China and Hong Kong, the United States and Europe) taking extreme measures to arrest or delay the spread of the virus including the declaration of states of emergency, restrictions on movement, border controls, travel bans and the closure of offices, schools and other public amenities such as bars, restaurants and sports facilities. This has resulted in major disruption to businesses, both regionally and globally, substantial market volatility, exchange trading suspensions and closures. While the full impact is not yet known, it is anticipated that these events will have a material adverse effect on general global economic conditions and market liquidity.

This may in turn cause material disruptions to business operations of service providers on which the Master Fund and the Company rely, including the Investment Manager. It may also adversely impact the Master Fund's investments, the ability of the Investment Manager to access markets or implement the Master Fund's investment policy in the manner originally contemplated, the Master Fund's net asset value and therefore the Company's and the Partnership's investors. The Master Fund's and/or the Company's and the Partnership's access to liquidity could also be impaired in circumstances where the need for liquidity to meet redemption requests may rise significantly.

The impact of a health crisis such as the COVID - 19 pandemic, and other epidemics and pandemics that may arise in the future, could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect the Master Fund's, the Company's and the Partnership's performance, resulting in losses to investors.

*Data Protection Legislation* – The Master Fund’s, Company’s, the Partnership’s and Investment Manager’s processing of personal data entails legal and regulatory risks and the legal and regulatory requirements relating to the collection, storage, handling and transfer of personal data continue to develop. The Master Fund, the Company, the Partnership and the Investment Manager and/or their affiliates may become subject to new legislation or regulation concerning the personal information they may store or maintain. In addition, they may have obligations under existing law and regulation, including the requirements of the General Data Protection Regulation (the “GDPR”). The GDPR came into force on 25 May 2018 and introduced a range of new compliance obligations regarding the handling of personal data and new obligations on data controllers and data processors and rights for data subjects. The GDPR also significantly increased fines for non-compliance.

Whilst the Master Fund, the Company, the Partnership and the Investment Manager and their affiliates intend to comply with any obligations arising out of the GDPR, if it is interpreted or applied in a manner inconsistent with the Master Fund’s, the Company’s, the Partnership’s and the Investment Manager’s policies and procedures, they may be fined or ordered to change their business practices in a manner that adversely impacts their operations. The Master Fund, the Company, the Partnership and the Investment Manager and their affiliates may also be subject to data protection laws and regulations of other jurisdictions (whether as controllers or processors or both) including, without limitation, those of the Cayman Islands. Compliance with these laws and regulations may divert the Investment Manager’s time and effort away from the management of the Company, the Partnership and the Master Fund and entail substantial expense. Any failure to comply with these laws and regulations by the Master Fund, the Company, the Partnership and the Investment Manager or their affiliates could result in negative publicity and may subject the Master Fund and/or the Company and their directors to significant costs or penalties associated with litigation and/or regulatory action.

#### *United Kingdom’s Withdrawal from the European Union*

The U.K. withdrew from the EU and the EEA on 31 January 2020. Following withdrawal from the EU, the U.K. has entered a transition period, during which period EU law will continue to apply in the U.K. New EU legislation that takes effect before the end of the transition period will also apply to the UK. As at today’s date, the transition period will last until 31 December 2020. During and following the transition period, there is likely to be considerable uncertainty as to the U.K.’s post-transition framework, and in particular as to the arrangements which will apply to its relationships with the EU and with non-EU countries. This process and/or the uncertainty associated with it may, at any stage, adversely affect the Company, the Partnership and the Master Fund and their investments and/or the Investment Manager. There may be detrimental implications for the value of the Master Fund’s investments and/or its ability to implement its investment programme. This may be due to, among other things:

- (i) increased uncertainty and volatility in U.K., EU and other financial markets;
- (ii) fluctuations in asset values;
- (iii) fluctuations in exchange rates;
- (iv) increased illiquidity of investments located, listed or traded within the U.K., the EU or elsewhere;

- (v) changes in the willingness or ability of financial and other counterparties to enter into transactions, or the price at which and terms on which they are prepared to transact; and/or
- (vi) changes in legal and regulatory regimes to which the Master Fund, the Company, the Investment Manager, certain of the Master Fund's assets and/or service providers are or become subject.

The U.K.'s vote to leave the EU has created a degree of political uncertainty, as well as uncertainty in monetary and fiscal policy, which is expected to continue during the transition period. It may have a destabilising effect on some of the remaining members of the EU, the effects of which may be felt particularly acutely by Member States within the Eurozone.

The withdrawal of the U.K. from the EU could have a material impact on the U.K.'s economy and its future growth, impacting adversely the Master Fund's investments in the U.K.. It could also result in prolonged uncertainty regarding aspects of the U.K. economy and damage customers' and investors' confidence. Any of these events could have a material adverse effect on the Master Fund (and consequently the Company and the Partnership) and the Investment Manager.

*Cyber Crime and Security Breaches* – With the increasing use of the internet and technology in connection with the operations of the Service Providers, the Company, the Partnership and the Master Fund are susceptible to greater operational and information security risks through breaches in cyber security. Cyber security breaches include, without limitation, infection by computer viruses and gaining unauthorised access to the Service Providers' systems through "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operations to be disrupted. Cyber security breaches may also occur in a manner that does not require gaining unauthorised access, such as denial-of-service attacks or situations where authorised individuals intentionally or unintentionally release confidential information stored on the Service Providers' systems. A cyber security breach may cause disruptions and impact the Company's, the Partnership's and the Master Fund's business operations, which could potentially result in financial losses, inability to determine the net asset value of the Company, the Partnership or the Master Fund, violation of applicable law, regulatory penalties and/or fines, compliance and other costs. The Master Fund, the Company, the Partnership and its shareholders could be negatively impacted as a result. Further, indirect cyber security breaches at an issuer of securities in which the Company, the Partnership or the Master Fund invests may similarly negatively impact the Master Fund, the Company, the Partnership and its shareholders. While the Service Providers have established risk management systems designed to reduce the risks associated with cyber security breaches, there can be no assurances that such measures will be successful.

*Handling of Post* – Postal mail addressed to the Company, the Partnership or the Master Fund and received at their registered office will be forwarded unopened to the forwarding address supplied by the Administrator to be dealt with. None of the Company, the Partnership the Master Fund, the Directors, their officers, advisers or service providers (including the organisation which provides registered office services to the Company, the Partnership and the Master Fund in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular, the Directors will only receive,



open or deal directly with mail which is addressed to them personally (as opposed to mail addressed to the Company or the Master Fund).

## **Investment and Strategy Risks**

*Investment and Trading Risks in General* – All securities investments present a risk of loss of capital. The Master Fund's investment policy may utilise such investment techniques as option transactions, margin transactions, short sales and futures and forward contracts which practices can, in certain circumstances, increase any losses. There can be no assurance that the Company, the Partnership or the Master Fund will achieve their investment objectives and losses may be incurred.

*Risk of Loss* – No guarantee or representation is made that the Master Fund's investment program, including the Master Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the Investment Manager (or investments otherwise made by the investment professionals of the Investment Manager) are not necessarily indicative of their future performance.

*Long/Short* – The success of the Master Fund's long/short investment strategy depends upon the Investment Manager's ability to identify and purchase securities that are undervalued and identify and sell short Securities that are overvalued. The identification of investment opportunities in the implementation of the Master Fund's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired. In the event that the perceived opportunities underlying the Master Fund's positions were to fail to converge toward or were to diverge further from values expected by the Investment Manager, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Master Fund to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Investment Manager's long/short strategies may become outdated and inaccurate as market conditions change.

*Long-Term Investments* – The Master Fund is likely to pursue investment opportunities which seek to maximise asset value or create market opportunities on a long-term basis. In pursuing a long-term strategy, the Master Fund may forego value in the short term and may make temporary investments in order to be able to avail the Master Fund of additional and/or longer-term opportunities in the future. An investment in the Company and the Partnership may therefore be disadvantageous for shareholders who redeem all or a portion of their Shares before such long-term value is realised by the Master Fund.

*Trading in Options* – The Master Fund may purchase and sell ("write") options on securities, currencies and commodities on a variety of commodities and securities exchanges and over-the-counter markets. The seller ("writer") of a put or call option which is uncovered (i.e. the writer has effectively a long or a short position in the underlying security, currency or

commodity) assumes the risk (which theoretically may be unlimited) of a decrease or increase in the market price of the underlying security, currency or commodity below or above the sales or purchase price. Certain custom instruments are also subject to the risk of non-performance by the counterparty. Trading in futures and options is a highly specialised activity and, although it may increase total return, it may also entail significantly greater than ordinary investment risk. There can be no assurance that a given exposure will be hedged at any given time or, even if the exposure is hedged, that such hedge will be effective.

*Exchange-Traded Futures Contracts and Options on Futures Contracts* – The Master Fund may invest in futures and related options to the extent that all necessary CFTC registrations or exemptions have been obtained. Such registrations or exemptions would not include review or approval by the CFTC of any offering memorandum or the trading strategies of the Master Fund. The Master Fund's use of futures contracts and options on futures contracts will present the same types of volatility and leverage risks associated with transactions in derivative instruments generally (see below). In addition, such transactions present a number of risks which might not be associated with the purchase and sale of other types of investment products.

Prior to exercise or expiration, a futures or option position can be terminated only by entering into an offsetting transaction. This requires a liquid secondary market in the exchange on which the original position was established. There can be no assurance that an off-setting transaction will be available for any particular contract at any point in time. In that event, it might not be possible to establish or liquidate a position.

The Master Fund's ability to utilise futures or options on futures to hedge its exposure to certain positions or as a surrogate for investments in instruments or markets will depend on the degree of correlation between the value of the instrument or market being hedged, or to which exposure is sought and the value of the futures or option contract. Because the instrument underlying a futures contract or option traded by the Master Fund will often be different from the instrument or market being hedged or to which exposure is sought, the correlation risk could be significant and could result in substantial losses to the Company, the Partnership and the Master Fund. The use of futures and options involves the risk that changes in the value of the underlying instrument will not be fully reflected in the value of the futures contract or option.

The liquidity of a secondary market in futures contracts and options on futures contracts is also subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity.

*Forward Trading* – The Master Fund may invest in forward contracts and options on forward contracts which, unlike futures, are not traded on exchanges and are not standardised. They are instead negotiated on an individual basis by banks and dealers acting as principals. Forward and "cash" trading is broadly unregulated, there is no limitation on daily price movements and speculative position limits are not applicable. Principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities in which they trade and these markets can consequently experience significant periods of illiquidity. Market participants may refuse to quote prices for certain currencies or commodities or may quote prices with an unusually widespread between the price at which they are prepared to buy and sell. Disruptions can occur in any market traded by the Master Fund due to unusually high trading volume, political intervention or other factors. Controls

imposed by government authorities may also limit forward trading to less than that which the Investment Manager may otherwise recommend, to be possible detriment of the Master Fund.

*Contracts for Differences* – Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honour its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Master Fund's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Master Fund's financial risk.

*Market Disruption* – The Company, the Partnership and the Master Fund could incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. A disconnect from historic prices may be compounded with positions becoming illiquid in disrupted markets, making it difficult or impossible to close out positions against which the market is moving. The financing available to the Master Fund from the Prime Brokers and from its trading counterparties will typically be reduced in disrupted markets. A sudden restriction of credit by dealers may result in forced liquidations and major losses. As market disruption and losses in one sector can affect other sectors, losses may be incurred despite the Master Fund not investing heavily in the primarily disrupted market.

*Leverage, Interest Rates and Margin* – The Master Fund may borrow funds from brokerage firms, banks and other financial institutions in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which the Master Fund can borrow may affect the operating results of the Company and the Master Fund. In addition, the Master Fund may in effect borrow funds through entry into repurchase agreements and may “leverage” its investment return with instruments such as forwards, futures, options and other derivative contracts. The low margin or premiums normally required for these instruments may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately large profit or loss.

The Master Fund's use of borrowing and leverage results in certain additional risks.

For example, while leverage presents opportunities for increasing the total return of the

Master Fund, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment held by the Master Fund would be magnified to the extent that the Master Fund is leveraged. The cumulative effect of the use of leverage by the Master Fund in a market that moves adversely to its investment could result in a substantial loss which would be greater than if the Master Fund was not leveraged. Should the securities pledged to brokers to secure the Master Fund's margin accounts decline in value, the Master Fund could be subject to a "margin call" and need to deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Master Fund's assets, the Master Fund might not be able to liquidate assets quickly enough to pay off its margin debt. In the futures markets, margin deposits are typically low. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses. For example, if at the time of purchase 10 per cent. of the price of a futures contract is deposited as margin, a 10 per cent. decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission.

Any limitation on the availability of leverage and/or borrowing facilities will have a detrimental effect on the ability of the Master Fund to maintain the intended level of leverage.

Depending on market conditions, from time-to-time leverage, borrowing and margin may not be available to the Master Fund or may not be available to the Master Fund at a price the Master Fund is willing to pay.

*Securities and Other Investments of the Master Fund May Be Illiquid* – Certain investment positions may be illiquid. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prohibit the Master Fund from promptly liquidating unfavourable positions and subject the Company and the Master Fund to substantial losses. In addition, the Master Fund may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The use of certain exchanges in certain countries which are essentially "principals' markets", in which performance of a futures contract is the sole responsibility of the individual with whom the trader has entered into the contract with, may expose the Master Fund to the risk of an inability or refusal by the counterparty to settle the transaction or perform its obligations under the contract. Further, the factors relating to illiquid investment positions may also be applicable to an investor whose assets are used in any in specie redemption.

The percentage of illiquid securities in the investment portfolio may increase as a result of redemptions. In order to manage liquidity in the investment portfolio in light of redemptions, the Directors may determine to take any of a number of actions including, *inter alia*, creating side pockets for illiquid assets or spinning out illiquid assets into a special purpose vehicle. These measures may result in redeeming investors holding an investment in the Company, the Partnership the Master Fund or an entity created by the Master Fund beyond the redemption date, which investment is likely to have terms and conditions different from the

terms and conditions applicable to the original interests in the Company and the Partnership purchased by the investor and are likely to be highly illiquid and may be non-transferable.

*Collateral Management Risk* – In seeking to reduce credit risk through the posting or receiving of collateral in derivative contracts and Securities Financing Transactions (as discussed under “Securities Financing Transactions, Derivative Instruments and Collateral and Asset Re-use Arrangements” above), the management of the collateral posted/received will be subject to liquidity and counterparty risks associated with the relevant collateral instruments. Collateral is also subject to other types of risks: (i) operational risks: including that the valuation of the underlying instrument for which it is posted is inaccurate due to inadequate or failed internal processes, people or systems which may cause the Master Fund to have an incorrect level of margin posted or received; (ii) legal risks: these include risks associated with contracts and change of regulations in the relevant jurisdiction as well as the risk that collateral provided in cross-border transactions could result in conflicts of law preventing the Master Fund from recovering collateral lost or from enforcing its rights in relation to collateral received; (iii) custody risk. collateral received by the Master Fund on a title transfer basis will be held in custody by the Prime Broker on the terms and subject to the risks described under “Prime Brokers” above; and (iv) reinvestment of cash collateral: cash collateral that is reinvested may realise a loss, which would reduce the value of the collateral and result in the Master Fund being less protected if there is a counterparty default. While commercially reasonable efforts are utilised to ensure that collateral management is effective, such risks cannot be eliminated. Where the Master Fund has posted collateral, counterparties will generally have a right to sell, pledge, rehypothecate, assign, use or otherwise dispose of such collateral. This could increase the Master Fund’s exposure to counterparty risk. In addition, counterparties have an interest in maximising the return from such collateral and this interest could conflict with the interests of the Master Fund in preserving and protecting its portfolio.

*Interest Rate Risk* – The Master Fund is subject to several risks associated with changes in interest rates on their financings and investments which may affect profitability. The interest payments on the financings of the Master Fund may increase relative to the interest earned on their investments. In a period of rising interest rates, interest payments by the Master Fund could increase while the interest earned on certain investments (e.g. fixed rate investments) would not change. The Master Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Master Fund may acquire investments with short term maturities which are secured by long dated assets. Certain investments of the Master Fund may be adjustable-rate instruments in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the financings of the Master Fund similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the investments of the Master Fund.

*Interest Rate Adjustments* – The Master Fund may rely on short-term financings to acquire investments with long-term maturities. Similarly, the Master Fund may acquire investments with short term maturities which are secured by long dated assets. Certain of the Master Fund’s investments may be adjustable-rate instruments in which interest rates vary over time, based upon changes in an objective index (e.g., LIBOR) which generally reflect short-term interest rates. The interest rates on the Master Fund’s financings similarly vary with changes in an objective index but may adjust more frequently than the interest rates of the Master Fund’s investments.

No benchmark administrator whether IBA, any successor or the administrator of any alternative RFR has any obligation to any investor with respect to the Master Fund's investments that reference a Benchmark.

*Convertible Securities* – The Master Fund may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

*OTC Derivative Instrument Transactions* – The Master Fund may invest a substantial portion of its assets in investments which are not traded on organised exchanges to the extent that all necessary CFTC registrations or exemptions have been obtained. Such registrations or exemptions would not include review or approval by the CFTC of any offering memorandum or the trading strategies of the Master Fund. Such transactions, known as over-the-counter ("OTC" transactions), are not standardised and may include forward contracts, options, swaps or other derivatives. Whilst some OTC markets are highly liquid, transactions in OTC derivatives may involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as members of "exchange-based" markets. This exposes the Master Fund to the risk (i) of counterparty failure or insolvency (ii) that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem and (iii) of the inability or refusal of a counterparty to perform with respect to such contracts or redeliver cash or securities delivered by the Master Fund to support such contracts, thus causing the Master Fund to suffer a loss. Such "counter-party risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of counterparties. Market illiquidity or disruption could result in major losses to the Master Fund.

The instruments, indices and rates underlying derivative transactions expected to be entered into by the Master Fund may be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and may be influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies, national and international political and economic events and changes in interest rates. The volatility of such instruments, indices or rates, which may render it difficult or impossible to predict or

anticipate fluctuations in the value of instruments traded by the Master Fund, could result in losses.

*Equity Securities* – The Master Fund may invest in equity securities and equity derivatives. The value of these financial instruments will generally vary with the performance of the issuer and movements in equity markets. The Master Fund may suffer losses if it invests in equity instruments whose performance diverges from the Investment Manager's expectations, or if equity markets generally move in a single direction and the Master Fund has not hedged against such a movement. The Master Fund may also be exposed to a risk that issuers will not fulfil their contractual obligations, such as delivering marketable common stock upon conversion of convertible securities or registering restricted securities for public resale.

*Liquidity of Small and Mid-Cap Securities* – The Master Fund may invest in small and mid-cap securities. Small and mid-cap issuers generally have lower daily trading volume than issuers with larger capitalisation. This lower trading volume may affect the ability of the Master Fund to build or reduce the size of a position in a short time frame. In addition, it may sometimes be difficult to obtain price quotes in significant size for stocks of such small and mid-cap issuers. Investments in small and mid-cap issuers typically involve a higher degree of business and financial risk and can result in substantial losses due to special risk factors. For example, such issuers are typically subject to a greater degree of change in earnings and business prospects than are issuers with larger market capitalisations.

*Portfolio Turnover* – Turnover of the Master Fund's investments may be higher than the average for other more traditional portfolios and accordingly the level of commissions paid and other transaction costs are likely to be higher than average.

*Trade Errors* – Trade errors are unintentional mistakes which occur during the execution phase of trading and result in the placing of a different trade to one that was instructed.

The Investment Manager has put in place systems and controls which are designed to reduce the occurrence and impact of trade errors and monitors the adequacy and effectiveness of those systems and controls. However, the Investment Manager cannot guarantee that the manual and automated execution processes which it has devised and implemented will be error free. The possibility of trade errors occurring is an inherent risk in the trading strategies implemented by the Master Fund.

Gains and losses arising from trade errors may be substantial, due to the value of incorrect trades that may be placed, and due to the risk that some trade errors may remain undetected for a period of time or may not be detected at all. Any gains resulting from trade errors will be retained by the Master Fund. Any trade error losses will be borne by the Master Fund save as otherwise provided under the Investment Management Agreement.

The foregoing list of risk factors is not exhaustive. Prospective investors should consult with their own professional advisors before deciding to subscribe.

## **Item 9: Disciplinary Information**

---

To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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

---

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

---

### ***Code of Ethics***

The Investment Manager has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees’ personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics’ Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

The Code of Ethics includes provisions relating to disclosure and/or approval of outside business activities, acceptance and reporting of certain gifts and business entertainment, reporting of violations, personal securities accounts and personal securities trading procedures, among other things.

All access persons of the Investment Manager must acknowledge the terms of the Code of Ethics at the start of their employment and no less than annually thereafter. The Investment Manager, in appropriate circumstances, consistent with clients’ investment objectives, may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the Investment Manager, their affiliates and/or clients, directly or indirectly, have a position of interest.

The Investment Manager’s employees and certain other persons associated with the Investment Manager are required to follow the Investment Manager’s Code of Ethics. Subject to satisfying the Code and applicable laws, officers, directors and employees of the Investment Manager and their affiliates may trade for their own accounts in securities which are



recommended to and/or purchased for their respective clients. The Code of Ethics is reasonably designed to assure that the personal securities transactions, activities and interests of the employees of the Investment Manager will not interfere with (i) making decisions in the best interest of advisory 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 many transactions and restricts trading in close proximity to client trading activity. 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 continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between the Investment Manager and their clients. Under the Code of Ethics, certain classes of securities have been designated as exempt from certain of the personal account dealing requirements, based upon a determination that these would not materially interfere with the best interest of the Investment Manager's clients.

A copy of the Code of Ethics will be made available to existing or prospective clients or Investors upon request to the Investment Manager.

#### Personal Investments

A personal account transaction captures any trade in a financial instrument (including but not limited to shares, debt securities, warrants, depository receipt, options, futures, contracts for difference, spread bet) affected by or on behalf of a Relevant Person (Investment Manager's management and employees or contractor to the Investment Manager who have access to information regarding the investment business of the Investment Manager) where any one of the following applies:

- The relevant person is acting outside the scope of his or her capacity (i.e. not acting for the Investment Manager or its clients);
- The trade is carried out for the account of the relevant person himself or herself;
- The trade is carried out for the account of any of the relatives of the relevant person: husband, wife, civil partner, child or stepchild and any other relative where that relative has lived with the relevant person for at least the past year;
- The trade is carried out for the account of any person with whom the relevant person has close links (i.e. where the relevant person owns 20% or more of the voting rights or capital of an undertaking or otherwise controls it);
- The trade is carried out for the account of a person with whom the relevant person has a relationship such that the relevant person has a direct or material interest in the outcome of the trade, other than a fee or commission for executing the trade.

The following transactions are not personal account transactions:

- Transactions affected under a discretionary portfolio management service provided the transaction is truly at the manager's discretion;
- Transactions in units of collective investment schemes, including ETF's;

It is a condition of Nyhavn status as a regulated entity that it has written rules for staff dealing. Observance of these rules is a term of all employees' contract of employment. A personal account dealing undertaking is required to be signed by all employees on commencement of employment.

The relevant person undertaking a personal account transaction must obtain prior written approval for the transaction. The approval must be obtained from the Investment Manager's Chief Operating Officer ('COO') and the Chief Investment Officer ('CIO'). Should either of the

COO or the CIO be unavailable, the second approval may be obtained from a board director of the Investment Manager. Personal Account Transaction approval forms are available on the network drive or from the COO.

An approval is valid for a period of 2 trading days including the day on which approval was given. Should the personal account transaction not be completed within 2 trading days, a new approval must be obtained.

Once an approved personal transaction has been completed, the relevant person is to supply the Chief Compliance Officer with a copy of the broker contract note within 10 business days of the execution date.

Relevant persons may be asked to submit broker account statements at least annually or at the request of the Chief Compliance Officer of all accounts held at brokers where personal account transactions have taken place or securities are held for safekeeping.

## **Item 12: Brokerage Practices**

---

Nyhaven Capital AB is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

As an adviser and a fiduciary to the Clients, we require that the Clients’ interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Client’s favour. We have adopted the following policies and practices to meet the Clients’ fiduciary responsibilities and to ensure our trading practices are fair to all Clients and that no Fund or Client Account is advantaged or disadvantaged over any other.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

### ***Best Execution***

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favourable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

### ***Soft Dollars***

The Firm may use “**Soft Dollars**”. In such cases, Soft Dollar credits, generated by the Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Fund expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither Nyhavn Capital AB nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favorable execution for a client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

### ***Allocation of Investment Opportunities***

As a fiduciary, the Firm must allocate investment opportunities among its Clients in a fair and equitable manner. We will seek to allocate orders and investment opportunities in accordance with its allocation procedures, which are designed to help assure that investment opportunities are allocated in a manner that is fair and equitable to each Client and that no Client is improperly favored over any other Client. Although such allocations may be pro rata as to the participating Clients, they will not necessarily be so, where the firm’s allocation policies (e.g., differing objectives or other considerations) dictate a different result. Allocation decisions will be made in consideration of a variety of factors, including, but not limited to, the investment objective, investment guidelines and restrictions, current portfolio holdings, concentration and liquidity considerations, legal restrictions and relative account size applicable to each Client. If conflicts arise in the allocation of investment opportunities, we will seek to resolve such conflicts fairly. The foregoing policy does not require that each opportunity be made available to all accounts, leaving significant discretion to the firm. For example, accounts may have different objectives, so that the same transaction would not necessarily be made available to all accounts.

Trade errors are unintentional mistakes which occur during the execution phase of trading and result in the placing of a different trade to one that was instructed.

The Investment Manager has put in place systems and controls which are designed to reduce the occurrence and impact of trade errors, and monitors the adequacy and effectiveness of those systems and controls. However, the Investment Manager cannot guarantee that the manual and automated execution processes which it has devised and implemented will be error free. The possibility of trade errors occurring is an inherent risk in the trading strategies implemented by the Master Fund.

Gains and losses arising from trade errors may be substantial, due to the value of incorrect trades that may be placed, and due to the risk that some trade errors may remain undetected for a period of time or may not be detected at all. Any gains resulting from trade errors will

be retained by the Master Fund. Any trade error losses will be borne by the Master Fund save as otherwise provided under the Investment Management Agreement.

### **Item 13: Review of Accounts**

---

Our Chief Investment Officer and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Clients to ensure that they conform with the investment objectives and guidelines that are stated in the Information Memorandum, Client agreements or Fund's Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

#### ***Account Reporting***

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

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

---

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

### **Item 15: Custody**

---

To the extent we have custody with respect to the assets of a Fund, we will comply with Rule 206(4)-4 under the U.S. Investment Advisers Act of 1940, as amended, including, as applicable, by meeting the conditions of the annual audit provision. Under that provision, upon completion of the fund's annual audit, the adviser is required to distribute the fund's audited financials to fund investors within 120 days of the fund's fiscal year end.

We do not expect to have custody of the assets of any SMA, but in any instance in which we do have such custody, we will comply with all pertinent provisions of Rule 206(4)-4.

### **Item 16: Investment Discretion**

---

We have full discretionary authority with respect to some or all of our Clients, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Prior to assuming full discretion in managing Client assets, Nyhavn enters into an investment management agreement that sets forth the scope of its discretion. Additionally, the Firm may have full discretion with respect to selecting the broker-dealers to be used for transactions and the commissions to be paid to those broker-

dealers. These terms are established in the investment mandates or offering document of each Client.

#### **Item 17: Voting Client Securities**

---

To the extent that we are delegated proxy voting authority on behalf of our Clients, we will comply with our proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interest of the Clients. The Fund investors may not direct voting of proxies.

Upon request, we will provide Clients and Fund investors with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the pertinent Fund or other Client account.

#### **Item 18: Financial Information**

---

This item is not applicable