

Mesarete Capital LLP Part 2A of Form ADV The Brochure

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May 28, 2021

This brochure provides information about the qualifications and business practices of Mesarete Capital LLP (“Mesarete” or the “Investment Manager”). If you have any questions about the contents of this brochure, please contact us at +44 774 763 6030. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Mesarete is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2. Material Changes

This is the initial Form ADV for Mesarete, therefore there are no material changes to report.

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Item 4. Advisory Business

Mesarete was founded in February 2021 and is owned by the Investment Manager’s principal owners, Hakan Sofuoglu – Chief Investment Officer (“CIO”), Robbie Newman – Deputy Chief Investment Officer (“Deputy CIO”) and Andrea French – Chief Operating Officer (“COO”) and Chief Compliance Officer (“CCO”).

Mesarete was established as an alternative investment fund management firm that will manage assets of clients investing in Global Credit Markets. The business will primarily focus on (but not be limited to) Emerging Markets and look to capitalize on market inefficiencies and mis-pricings. Mesarete is located in London, United Kingdom.

Mesarete provides investment advisory services to a private fund, Mesarete Capital Master Fund Limited (the “Master Fund”) and two feeder funds, Mesarete Capital Fund Limited (the “Cayman feeder”) and Mesarete Capital Fund LP (the “Delaware feeder”) (together known as the “Feeder Funds”) (together with the Master Fund known as the “Funds”). Mesarete also plans to act as a sub-adviser to a U.S. open-end investment company registered under the Investment Company Act of 1940 and an Irish UCITS fund.

Mesarete manages the assets of the Funds in accordance with the terms of the fund documents and the relevant share classes. Mesarete may enter into side letter agreements with fund investors, however, Mesarete does not currently tailor its advisory services to the individual needs of clients.

As of May 21, 2021, Mesarete manages \$0 in regulatory assets under management on a discretionary basis. Mesarete does not manage assets on a non-discretionary basis.

Item 5. Fees and Compensation

The Funds will pay a management fee in advance for each month. The management fee will be prorated for partial periods based on the number of days in the applicable period. The management fee may be waived, reduced, or calculated differently with respect to the series of shares of any shareholder, including any Mesarete-related investors.

Fees will be deducted from the Funds in the calculation of each fund investor's net asset value. This calculation will be conducted by the Funds administrator.

Mesarete will bear the costs of providing its services to the Funds and all its own overhead costs and expenses (e.g., office space and utilities and certain administrative services). In addition to the management and incentive fee, the Fund will bear its own expenses and its pro rata share of the Master Fund's expenses and, indirectly, any trading vehicle's expenses, including expenses related to the research, due diligence and monitoring of actual and prospective Master Fund investments (whether or not consummated) and the consummation of such investments, including the following: third-party investment sourcing fees; fees and expenses related to obtaining research and market data (including investment research, corporate access fees and any computer hardware and connectivity hardware (e.g., telephone and fibre optic lines)); due diligence expenses including consulting and appraisal fees; investment-related travel expenses; brokerage, prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting services.

The Fund will also be responsible for organisational and reorganisational expenses and operational expenses including the fees and expenses relating to information technology hardware, software or other technology used to research investments, evaluate and mitigate risks, and facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organisation or applicable law (including reporting obligations), facilitate and manage the order execution of financial instruments by the Master Fund or any trading vehicle or otherwise manage the Fund, the Master Fund or any trading vehicle, such as Bloomberg terminals, portfolio management systems, risk management systems and order management systems.

The above list is an overview of the fees and expenses charged to the Funds. Please refer to the Fund PPM for detailed information on the complete list of the fees and expenses charged to the Fund.

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

Mesarete will also charge a performance-based fee, or an Incentive Fee. The Incentive Fee will be paid separately with respect to each series of shares issued to a shareholder. Accordingly, it is possible that an Incentive Fee may be payable with respect to one series of shares even though another series of shares held by the same shareholder has not appreciated, or has depreciated, in value during the same period.

In the sole discretion of Mesarete, the Incentive Fee may be waived, reduced, or calculated differently with respect to the series of shares of any shareholder, including any Mesarete-related investor. To facilitate any such waiver, reduction or different calculation, the Fund may issue shares of a separate class, series, or sub-series.

The Investment Manager may, in its sole discretion, pay a portion of the Incentive Fee to intermediaries, placement agents or other third parties.

The Incentive Fee may give rise to potential conflicts of interest including allocation of investment opportunities, valuation, risk, timing, and realization of investments. We have a fiduciary duty to our clients not to favour the account of one client over that of another, without regard to the types and amounts of fees paid by those accounts. Considering the conflicts of interest described above, we maintain and enforce allocation and other types of policies and procedures to ensure that accounts are treated fairly.

Item 7. Types of Clients

Mesarete primarily provides investment management services to professional investors such as appropriate institutional investors through investment in Mesarete's Feeder Funds. In addition, Mesarete plans to serve as the sub-adviser to an open-ended registered investment company and an Irish UCITS fund.

Although Mesarete's fund directors have the discretion to accept subscriptions for any lesser amount, the minimum subscription is generally \$1,000,000.

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

The investment strategy will be focused on long-short trades in emerging market credit. Emerging market credit covers all external (primarily USD or EUR) debt issued by and in emerging market countries and traded in the public Eurobond markets. Geographically the investment strategy will have exposure to all major emerging market regions including Asia, EMEA (including MENA, Sub-Saharan Africa) and Latin and Central America. to ensure the fund can take advantage of all relative mispricing. The Master Fund will invest primarily in Eurobond and CDS (Credit Default Swaps that reflect the creditworthiness of an issuer's underlying Eurobonds).

The detailed investment strategy will be long/short Global Credit with ability to take Directional risk – therefore the portfolio may not always be JTD or CS01 Neutral. The strategy will primarily

focus on hard currency denominated (USD and EUR) products. The investment strategy will comprise primarily of the following core trading strategies; individual portfolio positions might be based on a single or combination of these individual trade strategies.

1. Momentum: directional trades, both short and long, where returns are a function of changing credit risk. Usually following or pre-empting price action.
2. Relative Value: paired trades that can be both inter credit (between different issuers) and intra credit (between a single issuer's various credit instruments, for example basis between CDS vs bond, curve trade between a bond and a different tenor bond).
3. Carry: primarily short duration credit instruments but may also include long duration bonds that deliver an exceptionally high coupon to volatility ratio. This trading strategy will only be utilised for credits with zero de facto short to medium term default risk.
4. Deep Value: buying credit instruments that offer significant discount to perceived "fair value" but no immediate catalyst to reprice.
5. Event Driven: trades where a repricing of credit risk is expected in the short to medium term (vis a vis deep value where no immediate catalyst exists). This broad category of trades may include strategies such as: ETF recalibration, index change, quarterly CDS roll date, primary market issuance, LME, rating agency action, elections.

Funds under management will be via a non-EEA (Cayman Islands) Alternative Investment Fund ("AIF"). The Master Fund, which will have an independent board of directors, intends to appoint an established independent fund administrator to calculate and issue the formal fund net asset value ("NAV").

The Investment Manager may occasionally have a very small portion of the portfolio assets in illiquid emerging market investments. However, the strategy is predominantly a liquid credit strategy therefore illiquid assets are intended to be infrequent and insignificant to the overall portfolio's performance.

The description contained herein is a brief overview of the investment strategy and is not intended to be complete.

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. Performance could be hurt by a number of different risks including but not limited to:

Leverage and Borrowing

The use of leverage will allow the Master Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Master Fund's portfolio. The effect of the use of leverage by the Master Fund in a market that moves adversely to its investments could result in substantial losses to the Master Fund, which would be greater than if the Master Fund were not leveraged.

The instruments and borrowings utilised by the Master Fund to leverage investments may be collateralised by all or a portion of the Master Fund's portfolio. Accordingly, the Master Fund may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Master Fund's margin accounts or other lending decline in value, the Master Fund could be subject to margin calls or foreclosures of assets, loss of financing and forced liquidations of positions at disadvantageous prices, which if the Master Fund had continued to hold would have been profitable. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing.

The rates at and terms on which the Master Fund can borrow will affect the operating results of the Master Fund. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Master Fund's portfolio.

Lending of Portfolio Securities

The Master Fund may lend securities on a collateralised and an uncollateralised basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Master Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Hedging Transactions

The Master Fund may enter into hedging transactions for risk management purposes, including to protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the markets and changes in currency exchange or interest rates or for any other reason that the Management Group deems appropriate. The Master Fund will not be required to hedge any particular risk or its portfolio generally. While the Master Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Discretion of the Management Group; New Strategies and Techniques

While the Management Group will generally seek to employ the representative investment strategies and techniques discussed herein, the Management Group (subject to the policies and control of the Master Fund Board of Directors) has considerable discretion in the types of securities the Master Fund may trade and has the right to modify the investment strategies and techniques of the Master Fund without the consent of the Shareholders. New investment strategies and techniques

may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Master Fund. In addition, any new investment strategy or technique developed by the Master Fund may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Master Fund.

Volatility Risk

The Master Fund's investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by the Master Fund.

Undervalued Securities

The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

Illiquid Securities

Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Master Fund may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Master Fund may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Master Fund may be required to hold such securities despite adverse price movements. Even those markets which the Management Group expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Exposure to Material Non-Public Information

From time to time, the Management Group may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Long-Term Market Considerations

The success of the Master Fund's long-term investment strategy depends upon the Management Group's ability to identify and make investments that are undervalued and hold such investments so as to maximise value on a long-term basis. In pursuing any long-term strategy, the Master Fund

may forego value in short-term or temporary investments in order to be able to avail the Master Fund of additional and/or longer-term opportunities in the future. Consequently, the Master Fund may not capture maximum available value in the short-term, which may be disadvantageous, for example, for Shareholders who redeem all or a portion of their Shares before such long-term value may be realised by the Master Fund.

Short-Term Market Considerations

The Management Group's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading-related expenses.

Diversification and Concentration

The Management Group may select investments that are concentrated in a limited number or types of securities. In addition, the Master Fund's portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Significant Positions in Securities; Regulatory Requirements

In the event the Master Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and the Management Group. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the securities or the Master Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Master Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a security. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund's position limits were aggregated with an affiliate's position limits, the effect on the Master Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by the Management Group were to exceed applicable position limits, the Management Group would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Master Fund might have to forego or modify certain of its contemplated trades.

Emerging Market Investments

The Master Fund may invest in securities of companies located in emerging countries or issued by the governments of such countries. Investing in such securities involves certain considerations not usually associated with investing in securities of companies located in developed countries or issued by the government of such countries, including security and economic considerations, such as greater risks of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of funds, nationalisation and general social, political and economic instability; the small

size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; certain government policies that may restrict the Master Fund's investment opportunities; and problems that may arise in connection with the clearance and settlement of trades. In addition, accounting and financial reporting standards that prevail in certain of such countries generally are not equivalent to standards in more developed countries and, consequently, less information is available to investors in companies located in these countries than is available to investors in companies located in more developed countries. There is also less regulation, generally, of the securities markets in emerging countries than there is in more developed countries. Placing securities with a custodian in an emerging country may also present considerable risks.

Micro-, Small- and Medium-Capitalisation Companies

Investments in securities of micro- and small-capitalisation companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalisation and even medium-capitalisation companies are often more volatile than prices of securities of large-capitalisation companies and may not be based on standard pricing models that are applicable to securities of large-capitalisation companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalisation companies, an investment in those companies may be illiquid.

Derivative Instruments

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Master Fund may participate is evolving, and changes in the regulation or taxation of such financial instruments may have a material adverse effect on the Master Fund. In addition, the Master Fund may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time.

Futures Contracts

The value of futures contracts depends upon the price of the assets, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Master Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Master Fund from promptly

liquidating unfavourable positions and subject the Master Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts

The Master Fund may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually large difference between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Management Group would otherwise recommend, to the possible detriment of the Master Fund. In its forward trading, the Master Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Master Fund trades. Master Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Management Group may order trades for the Master Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Master Fund to the risk of loss.

Swap Agreements

The Master Fund may enter into swap agreements and options on swap agreements (“swaptions”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The Master Fund, for instance, may enter into total return swaps, contracts for difference, swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease the Master Fund’s exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. The Master Fund is not limited to any particular form of swap agreement.

Whether the Master Fund’s use of swap agreements or swaptions will be successful will depend on the Management Group’s ability to select appropriate transactions for the Master Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Master Fund’s portfolio. Moreover, the Master Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Master Fund will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Master Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Master Fund’s ability to terminate swap transactions or to realise the amounts to be received under such transactions.

Repurchase or Reverse Repurchase Transactions

The Master Fund may enter into repurchase and reverse repurchase transactions. When the Master Fund enters into a repurchase agreement, it effectively “sells” the securities to a counterparty (such as a financial institution), and agrees to repurchase such securities on a mutually agreed date for the price paid by the counterparty, plus interest at a negotiated rate. In a reverse repurchase, the Master Fund “buys” securities from a counterparty, subject to the obligation of the counterparty to repurchase such securities at the price paid by the Master Fund, plus interest at a negotiated rate. Repurchase, reverse repurchase and transactions by the Master Fund involve certain risks. For example, if the seller of securities to the Master Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Master Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Master Fund’s ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Master Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Master Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Credit Default Swaps

Credit default swaps can be used to implement the Management Group’s view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Master Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Master Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Master Fund may also buy credit default protection with respect to a referenced entity if, in the Management Group’s judgement, there is a high likelihood of credit deterioration. In such instance, the Master Fund will pay a premium regardless of whether there is a credit event.

Currencies

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Master Fund are affected generally by relative interest rates, which, in turn, are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Debt Securities

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. 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 in accordance with the terms of the obligations.

The Master Fund may invest in bonds or other fixed income securities, including “higher yielding” (including non-investment grade) debt securities. Such securities are generally not exchange traded and, as a result, these financial instruments trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. In addition, the Master Fund may invest in bonds of issuers that do not have publicly-traded equity securities, making it more difficult to hedge the risks associated with such investments. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. High yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer’s inability to meet timely interest and principal payments. High yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing.

Credit Ratings

In general, the credit rating assigned by a nationally recognised rating agency to a security represents such rating agency’s opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency’s analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer’s current credit standing. The Master Fund may incur losses if it makes investments based on credit ratings that subsequently change in a way not favourable to the Master Fund’s investment objective.

Market Making by Dealer

The value of the Master Fund’s fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to “make a market” in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers’ inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair the Master Fund’s profitability or result in losses.

Sovereign Debt

Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued, including securities that the Management Group

believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of sovereign debt in future restructurings, including such issuer's (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their sovereign debt.

Stressed and Distressed Obligations

The Master Fund may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganisation and liquidation proceedings. These obligations are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterise debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Master Fund's investments in any financial instrument, and a significant portion of the obligations in which the Master Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets, if any, collateralising the Master Fund's investments will be sufficient or that prospects for a successful reorganisation or similar action will become available. In any reorganisation or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Occasionally, the Master Fund may need to make a follow-up investment in an existing troubled position only in an attempt to protect the value of its initial investment. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganisation, there exists the risk that the reorganisation either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Master Fund of the security in respect to which such distribution was made.

Equitable Subordination

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalisation of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). If the Master Fund engages in such conduct, the Master Fund may be subject to claims from creditors of an obligor that debt held by the Master Fund should be equitably subordinated.

Exchange-Traded Funds

Exchange-traded funds (“ETFs”) are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a *pro rata* portion of the ETF’s expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Fund’s and the Master Fund’s expenses (e.g., Management Fees, Incentive Fees and operating expenses), Shareholders may also indirectly bear similar expenses of an ETF.

Stabilised Investments

The Management Group may effect transactions in investments the prices of which may be the subject of stabilisation. Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities related to it.

Stabilisation may be permitted under the applicable rules in order to help counter the fact that, when a new issue comes on the market for the first time, the price can sometimes drop for a time before buyers are found. Stabilisation is typically being carried out by a “stabilisation manager” (typically, the firm chiefly responsible for bringing a new issue to the market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period stabilisation.

Business Continuity and Cybersecurity Risk

We have adopted a business continuation strategy to maintain critical functions in the event of a partial or total building outage affecting our offices or a technical problem affecting applications, data centers or networks. The recovery strategies are designed to limit the impact on clients from any business interruption or disaster. Nevertheless, our ability to conduct business may be curtailed by a disruption in the infrastructure that supports our operations. In addition, our asset management activities may be adversely impacted if certain service providers to Mesarete or our clients fail to

perform. In addition, with the increased use of technologies such as the Internet to conduct business, your portfolio could be susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, and violations of applicable privacy and other laws.

Item 9. Disciplinary Information

Mesarete and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10. Other Financial Industry Activities and Affiliations

Mesarete and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Mesarete has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Mesarete and its employees to act in its clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Employees are prohibited from investing in the same securities as the Funds and investments are subject to a holding period and pre-approval by Compliance prior to trading. Frequent personal trading will be actively discouraged. Mesarete's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Mesarete's code of ethics is available upon request.

Mesarete's key principles to mitigate the risk of market abuse are as follows:

1. All staff, including individuals not known at the Investment Manager, are subject to background and criminal checks through an external professional referencing company to ensure that every effort is made to only recruit those of a high reputation and with no history of regulatory failings.
2. All individuals in applicable roles will be given training prior to any investment activity commencing and also for any new joiners.
3. Personal Account dealing procedures are key to the control framework and these will be introduced as the compliance manual is rolled out to all staff.
4. It is a key part of the investment process and is emphasised via the compliance policies of the Investment Manager that anything that could potentially cause an issue under the Market Abuse Regime must be avoided. The Compliance Officer must be consulted in any case of uncertainty.

Item 12. Brokerage Practices

Soft Dollar Benefits

Mesarete does not receive research or any other soft dollar benefits from broker-dealers in connection with client securities transactions executed by Mesarete. Consistent with guidance from 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"), Mesarete pays for research services through its own management accounts.

The Selection of Trading Counterparties

The Investment Manager has complete discretion in deciding which financial instruments are bought and sold, the amount and price of those financial instruments, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for the Master Fund will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. The Investment Manager will adopt an order execution policy and arrangements with a view to obtaining the best possible result for its clients taking into consideration the relevant "execution factors" (as such term is used in the FCA rules), including price, costs, speed, likelihood of execution and settlement, size, nature or other considerations relevant to the execution of a particular transaction. Brokers and dealers may provide other services that are beneficial to the Investment Manager and/or certain Accounts, but not beneficial to all Accounts. Subject to its best execution obligations under the FCA rules, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Investment Manager may consider, among other factors that are deemed appropriate under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations, equipment and commitment of capital and access to company management and access to deal flow.

Subject to FCA rules, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Master Fund by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. The Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission, cost or spread.

The Investment Manager maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Best Execution Reviews

Mesarete maintains a Best Execution policy which ensures that clients receive the best results on orders executed on their behalf. Best Execution will be monitored by the Compliance Officer on an on-going basis as part of the compliance monitoring program. Findings of the compliance

monitoring will be communicated to the senior management committee to enable suitable action going forward.

Aggregated Trades

If Mesarete determines that the purchase or sale of a security is appropriate with regard to the Master Fund and any other accounts, Mesarete may, but is not obligated to, purchase or sell such a security on behalf of such accounts with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law.

When an aggregated order is filled through multiple trades at different prices on the same day, each participating account will receive the average price, with transaction costs generally allocated pro rata based on the size of each Account's participation in the order (or allocation in the event of a partial fill) as determined by Mesarete.

In the event of a partial fill, allocations may be modified on a basis that Mesarete deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by Mesarete. As a result, certain trades in the same security for one account (including an account in which Mesarete and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Account, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

Directed Brokerage

Mesarete does not allow for directed brokerage.

Client Referrals

Mesarete does not compensate any third parties for referring client accounts.

Item 13. Review of Accounts

Accounts under Mesarete's management are monitored on an ongoing basis by the CIO, Deputy CIO and the COO/CCO. These members review each account in detail on at least an annual basis, as well as in connection with each client meeting. On at least a quarterly basis the CIO, Deputy CIO, and the CCO will review a number of reports that are designed to identify accounts that are outside the expected ranges for returns, exposure to asset classes, and exposure to industry sectors. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Mesarete may supplement these custodial statements with reports provided during client meetings or as requested.

Item 14. Client Referrals and Other Compensation

The Investment Manager does not compensate any person for client referrals, nor does it offer or receive sales awards or prizes for providing investment advice to clients.

Item 15. Custody

The Funds are held in custody by State Street Custodial Services (Ireland) Limited, J.P. Morgan Securities Plc and J.P. Morgan Securities LLC. Additionally, two independent board of directors have overall responsibility for the management, operation, and administration of the Funds. Mesarete nor its related persons have access to client funds and for this reason, Mesarete is not considered to have custody of client assets.

Item 16. Investment Discretion

Mesarete generally has discretionary authority to determine, without obtaining specific consent from the Partnership or its limited partners, the securities and amount to be bought or sold. Any limitations on authority are included in the Fund governing documents.

Item 17. Voting Client Securities

Mesarete does not expect the Funds to be routinely invested in products that will require voting. However, in accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Mesarete has adopted and implemented written policies and procedures governing the voting of client securities. In the instance that Mesarete receives proxies, the votes will be treated in accordance with these policies and procedures.

Mesarete considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Mesarete votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. Mesarete also generally votes in favor of compensation practices and other measures that are in-line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance, and that align the interests of management and shareholders.

Conflicts of interest in connection with proxy votes may arise from time to time. Such a conflict could arise if, for example, a client was a senior executive with a publicly traded company and other clients held securities issued by that company. Absent specific client instructions, if Mesarete identifies a material conflict of interest it will follow the voting recommendation of the independent corporate governance consulting firm that it has retained.

A copy of Mesarete's proxy voting policies and procedures, as well as specific information about how Mesarete has voted in the past, will be available upon written request. Upon written request,

clients can also take responsibility for voting their own proxies or can give Mesarete instructions about how to vote their respective shares.

Item 18. Financial Information

Mesarete has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.