

**Form ADV Brochure**  
(Part 2A of Form ADV)

**Sarona Asset Management Inc.**

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This brochure provides information about the qualifications and business practices of Sarona Asset Management Inc. (“Sarona”). If you have any questions about the contents of this brochure, please contact Serge LeVert-Chiasson at (519) 404-9565 or [slevertchiasson@saronafund.com](mailto:slevertchiasson@saronafund.com). 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.

Please note that the use of the term “registered investment adviser” and description of Sarona or our associates as “registered” does not imply a certain level of skill or training.

You are encouraged to review this Brochure and the Brochure Supplement for our firm’s associates who advise you for more information about our qualifications.

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

1 September 2020

## **Brochure Disclosure**

In no event should this disclosure brochure be considered to be an offer of interests in any of Sarona's private investment fund clients or relied on in determining whether to invest in any private investment fund client. It is also not an offer of, or agreement to provide, advisory services directly to any recipient of this disclosure brochure. Rather, this brochure is designed solely to provide information about Sarona for the purpose of compliance with certain obligations under the Investment Advisers Act of 1940 (the "Act") and, as such, responds to relevant regulatory requirements under such Act, which may differ from the information provided to potential investors in the Offering Documents (as defined below). To the extent that there is any conflict between any discussion in this disclosure brochure and the Offering Documents provided to investors, the Offering Documents provided to such investors should govern.

**Item 2: Material Changes**

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**Annual Update**

We update this document annually, or more frequently in the event of certain material changes. This section discusses only material changes to Sarona's Form ADV Part 2A since the date of our last annual or other-than-annual update. There have been no material changes since the Adviser's last annual Form ADV amendment.

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#### Item 4: Advisory Business

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##### A: Firm Description

Sarona Asset Management Inc, a Canadian corporation (“Sarona”) formed in December 2009, is owned by Malbec Holdings Inc, Muscadet Holdings Inc, Paulus Jahoda Ingram, SESOP Inc, and Mennonite Economic Development Associates (“MEDA”). Only Malbec Holdings Inc, Muscadet Holdings Inc, Paulus Jahoda Ingram have 25% or more ownership in Sarona.

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##### B: Types of Advisory Services

Sarona currently provides investment advisory services and portfolio management on a discretionary and non-discretionary basis to private pooled investment vehicles (a “Fund” and collectively, the “Funds”). All investment portfolios are managed in accordance with the Fund’s confidential information memoranda and/or limited partnership agreement and other offering documents (the “Offering Documents”). Defined terms not otherwise defined in this brochure shall have the meanings set forth in the relevant Fund’s Offering Documents.

Sarona also provides advisory services to Separately Managed Account clients (“SMA”). In 2020, the firm began a new SMA with the Australian government.

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##### C: Tailored Services

Sarona provides investment advisory services to its Fund clients in accordance with the objectives and strategies of each respective fund, as set forth in their respective Offering Documents.

The assets of the Separately Managed Accounts are managed pursuant to the managed account agreement between such client and Sarona.

Sarona has flexible investment authority with respect to its clients, but under certain circumstances, clients may impose restrictions on investing in certain securities or types of securities.

Sarona does not provide individualized advice to the investors in its Fund clients and as such, investors should consider whether the respective Funds meet their investment objectives and risk tolerance prior to investing in the Funds.

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##### D: Wrap Fee Programs

Not applicable.

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##### E: Client Assets Under Management

As of 30 June 2021, Sarona had approximately US\$329,620,710 in regulatory assets under management. Of this amount, approximately US\$276,319,133 were managed on a discretionary basis and approximately US\$53,301,577 were managed on a non-discretionary basis. In connection with the Firm’s regulatory assets under management reported for the period



## Item 5: Fees and Compensation

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### A. Description

Sarona is generally paid a management fee in a range from 0.8% to 1.1% for the Funds under management based on a percentage of total assets or a percentage of committed capital pursuant to the relevant to the terms of the Fund's Offering Documents.

With respect to the Separately Managed Accounts, the management fee payable to Sarona is as set forth in the managed account agreement between such client and Sarona, which may be negotiable.

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### B. Fee Billing

Management fees are deducted from clients' assets in a manner set forth in the management account agreement and the relevant Fund's Offering Documents, either on a quarterly or monthly basis in advance. Management fees are prorated for any period that is less than a full quarter.

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### C. Other Fees and Expenses

In addition to the management fees discussed above, each Fund client pays certain expenses relating to the operation and trading activities of the Fund, which includes but is not limited to:

(a) custody and accounting services; (b) communications with the clients (including the costs of reporting and providing information); (c) fees and expenses of professionals providing services to the funds under management, including valuation, legal, audit, tax, administration, and accounting fees and expenses (including expenses related to the engagement of an independent appraiser to review valuations); (d) meetings of any of the funds under management boards, committees and subcommittees; and (e) securities registration fees and expenses, brokerage commissions, and taxes, including regulatory costs, filing and license fees.

A more detailed description of the specific expenses that each Fund bears is set forth in the relevant Fund's Offering Documents.

In addition, funds under management generally pay organizational expenses to the general partner of these funds under management to offset the organizational costs.

Please refer to the Fund's Offering Documents for a more detailed description of the Fund's fees and expenses.

Please refer to Item 12 for more information about the various costs relating to brokerage that clients are solely liable for.

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D. Fees in Advance

Clients typically pay management fees monthly or quarterly in advance or as may be negotiated with the Client. Sarona does not offer any refunds to clients of any management fees paid in advance.

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E. Securities Compensation

Not applicable.



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

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**A: Sharing of Capital Gains**

In addition to the fees and costs described in Item 5 above, clients typically pay Sarona, or one of its related persons, a performance fee/allocation once the capital has been returned to the client and a hurdle/performance fee has been achieved, as more fully described in each Fund's Offering Documents. This type of compensation arrangement may create a perceived incentive for Sarona to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. We seek to mitigate any potential conflicts of interests arising from the receipt of Sarona of performance based fees through the provisions in our code of ethics which requires Sarona and its supervised persons to always put the interest of the clients first.

**Item 7: Types of Clients**

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**Description**

Sarona currently provides investment advisory services and portfolio management on a discretionary and non-discretionary basis to private pooled investment vehicles and Separately Managed Accounts.

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**Account Minimums**

Sarona does not generally impose account minimums on its Fund clients. However, Sarona's Fund clients generally impose minimum initial investments on their investors in the amount of \$250,000 and minimum subsequent investments of \$25,000, subject to Sarona's discretion to accept lesser amounts.

For separately managed accounts, Sarona generally imposes a minimum initial investment of \$5mm but may waive this at its discretion.

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

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

In managing client accounts, Sarona seeks to provide investors with above average long- term financial returns while seeking positive social/environmental outcomes, within the stability of a well-diversified private equity portfolio in Emerging Markets. Sarona will seek to earn a long-term rate of return in excess of returns generally available through conventional investments in public equity markets.

Sarona will seek to achieve its investment objective through investments in private equity investment funds, private debt investment funds, equity co-investments in companies and loans to financial intermediaries (“Portfolio Investments”) that support in small to mid-market companies (collectively “SMEs”) in Emerging Markets around the world. Emerging Markets means emerging and developing countries, and generally but not necessarily excludes countries with a GNI per capita (current US\$) of over \$13,000 per annum according to the latest available statistics provided by the World Bank. Sarona will aim to develop a global portfolio of Portfolio Investments, thereby achieving significant diversification across countries, industries, and managers.

### ***Rational for investment strategy***

The rationale for the investment strategy undertaken by Sarona comes from a strategic analysis of the economies of Emerging Markets. The analysis concludes:

- That, over the past almost 50 years, the average GDP growth rate trend of Emerging Markets, as variously defined by IMF, HSBC and the World Bank, has generally outperformed that of high-income countries; economists generally conclude that this growth disparity is expected to continue into the foreseeable future;
- That this GDP growth is driven in part by the growing economic power of the rapidly expanding middle class within these economies; that the growth of the middle class is a long-term phenomenon; that this population segment is expressing previously unmatched demand for food, housing, transportation, energy, educational and health services and other goods and services;
- That the business segment that serves many of the demands of this growing lower middle class are SMEs; that the SME segment is expected to grow faster than other segments of these economies; that, because of the tight liquidity market for SMEs, it is expected that they can be purchased at reasonable valuations;
- Those progressive, forward-looking managers, who seek ethical, social and environmental excellence may financially outperform their peers; and

- That the PE investment skills in Emerging Markets have improved over the past 15 years; that the financial performance of a direct investment approach managed from Europe or North America is believed to be inferior to that of active value-added management by local GPs.

### ***Investment Strategy***

Sarona identifies Portfolio Investments around the globe with a clear focus on the growth of SMEs in Emerging Markets and seeks to select those Portfolio Investments that we believe have managers with strong track records, and future strategic and financial prospects, so as to maximize client's risk adjusted return on capital.

Sarona seeks to select Portfolio Investments that are aggressive in achieving their investment objectives. Such Portfolio Investments will seek to invest in growth-oriented businesses, with progressive, forward-looking management teams that aim to develop ethical, social and environmental excellence in their businesses. It is anticipated that these Portfolio Investments managers will be active investors in their portfolio of investee companies, seeking to enhance and professionalize their business strategies and operations with the goal of superior financial performance.

### ***Investment Procedures***

Although no specific procedure is required in conjunction with approving an investment by Sarona, a preliminary review ("Deal Alert") is often prepared and presented to the investment team of Sarona. If, subsequent to further analysis, Sarona believes that an investment may be in line with a client's investment objectives and may be a suitable investment, a secondary review document ("Information Memorandum") is prepared and presented first to the investment team of Sarona and then to the Investment Committee for discussion.

If, following completion and review of the Information Memorandum, Sarona intends to pursue an investment opportunity, a further evaluation is performed. Such further evaluation may include, but is not limited to, an assessment of the following investment criteria:

- *management strength/weaknesses* – commitment, capacity and experience;
- *governance* – appropriate structures with roles and responsibilities and accountability mechanisms, and clear ownership and incentive structures;
- *business plan* – internal planning process, analysis of financial statements including financial fund models and the fund manager's budget, and sound strategy for capital appreciation and revenue generation;
- *regulatory status* – current or pending regulatory framework;

- *macroeconomic conditions* – country currency risk, regulatory risk, tax risk, political risk, and other country risks;
- *tax considerations* – seeking to understand the tax consequences of the Fund’s investment into Portfolio Investments; prospective Investors should note that the Fund will not seek to understand tax consequences for an Investor in the Fund;
- *terms and conditions* – determine whether the Private Equity Fund meets or exceeds International Limited Partner Association (“ILPA”) recommended legal terms and conditions;
- *in-depth and on-site due diligence* – interviews with other committed investors, third party service providers including auditors, lawyers and administrators, past investments made by the Private Equity Fund, and individual interviews with the Private Equity Fund’s investment professionals and investment committee board members;
- *social impact* – selection criteria and monitoring programs by the Private Equity Fund of investee businesses that exhibit progressive business strategies and engagement of all their stakeholders, including suppliers, employees, customers and communities, and add long term value to the local economy; and
- *environmental impact* – selection criteria and monitoring programs by Portfolio Investments of investee businesses that exhibit progressive environmental stewardship/enhancement.

If, subsequent to this evaluation, Sarona believes that an investment may be in the best interests of the client’s, another, more detailed Investment Memorandum is prepared and presented first to the investment team of Sarona and then to the Investment Committee for approval.

The Investment Committee meets regularly to discuss investment proposals for its Fund clients. Quorum is considered the majority of Investment Committee members, including at least two partners of Sarona. For approval of an investment, a majority of Investment Committee members present must vote in favour of the proposal, including a further requirement that the members of the Investment Committee who are partners in Sarona must vote unanimously in favour of the proposal.

Sarona may, in its discretion, adopt different investment strategies and/or methods of analysis, as well as revise its investment procedures.

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## B and C. Material Risks for Investment Strategies and Types of Securities

Investing with Sarona’s Fund clients involves a high degree of risk and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences of, and the risks associated with the investment. Some of those risks are summarized below. Investors should carefully consider all the risks discussed below, as well as those contained in the Fund’s Offering Documents. Investors are urged to consult their own legal, tax, and financial advisers about these

risks. Investing in securities involves risk of loss that clients should be prepared to bear. Clients should refer to the respective Offering Documents of the Fund in which an investment is being considered for a more detailed discussion of risks.

### ***General***

Most of a Fund client's investments will be in Portfolio Investments that will ultimately finance SMEs in Emerging Markets (individually, a "Country," or collectively, the "Countries"). Accordingly, changes in any Country's economic or political conditions could have a significant impact on the results of the Fund's investments, depending upon the amount of investment by the Fund with specific investments located in Countries experiencing adverse economic or political conditions. These securities are speculative and entail a high degree of risk.

### ***Uncertainty of Financial Projections***

Sarona may provide certain information that may be considered to be financial projections. In the absence of any operating history of the Fund and its general partner, along with the impossibility of predicting the success of the Portfolio Investments and their investments, the Fund is unable to forecast the Fund's revenues with any degree of certainty. Any financial projections in the Fund's Offering Documents are based upon many assumptions, including assumptions relating to future events and conditions. To the extent that the Fund's actual experience differs from any one or more of these assumptions, the Fund's actual financial results will differ from the financial projections. Such differences are likely to be material. Accordingly, an Investor should not rely on the accuracy of the projections in making an investment in the Fund.

### ***Long-Term Investment***

Although certain investments by the Fund may generate current income (including interest income), the return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of an investment by the Fund. While an investment may be sold or redeemed by the Fund at any time, it is not generally expected that this will occur for several years after an initial investment has been made. Prior to such time, there will generally be no current return on investments made by the Fund.

### ***Minority Investments***

The Fund may purchase investments offered by Portfolio Investments in which the Fund does not have a right to appoint a member of the limited partner advisory committee or otherwise exert significant influence over the management and/or operations of such entity. In such instances, the Fund will be significantly reliant on the existing management of such Portfolio Investments, which may include representatives of other investors with whom the Fund is not affiliated and whose interests may conflict with the interests of the Fund.

### ***Number of Investments***

The Fund invests in a limited number of investments, some of which will involve a high degree of risk, and, as a consequence, the aggregate return of the Fund may be adversely affected by the unfavourable performance of any single investment.

#### ***Availability of Investments***

There is no guarantee that suitable investment opportunities for the Fund's capital will be found, that investments on favourable terms can be negotiated or that the Fund will be able to realize on the value of its investments or the value of the investments made by the Portfolio Investments in which the Fund invests. Among other factors, competition for suitable portfolio investments from companies, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant recent growth in the number of firms organized to establish Portfolio Investments throughout the world, which may result in increased competition in obtaining suitable investments.

#### ***Management of Fund's Capital***

The general partner of each Fund and Sarona intend to employ the commonly used fund of funds investment strategy of over-committing the Fund's capital to investments in an effort to ensure that the Fund's capital is fully or substantially invested in Portfolio Investments on a continuous basis. This over-commitment strategy is utilized because Portfolio Investments generally will not draw down all of the capital commitments made by the Fund before the Portfolio Investments start returning capital to the Fund. If the general partner and Sarona are unable to maintain full or substantial investment of the Fund's capital in investments in Portfolio Investments, the investment returns realized by the Fund may be lower than would otherwise be the case. However, use of the over-commitment strategy could also result in the Fund having to borrow to meet its capital commitments in certain circumstances or defaulting on its capital commitment obligations, either of which could have an adverse effect on the Fund's performance.

#### ***Use of Leverage***

The general partner of each Fund has the discretion to use debt to fund obligations of the Fund. While there are limitations on the amount of debt that may be incurred by the Fund, the use of financial leverage adds financial risk to any investment.

#### ***Political and Economic Factors***

The economies of the various Countries will differ favourably or unfavourably from each limited partner's economy in such respects as the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments of some Countries may have exercised and may continue to exercise substantial influence over many aspects of the private sector. Accordingly, government actions in the future could have a significant effect on economic conditions of different Countries, which could affect the Fund's investments in Portfolio Investments. Expropriation, confiscatory taxation,

changes in regulatory structures, nationalization, political, economic or social instability or other developments could adversely affect the Fund's investments held in particular Countries.

The value of the Fund's investments will be affected by, among other factors, commodity prices, inflation, interest rates, taxation, social instability, and other political, economic or diplomatic developments in or affecting the various Countries, all of which are beyond our control.

Foreign investment in certain Countries may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment and increase the costs and expenses of the Fund. Certain Countries may require governmental approval prior to investments by the Fund, limit the amount of investment by the Fund or limit the investment by the Fund to only a specific class of securities of an entity that may have less advantageous terms than those available for purchase by nationals.

The Fund's investments that are situated in the various Countries will also be subject to normal investment risks and, in addition, may be adversely affected by political development and/or changes in the local laws, taxes and exchange controls which might be applicable to the Fund or to the Fund's investments.

Legal, tax and regulatory changes in the United States or Canada or in other countries where the Fund could have an adverse effect on the Fund, its distributions or the limited partners. The legal, regulatory and tax considerations in the United States and Canada, and the legal, regulatory, tax considerations in other jurisdictions affecting the ability of the Fund to achieve its investment objective are complicated and subject to change, which may affect the performance of the Fund.

### ***Management Risk***

Your investments will vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If you implement our financial planning recommendations and our investment strategies do not produce the expected results, you may not achieve your objectives.

### ***Reinvestment Risk***

This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to bonds.



### ***Call Risk***

Bonds that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates thereby increasing the likelihood that reinvestment risk may be realized.

### ***Credit Risk***

The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk, may negatively impact the value of a bond investment.

### ***Inflation Risk***

When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

### ***Speculation Risk***

The commodities markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of commodities.

### ***Geopolitical Risk***

The risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.

### ***Foreign Market Risk***

The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. The limited liquidity of some foreign markets may affect our ability to acquire or dispose of securities at a price and time it believes is advisable. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries.

### ***Currency Exchange Exposure***

Through its investment on the Portfolio Investments, the Fund expects to invest in financial instruments denominated in currencies other than the U.S. Dollar. The Fund, however, values its assets in U.S. Dollars. The Fund does not expect to seek to hedge its non-U.S. currency exposure by entering currency hedging transactions. In any event, there can be no guarantee that financial instruments suitable for hedging currency or market shifts will be available at the time when the Fund or a Private Equity Fund wishes to use them, or that hedging techniques employed by the Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the positions denominated in currencies other than the U.S. Dollar will fluctuate with U.S. Dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

### ***Natural Disasters***

Many of the Countries do not have developed rescue and rehabilitation facilities. Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war or riot, the Country may not efficiently and quickly recover from such event, which will have a materially adverse effect on SMEs and other developing economic enterprises, including those in which the Fund or the Portfolio Investments in which it invests, have an interest.

### ***Indemnification***

The Funds will be required to indemnify their respective general partner and Sarona (including its boards of directors) and their respective affiliates for liabilities incurred in connection with the affairs of the Fund. Such liabilities may be material and have an adverse effect on the returns to the limited partners. The indemnification obligation of the Fund will be payable from the assets of the Fund.

### ***Liquidity of Investments in Portfolio Investments***

The Fund will invest in unlisted securities of Portfolio Investments, including investments that involve a high degree of business and financial risk, which can result in substantial losses to the Fund. Due to the absence of any trading market for these investments, the Fund may take longer to liquidate its positions with regard to these investments than would be the case for publicly-traded securities. The investment instruments offered by Portfolio Investments may not be subject to public disclosure and other investor protection requirements that may be applicable to publicly-traded securities. Given the nature of the Fund's activities, all the Fund's investments may be in such unlisted securities. If such securities are required to be registered under the securities laws of one or more jurisdictions before being sold, the Fund may be required to bear the expenses of registration.

There is currently no market through which the interests in the Fund may be sold and no such market is expected to develop. Accordingly, purchasers may not be able to sell its limited partnership interests.

### ***Multiple Layers of Expense***

The Fund and the underlying Portfolio Investments each have multiple layers of expenses and management costs that will be borne, directly or indirectly, by the investors in the Funds. By way of example, an investment in the Fund will generally entail (directly or indirectly) the payment of certain expenses, plus management fees and carried interests distributions to the general partner of each underlying Private Equity Fund in which the Fund invests, and the payment of certain expenses, plus management fees and carried interest distributions to the general partner of the Fund.

### ***Early Termination of the Fund's Term***

In the event of the early termination of the Fund's term, the Fund will have to distribute to the limited partners their pro rata share in the net assets of the Fund after repayment of any debt owing. Certain assets held by the Fund may be highly illiquid and might have little or no marketable value. It is possible that at the time of such sale or distribution, certain investments held by the Fund would be worth less than the initial cost of such investments, resulting in a loss to limited partners.

### ***Currency Fluctuations and Foreign Exchange Controls***

Whereas contributions to the Fund will generally be made in US dollars, the Fund intends to make investments primarily in US dollars, Euros, or other foreign currencies. Therefore, a substantial portion of the Fund's assets are invested in non-US and non-Canadian Portfolio Investments, and the income received by the Fund may be denominated in the local currency of investment, whereas a limited partner's investment in and distributions from the Fund will be made in US dollars. Therefore, the amount of the distributions made by the Fund, as well as the dollar-denominated value of the Fund's portfolio investments and the net assets of the Fund, may be adversely affected by changes in the value of such local currency relative to the US dollar.

### ***Disclosure and Accounting Standards***

A principal objective of the securities laws of Canada and United States is to promote full and fair disclosure of all material information. However, there is significantly less publicly available information about the issuers of securities in which the Fund intends to invest than is regularly published by or about listed companies in Canada or United States. Also, because generally accepted accounting principles ("GAAP") in certain Countries differ in certain significant respects from Canadian GAAP and US GAAP and International Financial Reporting Standards, financial statements prepared by certain Portfolio Investments may differ in certain material respects from those of companies in an Investor's own Country.

### ***Exposure to Material Non-Public Information***

From time to time, a Fund's general partner or Sarona may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the 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.

### ***Governmental Entity Investors***

Governmental entities, including, but not limited to, pension plans maintained by governmental agencies and instrumentalities, may invest in the Fund. Such Investors may be subject to laws that affect the applicability or enforcement of certain terms generally governing the Fund. For example, exculpation, indemnification, confidentiality, choice of law and choice of venue provisions may be applied differently with respect to such Investors. In addition, investment in the Fund by certain governmental entities may subject the Fund and/or Sarona to increased regulatory burdens and public disclosures about the Fund, its Investors and its activities.

### **Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues.**

Our business activities could be materially adversely affected by pandemics, epidemics, and outbreaks of disease in Asia, Europe, North America and/or globally or regionally, such as COVID-19, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome (SARS), and/or other epidemics, pandemics, outbreaks of disease, viruses and/or public health issues. Specifically, COVID-19 has spread (and is currently spreading) rapidly around the world since its initial emergence in China in December 2019 and has severely negatively affected (and may continue to materially adversely affect) the global economy and equity markets (including, in particular, equity markets in Asia, Europe, and the United States). Although the long-term effects or consequences of COVID-19 and/or other epidemics, pandemics and outbreaks of disease cannot currently be predicted, previous occurrences of other pandemics, epidemics and other outbreaks of disease, such as H5N1 flu, H1N1 flu, SARS and the Spanish flu, had a material adverse effect on the economies and markets of those countries and regions in which they were most prevalent. Any occurrence or recurrence (or continued spread) of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally (or cause the global economy to enter into a recession or depression), which would adversely affect the business, financial condition and operations of the Adviser. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to spread or materially impact the day to day lives of persons around the globe), the Adviser could be adversely affected by more stringent travel restrictions, additional limitations on the Adviser's operations or business and/or governmental actions limiting the movement

of people between regions and other activities or operations (or to otherwise stop the spread or continued spread of any disease or outbreak).

### **Risks Associated with Private Equity Funds**

The following risk factors relate specifically to investments in Private Equity Funds and portfolio investments. These considerations will be relevant to an investment in limited partnership interests, which are dependent on the performance of the Private Equity Funds in which the Fund invests.

#### ***Financial Information of Private Equity Funds***

Financial and other information concerning investments in Private Equity Funds may be available through certain sources. There may be no consistent means, however, of confirming the accuracy of such information. As a result, the financial condition of individual investments in Private Equity Funds, and their respective credit risk, is difficult, if not impossible, to quantify.

#### ***Private Equity Fund Operating Performance***

Private Equity Fund's may face difficulties in providing investments and value-added business services to their investments in SMEs. These difficulties may include, among others: the vulnerability of SMEs to socio-political and environmental changes; inadequate credit analysis and risk management procedures; high operating costs; and liquidity constraints.

#### ***Limited Information Regarding the Portfolio Companies***

A Private Equity Fund's portfolio may consist primarily of securities of, or loans made to, SMEs. There is generally little or no publicly available information about such companies, and the Private Equity Funds must rely on the diligence of their own employees and the consultants they hire to obtain the information necessary for their

decision to invest in them. There can be no assurance that the diligence efforts of the Private Equity Funds will uncover all material information about the privately held business necessary for the Private Equity Funds to make a fully informed investment decision.

### ***Competitive Market for Investment Opportunities***

The Private Equity Funds in which the Fund invests compete with a large number of other Funds, mezzanine funds, investment banks and other equity and non-equity based Funds, and other sources of financing, including traditional financial services companies such as commercial banks and multilateral organizations, as well as governments and non-governmental organizations. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Private Equity Funds in which the Fund invests. In addition, certain competitors of those Private Equity Funds may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. There is no assurance that the competitive pressures faced by the Private Equity Funds in which the Fund invests will not have a material adverse effect on their business, financial condition and results of operations. Also, as a result of this competition, those Private Equity Funds may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that they will be able to identify and make investments. In addition to third parties, the Private Equity Funds in which the Fund invests may compete against each other for investment opportunities.

### ***Accounting and Disclosure Standards; Limited Information***

The Private Equity Funds in which the Fund invests may have or make investments in any part of the world, including in Countries where accounting, auditing, financial and other reporting standards, practices and disclosure requirements are not equivalent to those in Canada, the United States and Europe and may differ in fundamental ways. Accordingly, information available to the Private Equity Funds and, consequently, to the Fund, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries.

### ***Economic Recessions or Downturns***

The Private Equity Funds in which the Fund invests may make investments in companies that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and may be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of a Private Equity Fund's investments to decline.

### ***Illiquidity of Investments***

Most, if not all, of the investments of the Private Equity Funds will be highly illiquid, and there can be no assurance that any Private Equity Fund will be able to realize on its investments in a timely manner or at all, which may also make the Fund's investments difficult to value. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on their resale. In addition, Private Equity Funds by their nature are often difficult or time consuming to liquidate.

#### ***Changes in Laws or Regulations***

Additional laws may apply to the Private Equity Funds and the portfolio companies that they hold. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time, and those changes could have a material adverse effect on a Private Equity Fund's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on the business, investments and results of operations of the Private Equity Funds.

#### ***Reliance upon Borrowed Funds***

Because some Private Equity Funds rely on the use of leverage, the ability to achieve attractive rates of return on Private Equity Funds will depend on the Private Equity Funds' continued ability to access sources of debt financing at attractive rates. An increase in either the general levels of interest rates or in the risk spread demanded by lenders would make it more expensive to finance Private Equity Funds. Increases in interest rates could also make it more difficult to locate and consummate Private Equity Fund investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the Private Equity Funds may not be able to access those markets at attractive rates, or at all, when completing a SME investment. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the Private Equity Funds.

#### ***Investments in Less Established Companies***

The Private Equity Funds in which the Fund invests will include Private Equity Funds that invest in less established businesses and may also include direct investments in such businesses. Investments in such businesses may involve greater risks than are generally associated with investments in more established businesses.

#### ***Dependence on Key Management Personnel***

The Fund's investment strategy is primarily focused on investing in underlying Private Equity Funds managed by other fund general partners. As such, the performance of the Fund's investments will depend upon the ability of the Private Equity Funds' managers to source, select, complete and realize appropriate investments. In the case

of the Fund's international investment portfolio, reliance will be placed on general partners managing Private Equity Funds in which the Fund invests. The performance of these investments will depend upon the general partners of the Private Equity Funds and portfolio companies in which they invest. A similar risk may also be applicable to the Fund's General Partner in that the success of the Fund's themselves also depend on the General Partner's ability to accurately assess and analyse a potential investment.

#### ***Default by Investors in Investments***

If another investor in any investments in which the Fund also invests defaults on its funding obligations, the Fund may be required to fund such investor's pro rata portion.

#### ***Control Risks***

In certain situations, an underlying Private Equity Fund may acquire only a participation or non-controlling interest in an asset, and therefore may not be able to exercise control over the management of such asset. In these situations, there can be no assurance that appropriate investor rights will be available to protect the Fund's interest or that such rights will provide sufficient protection of such underlying Private Equity Fund's rights. In certain other situations, the underlying Private Equity Fund may take control positions in portfolio companies. The exercise of control over a portfolio company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of government regulations, including securities laws and other types of liability in which the limited liability characteristics of business ownership may be ignored. If these liabilities were to arise, the underlying portfolio fund might suffer a significant loss.

#### ***Leveraged Nature of Investments***

Private Equity Funds may invest in highly leveraged businesses, which involves a high degree of risk. Some of the Private Equity Fund's investments in portfolio businesses may involve leverage, which in turn will increase the exposure of the portfolio businesses to adverse economic factors such as downturns in the economy or deteriorations in the condition of the portfolio business or its industry. In the event any such portfolio business cannot generate adequate cash flow to meet debt service, the Private Equity Fund may suffer a partial or total loss of capital invested in the portfolio business that, depending upon the size of the Private Equity Fund's investments, could adversely affect the return of capital to the Fund. In addition, the Fund may use leverage in making investments which could expose the Fund to direct exposure to the risks associated with leveraged investing.

#### ***Investment in Restructurings of Distressed Companies***

The Private Equity Funds in which a Fund may invest may be permitted to make investments in restructurings of distressed or nonperforming businesses or assets



which involve a high degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome.

***Miscellaneous***

As a Fund may make investments throughout the world, the general partner will not be privy to all the possible risks associated with all investments. Therefore, additional risks not listed above may further affect performance.

**Item 9: Disciplinary Information**

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## Legal and Disciplinary

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Sarona's advisory business or the integrity of its management persons.

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.

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

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**A. Broker-Dealer**

Not applicable.

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**B. Financial Industry Activities**

Not applicable.

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**C. Affiliations**

Affiliates of Sarona act as the general partner to the Funds and in such capacity receives a performance-based compensation for their services.

One of the Fund's to whom Sarona currently provides advisory services to is Sarona Risk Capital Fund 1 LP ("SRCF 1 LP"). The general partner of SRCF 1 LP is Sarona MEDA Investments Inc and the general partner makes all investments decisions on behalf of SRCF 1 LP. The Sarona MEDA Investments Inc is wholly owned by Mennonite Economic Development Associates ("MEDA"), an entity which owns 10% of the shares of Sarona. Sarona has no ownership stake in Sarona MEDA Investments Inc and none of its staff are Directors of this general partner.

The relationships described above may create a potential conflict of interest in that Sarona may have an incentive to allocate investment opportunities to a Fund in which it or its affiliates may potentially receive a higher performance-based fee. In addition, there may be a potential conflict relating to the way Sarona personnel allocate their time among its various Fund clients. To address such potential conflicts, Sarona has established detailed policies and procedures relating to the allocation of investment opportunities among the Funds. Further, the Offering Documents for each of the Funds include disclosures relating to these potential conflicts in order that investors are made aware thereof.

Except as noted above, neither Sarona nor any of its management persons have affiliations with broker-dealers, municipal securities dealers, government securities dealers, investment companies or other pooled investment vehicles, other investment advisers or financial planners, futures commission merchants, commodity pool operators, commodity trading advisors, banking or thrift institutions, accountants or accounting firms, lawyers or law firms, insurance agencies or companies, pension consultants, real estate brokers or dealers, or other sponsors or syndicators of limited partnerships.

Sarona recently created a company called SESOP Inc to house shares held by employees of the Firm. SESOP Inc. owns 9.9% and the shares in SESOP Inc are diluted within the Sarona rank and file.

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#### D. Compensation for Referrals.

Sarona may pay referral fees to persons who introduce advisory business to it. These fees would be paid pursuant to SEC Rule 206(4)-3. Were Sarona to pay a referral fee to unaffiliated, third-party solicitors, Sarona requires the solicitor to provide the prospective client with a copy of this document ("Firm Brochure") and a separate disclosure statement. Additionally, any such fee would be payable by Sarona.

We receive Client referrals from several placement agents. The placement agents assist the Firm raising for SGGM2 and STFF. In addition, Sarona may engage a placement agent or other broker to raise capital for a new Equity Fund. Sarona expects that it will directly or indirectly bear the cost of any associated placement fees.

Please note, in certain cases, a Sarona fund may agree to pay a referral fee to an investor in one or more Sarona funds for referring a portfolio investment to an Sarona fund. Any such agreements are entered into in accordance with the relevant fund's limited partnership agreement or limited liability company agreement and applicable law. Any such referral fee would be payable upon the fund's final exit from the relevant portfolio company. In the event a Fund consummates an investment based on a referral pursuant to the terms of this paragraph, Sarona will notify the Fund Advisory Committee at its next regularly scheduled meeting. The Firm shall ensure that any such arrangements and all relevant associated facts (such as any relationship between the investor and the referred portfolio investment, the timing of any fee payment, etc.) are appropriately documented. Upon an exit from the applicable portfolio company, the Firm, with assistance of counsel or other appropriate party, will confirm that the payment of any such fees would not violate either the 1934 Act or create an issue under the Advisers Act (i.e., the payment of such a fee would be a breach of Sarona's duty or would be a fraudulent or misleading act).

As noted in Item 5, Sarona and its affiliates receive or may receive various types of fees from portfolio companies, prospective portfolio companies and other third parties. These include transaction fees, monitoring fees, advisory fees, investment banking fees, directors' fees, break-up fees, etc. A percentage of all such fees are used to offset the management fees otherwise payable by a Fund.

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

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### **A. Code of Ethics**

Sarona, its members and employees have committed to a Code of Ethics within its Compliance Manual that is available for review by clients and prospective clients upon request. Each person affiliated with Sarona must read, sign, and deliver a certificate of compliance with the Code of Ethics and may only affect a personal transaction in a limited offering by pre-approving such transaction with Sarona's Chief Compliance Officer. Pursuant to such Code of Ethics, each person affiliated with Sarona also must provide initial securities holdings reports and annual securities holding reports to the Chief Compliance Officer. Furthermore, each person affiliated with Sarona shall provide either quarterly securities transaction reports or in the alternative have copies of all account statements or broker trade confirmations related to personal securities transactions in which such person or any member of his or her immediately family has a beneficial ownership interest sent directly to Sarona's Chief Compliance Officer within 30 days of each quarter.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Sarona also reserves the right to disapprove any proposed transaction that may have the appearance of improper conduct.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize conflicts of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics.

Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons' accounts will be traded in the same manner every time.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If you or a potential client wish to review our Code of Ethics in its entirety, a copy will be provided upon request.

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B. Participation or Interest in Client Transactions

The MicroVest General Partner Holding Company LLC is 26.4% owned by MEDA. As disclosed above, MEDA is also a 10% owner in Sarona Asset Management. Carried interest could be paid to Sarona Asset Management when MEDA sells its interests in MicroVest General Partner Holding Company LLC, a Registered Investment Advisor with numerous Private Funds under management.

Two of the current five investment committee members of one of Sarona's Fund Clients, Sarona Frontier Markets Fund 1 LP, are on the board of MicroVest Capital Management LLC, an entity owned by the MicroVest General Partner Holding Company LLC and which serves at the general manager to various pooled investment vehicles in which this fund invests. Sarona Frontier Markets Fund 1 LP currently has investments in MicroVest I LP, MicroVest II LP, and MicroVest Short Duration Fund LP which are controlled by MicroVest General Partner Holding Company LLC. Sarona has disclosed this conflict of interest in the initial Limited Partnership Agreement of the Sarona Frontier Markets Fund 1 LP. Further, Sarona endeavours to disclose such at every series offering and announces it annually at the Annual Meeting of the Sarona Frontier Markets Fund 1 LP as well as annually to the Limited Partners Advisory Committee meeting.

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C. Participation or Interest in Client Transactions

Not applicable

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D. Participation or Interest in Client Transactions

Not applicable

## Item 12: Brokerage Practices

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### A. Selecting Brokerage Firms

The investments made by the Funds are primarily private equity investments and as such, do not generally require the use of a broker-dealer. However, the Funds may acquire, sell, or distribute public securities on occasion. When selecting private equity opportunities, Sarona believes it satisfies its best execution responsibilities through negotiation of the terms of the investment. With respect to those limited instances in which the Fund clients purchase or sell or distribute publicly traded securities through a broker-dealer, the Company seeks to satisfy its best execution obligation by considering all relevant facts and circumstances, including, but not limited to, the price and size of the order, the trading characteristics of the securities involved, the value of research provided by each broker, the broker's execution abilities, commission rates, and responsiveness.

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#### 1. Research and Other Soft Dollar Benefits

In choosing a broker, Sarona does not consider the value of various services or products, beyond transaction execution, that the broker or dealer provides to its clients and therefore does not currently accept any soft dollar benefits.

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#### 2. Brokerage for Client Referrals.

Sarona does not consider the prospect of receiving client referrals in selecting or recommending a broker dealer.

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#### 3. Directed Brokerage

Sarona does not recommend, request, or require that its clients direct Sarona to execute transactions through a specified broker-dealer.

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### B. Aggregation

It is Sarona's policy that all investment opportunities shall, to the extent practicable, be allocated among its clients (i.e., the Fund clients and other advisory clients) on a basis that over a period of time Sarona believes is fair and equitable to each Fund client relative to other Fund clients, considering all relevant facts and circumstances. In general, investment opportunities shall be allocated among Sarona's Fund clients in accordance with the Investment Allocation Policy.

Sarona may depart from the Investment Allocation Policy in a particular circumstance if the Chief Compliance Officer determines that for good reason it would be appropriate to do so, and that such a departure would be nonetheless consistent with the Sarona's fiduciary obligations.

### Item 13: Review of Accounts

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#### A. Periodic Reviews

Sarona's Chief Executive Officer and Sarona's Chief Compliance Officer perform a quarterly review of the investments and performance of its Fund clients and separately managed accounts.

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#### B. Review Triggers

Other conditions that may trigger a review are changes in applicable laws, new investment information, changes in the market and changes in a particular client's circumstances.

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#### C. Regular Reports

Following the end of each calendar year, the auditor for the Funds under management prepares, for delivery by the general partner to each limited partner in such funds an audited financial statement of the Funds' operations, the Funds' tax return and Schedules K-1 for the US partners to use for their income tax filings. Each limited partner also receives quarterly summaries of the Funds' performance and periodic reports in such form as the general partner may determine.



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

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A. Referrals

Not applicable.

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B. Other Compensation

Not applicable.

**Item 15: Custody**

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Sarona and/or its related persons are deemed to have custody of client funds and/or securities. In order to comply with Rule 206(4)-2 relating to custody, all of Sarona's private investment fund clients are audited annually by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board and audited financial statements prepared in accordance with generally accepted accounting principles in the United States of America are sent to all Investors within 120 days of the end of the respective private investment fund client's fiscal year. Investors in Sarona's private fund clients should carefully review and compare such audited financial statements against any reports that they may receive from Sarona.

**Item 16: Investment Discretion**

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**Discretionary Authority for Trading**

Sarona does accept discretionary authority to manage investment accounts on behalf of its clients. Under these arrangements, Sarona has the authority to determine, without obtaining specific client consent, the investments to be bought or sold, and the amount of the investments to be bought or sold on behalf of clients. Clients do not currently place any limitations on this discretionary authority but may in the future.

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**Assumption of Authority**

Before Sarona assumes discretionary authority, it is granted a limited power of attorney through the execution of the limited partnership agreement for such Fund.

**Item 17: Voting Client Securities**

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**A. Proxy Voting**

The investments made on behalf of the Funds generally consist of private equity securities and as such, no proxy solicitation is received with respect to such securities. However, as set forth above, the Funds may acquire, sell, or distribute public securities on occasion. At the present time, Sarona does not and will not accept voting authority with respect to client securities and therefore has not adopted written policies and procedures with respect to proxy voting under Rule 206(4)-6 under the Investment Advisers Act. If Sarona does accept and exercise voting with respect to client securities in the future, it will adopt policies and procedures regarding proxy voting pursuant to Rule 206(4)-6.

**B. Not applicable.**

**Item 18: Financial Information**

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A. Balance Sheet

Not applicable

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B. Financial Condition

Not applicable

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C. Bankruptcy Petition

Not applicable