

# **BLUE SWELL ASSET MANAGEMENT PRIVATE LIMITED**

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CRD: 297731**

This brochure provides information about the qualifications and business practices of Blue Swell Asset Management Private Limited ("**Blue Swell**" or the "**Firm**"). If you have any questions about the contents of this brochure, please contact us at +65 6202 9840 or email at [info@blue-swell.com](mailto:info@blue-swell.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Registration of an Investment Adviser does not imply that the Firm or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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This Brochure dated September 6, 2021 amends the Firm's Brochure that was filed on March 5, 2021.

The Brochure has been amended to reflect certain updates to the Firm's advisory business, none of which are or may be considered material changes to this Brochure.

**Item 3: Table of Contents**

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Item 1: Cover Page .....	1
Item 2: Material Changes.....	2
Item 3: Table of contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation.....	6
Item 6: Performance-Based Fees and Side-By-Side Management.....	9
Item 7: Types of Clients .....	10
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9: Disciplinary Information .....	19
Item 10: Other Financial Industry Activities and Affiliations .....	20
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..	21
Item 12: Brokerage Practices .....	23
Item 13: Review of Accounts .....	25
Item 14: Client Referrals and Other Compensation.....	26
Item 15: Custody.....	27
Item 16: Investment Discretion.....	28
Item 17: Voting Client Securities .....	29
Item 18: Financial Information.....	30
Item 19: Requirements for State-Registered Advisers .....	31

## Item 4: Advisory Business

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### Advisory Firm

Blue Swell Asset Management Private Limited (“**Blue Swell**” or the “**Firm**”) is an exempt private company limited by shares, incorporated in Singapore on January 02, 2018. The Firm is wholly owned and controlled by Tomofumi Oda (“**Mr. Oda**”) who holds the roles of Director, Chief Executive Officer and Chief Investment Officer. Further, Mr. Oda holds the role of Director of Blue Swell Japan Market Neutral Master Fund (the “**Master Fund**”) and Blue Swell Japan Market Neutral Fund (the “**Feeder Fund**”) respectively, together with two other independent directors. Both Master Fund and Feeder Fund (collectively, the “**Fund**”) are exempted companies incorporated with limited liability company under the laws of the Cayman Islands.

Currently, the Firm acts as the Investment Manager of the Fund. Subject to control and supervision of the Fund’s Directors, the Firm has full discretion to manage and invest the assets of the Fund.

Further, the Firm acts as the Investment Adviser to certain private pooled investment vehicles which are managed by unaffiliated SEC registered investment advisers (“**Sub-Advised Funds**”).

No registration statement has been or will be filed with the U.S. Securities and Exchange Commission (the “**SEC**”) or any state securities authority with respect to any offering of the Fund. The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**1933 Act**”) or the securities laws of any of the states of the United States. Furthermore, the Fund has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the “**1940 Act**”) since Shares will only be sold to US Persons who meet the status of “qualified purchasers”, as defined in the 1940 Act. Each subscriber for Shares that is a US Person will be required to certify that it is an “accredited investor” and a “qualified purchaser”, in each case as defined under applicable US federal securities laws, thereby also qualifying as a “qualified eligible person” as defined in Rule 4.7 under the United States Commodity Exchange Act, as amended (the “**CEA**”).

With this initial filing, the Firm is seeking registration with the SEC as an Investment Adviser because it anticipates that it may engage in activities that will qualify for registration.

### Types of Services Offered

The principal activity of the Firm is to provide discretionary investment management services including investment advisory services, specializing in Asia and with predominant focus on Japan related investments.

The Firm provides investment management services to the Fund based on specific investment objectives and strategies. The Fund’s offering documents (as amended and supplemented from time to time) set forth the investment guidelines and/or the types of investments in which the assets of the Fund may invest. Together with its affiliates, the Firm also provides investment advisory services to the Sub-Advised Funds. Collectively, both the Fund and Sub-Advised Funds are referred as “**Clients**”.

**Ability to Tailor Services and Impose Restrictions**

The investment objective of the Fund is to achieve absolute returns through emphasis on deep fundamental understanding of investment ideas, analysis of companies across all industries and sectors from large cap to small cap, predominantly in Japan, in corporate research and investing across market cycles. The Firm provides investment management services to the Fund based on the specific investment objectives and strategies of the Fund and not individually to investors in the Fund (the “**Investors**”). Since the Firm does not provide tailored advice to the Fund’s Investors, such investors should consider whether the Fund’s investment strategies are in line with their risk tolerance. The Firm and/or the Fund may from time to time enter into side letter agreements or other similar agreements (“**Side Letters**”) providing certain seed or strategic investors with additional and/or different rights. In August 2018, the Firm entered into a Side Letter with a principal investor (the “**Seed Investor**”) that is continuing as of the date of this Brochure (the “**Seed Investor Side Letter**”). The Seed Investor Side Letter grants the Seed Investor certain rights to a defined percentage of the revenue of the Firm. As of the date of this Brochure, the Firm and/or the Fund has entered into no additional Side Letters with any investors and/or Clients, with the exception of the abovementioned. There are no potential conflicts to the Fund or its investors or any other of the Firm’s Clients as the mentioned arrangement does not in any way serve as a detriment to the Fund or its investors, or any other of the Firm’s Clients. The Fund’s Directors may reduce the minimum subscription amounts to the Fund in consultation with the Firm, subject to requirements by applicable laws.

**Wrap Fee Programs**

The Firm does not participate, sponsor or act as a portfolio manager for any wrap fee programs.

**Client Assets**

As of December 31, 2020, the Firm has approximately US\$ 309,496,468 regulatory assets under management, all of which it manages on a discretionary basis.

Performances, fees and capital activity (i.e., subscriptions and redemptions) are denominated in US dollars (US\$).

**Item 5: Fees and Compensation**

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The fees, compensation, and expenses as applicable to the Fund are set forth in detail in their respective governing agreements.

**Management Fee**

The Firm charges a Management Fee of one twelfth ( $1/12$ ) of the applicable percentage (as set out in offering documents) of the Net Asset Value ("**NAV**") of the relevant Class, before deduction of that month's Management Fee and before making any deduction for any accrued Performance Fees as at the last Valuation Day in each month.

The Management Fee is payable to the Firm monthly in arrears.

The Firm may, in its sole discretion, waive, rebate, or otherwise vary the Management Fee payable in whole or in part, in respect of any particular Series or Class, or may rebate or waive the Management Fee payable in whole or in part for certain Shareholders, including in particular during any wind down of the Fund's business. Any such rebate may be applied in paying up additional Shares to be issued to the relevant Shareholder or may be paid in cash. The Firm will also be entitled to be reimbursed for all out-of-pocket expenses properly incurred by it in the performance of its duties for the Fund including, without limitation, travelling and related costs of attending meetings in relation to the investments and prospective investments of the Fund.

The Fund may from time to time enter into Side Letters providing for, but not limited to, changes in management fees and incentive fees. See Item 4 above on the Fund's/Firm's current side letter arrangements (as applicable).

No Management Fee is payable for Employee Class Shares.

**Performance Based Compensation**

In addition to Management Fees, the Firm is also entitled to receive a Performance Fee from the Fund in respect of each Calculation Period. For each Calculation Period, the Performance Fee payable in respect of each Series of:

- Class A JPY Shares will be equal to 20%;
- Class A USD Shares will be equal to 20%;
- Class B JPY Shares will be equal to 20%;
- Class B USD Shares will be equal to 20%;
- Class C JPY Shares will be equal to 20%;
- Class C USD Shares will be equal to 20%;
- Class D JPY Shares will be equal to 20%; and
- Class D USD Shares will be equal to 20%

of the appreciation in the NAV of the relevant Series during the Calculation Period above its High-Water Mark.

The first Calculation Period in respect of each Class will be the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on the next following 31 December. Thereafter, the Calculation Period will be a period of 12 calendar months commencing on each 1 January.

In respect of Shares subscribed for after the Initial Offer Period, the first Calculation Period for each Series will be the period commencing on the Subscription Day on which the relevant Series is issued and ending on the following 31 December. Thereafter, the Calculation Period will be a period of 12 calendar months commencing on each 1 January.

The Performance Fee will accrue monthly as at the close of business on each valuation day.

The Performance Fee will be accrued as at each Valuation Day and will be calculated in respect of each Series by reference to the NAV of such Series before deduction for any accrued Performance Fees.

The Performance Fee will normally be payable to the Firm in arrears as soon as possible after the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares will be payable as soon as reasonably practicable after the relevant Redemption Day. Any such accrued Performance Fee will be calculated as though the relevant Redemption Day was the end of a Calculation Period. In the event of a partial redemption, Shares will be treated as redeemed on a “first in first out” basis (unless otherwise approved by the Fund’s Directors).

No Performance Fee is payable for Employee Class Shares.

### **Brokerage Fees**

The Fund is responsible for paying any and all brokerage fees and custodian fees, as agreed between the Funds and the Prime Brokers and Custodians from time to time. The fees charged by the Prime Brokers and Custodians for prime brokerage services will not exceed normal commercial rates and will be based on a combination of transaction charges and interest costs. The Prime Brokers and Custodians will not generally receive any separate fees for its custodial services.

### **Other Costs and Expenses**

The Fund pays various ongoing operational expenses, including but not limited to, accounting, auditing, tax preparation, legal, administration, research, borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, Directors’ fees (such as registration under The Directors Registration and Licensing Law, (as Amended)) and expenses, interest on borrowings, brokerage and trading costs.

The Fund is responsible for paying the preliminary expenses of, and incidental to, the offer of Shares during the Initial Offer Period. These preliminary expenses include, among other things, expenses relating to the establishment of the Fund in the Cayman Islands, the registration of the Fund, as necessary, the negotiation and preparation of the contracts to which the Fund is a party, the costs of drafting, designing and printing the Fund’s Private Placement Memorandum and the fees and expenses of its professional advisers (together, the “**Organisational Expenses**”).

The Organisational Expenses will be amortised on a straight-line basis over a period of 60 months from the date on which the Master Fund commences business, unless the Fund’s Directors decide that some other amortisation method should be applied. In the event that further feeder funds are established at a later stage, the Fund’s Directors may make adjustments to the accounts, including apportioning or allocating costs and expenses of establishing the Master Fund and its feeder funds (or such portion thereof) to all shareholders (including Shareholders of the Fund) to ensure that all costs and expenses of establishing the Master Fund and its feeder funds as a whole are shared rateably among all investors.

Neither the Firm nor any of its supervised persons currently accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

**For a complete description of fees and expenses, please refer to the Fund offering memorandum which can be provided upon request. For the Sub-Advised Funds, please refer to the relevant Investment Advisory Agreements (“IAA”).**



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

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As discussed in **Item 5** above, the Firm generally will be entitled to receive performance-based compensation (the “**Performance Fee**”) in connection with investment management and advisory services provided to the Clients. The amount and calculation of the Performance Fee is described in the relevant Fund’s Private Placement Memorandum (“**PPM**”) or IAA for the Sub-Advised Funds.

The Performance Fee may vary among Clients, therefore the Performance Fee arrangements shall unlikely result in conflict of interest between the Firm and the Clients. The Performance Fee arrangement creates an incentive for the Firm to recommend, trade and invest in investments that is intended to generate profits, which could increase the risk present to Clients at any given time. The Firm views conflict of interest with seriousness and has implemented internal controls to ensure its fiduciary duty is observed and upheld.

**Item 7: Types of Clients**

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Investors in the Fund are primarily institutional and qualified investors which include, fund of funds, family offices, financial institutions, sovereign wealth fund, accredited individuals and employees.

With respect to Class A USD Shares, Class B USD Shares, Class C USD Shares and Class D USD Shares, the minimum initial investment for each Investor of the Fund is generally USD \$1,000,000 and the minimum subsequent investment is also generally USD \$1,000,000.

With respect to Class A JPY Shares, Class B JPY Shares, Class C JPY Shares and Class D JPY Shares, the minimum initial investment for each Investor of the Fund is generally JPY 100,000,000 and the minimum subsequent investment is also generally JPY 100,000,000.

In certain circumstances, minimum investment amounts may be amended by Fund's Directors in consultation with the Firm.

The Sub-Advised Funds are private pooled investment vehicles managed by unaffiliated SEC-registered investment advisers. The Firm has entered into an IAA with each Sub-Advised Fund to provide investment advisory services. The Firm or its affiliate may require a minimum account size, which will be determined on a case by case basis.

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

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**Investment Strategy and Objective**

The Firm's core investment strategy is to achieve absolute returns through emphasis on fundamental understanding of investment ideas, analysis of companies across all industries and sectors from large cap to small cap, predominantly in Japan, in corporate research and investing across market cycles.

The overall portfolio is diversified and protected from the downside risk by investing in approximately 500 companies, by way of listed equities, to aim to capture alpha from every opportunity and with identification of long and short pairs (including single stock names and sector baskets) which provide valuation arbitrage and expansion. The focus catalysts are largely on earnings, corporate events, corporate actions, sales and profits momentum and product development and innovation.

Broadly speaking, the investment philosophy is focused on the following:

- i. Capture a wide range of investment ideas across our investment universe (all sectors and all market capital size coverage).
- ii. Identifying good "swells" through fundamental analysis.
- iii. Capitalise on good "swells" by taking off and riding each wave at the peak or trough through careful observation and execution.

The Firm has flexibility to invest in a wide range of instruments for its Clients including, but not limited to, listed equities, preferred stocks, equity-related instruments, and futures (including index futures). The Firm may also engage in short sales, margin trading, hedging and other investment strategies. The Firm may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective.

There is no guarantee of a specific or minimum level of investment performance, or of a particular rate of return on capital. There can be no assurance that the Firm will achieve its investment objective. Therefore, it is possible that a Client may lose a substantial proportion or all of its assets in connection with investment decisions made by the Firm. The following is a discussion of risk factors for the Firm's investment strategies, but it does not purport to be a complete explanation of all the risks involved. Clients should refer to the fund offering documentation or IAA (as applicable) for further information and consult with their own advisers before deciding whether to invest in the Fund or to setup a Sub-Advised Fund with the Firm. Investments should only be made if the nature of investments and risks of investment are understood.

**Risk Management**

The Firm employs an ongoing risk monitoring process in an attempt to preserve capital and minimize volatility. The Firm is responsible for the risk management of the Fund's Investments, and will regularly monitor, review and manage Investments with a focus on, among other things: gross and net market, sector, and overall portfolio exposures; the volatility of positions; position liquidity and the premium required for less liquid positions; a re-examination of position profits and losses; risk factor models and proprietary risk management tools; and the use of derivatives for hedging purposes.

The Firm has broad investment discretion in seeking to achieve the Fund's objectives. The Fund is not subject to any formal policies in relation to diversification and may shift its capital

allocation among the various strategies it deploys as opportunities change in the regions, across industries, and in respect of specific companies.

## **Risk Factors**

### Availability of Investment Strategies

The success of the Firm's investment activities depends on the ability of the Firm to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by any Client involves a high degree of uncertainty. No assurance can be given that the Firm will be able to locate suitable investment opportunities in which to deploy all of the Client assets or to exploit discrepancies in the securities and derivatives markets.

Market factors including, but not limited to, a reduction in market liquidity or the pricing inefficiency of the markets in which the Client seeks to invest, may reduce the scope for the Client's investment strategies. Furthermore, the Client may be adversely affected by unforeseen events involving, without limitation, such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

### Concentration of Investments

In regard to the Fund, it may invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Fund and will accordingly not diversified directly.

Clients may from time to time hold relatively few investments. Clients could be subject to significant losses if they hold a large position in a particular investment that declines in value or is otherwise adversely affected (including as a result of default by the issuer).

### Counterparties Risk

Clients are subject to the risk of the inability of any counterparty (including any prime broker or custodian) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. Clients are subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements.

In the event of any counterparty (including a prime broker or custodian) entering an insolvency procedure, Clients could experience delays in liquidating their positions and incur significant losses, including the loss of that portion of the Client's portfolio financed through such a transaction, a decline in value of its investment during the period in which the Clients seek to enforce rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

During an insolvency procedure (which may last many years) the use by the Clients of assets held by or on behalf of the relevant prime broker, custodian or counterparty may be restricted and accordingly (a) the ability of the Firm to fulfil the investment objective may be severely constrained, (b) the Clients may be required to suspend the calculation of the NAV and as a result subscriptions for and redemptions of Shares, and/or (c) the NAV may be otherwise affected. During such a procedure, Clients are likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor)

and accordingly the Clients may be unable to recover such assets from the insolvent estate of the relevant prime broker, custodian or counterparty in full, or at all.

#### Credit Default Swaps

Clients may take long and short positions in credit default swaps which carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Clients if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

#### Creditors' Rights and Enforceability of Security

The Clients' investments may be subject to various laws for the protection of creditors in the jurisdictions of incorporation of the issuers or borrowers and, if different, the jurisdictions from which they conduct business and in which they hold assets, which may adversely affect an issuer's or borrower's ability to make payment in full or on a timely basis. These insolvency considerations will differ depending on the country in which an obligor or its assets are located and may differ depending on the legal status of the obligor. Additionally, the Clients, as creditors, may experience less favourable treatment in certain insolvency regimes in comparison to others, including where it seeks to enforce any security it may hold as a creditor.

#### Currency Exposure

Clients' assets may be invested in securities and other investments which are denominated in currencies other than the currency or currencies in which Shares are denominated. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. Clients may seek to hedge foreign currency exposure but will necessarily be subject to foreign exchange risks and there can be no assurance that any hedges which are put in place will be effective. Prospective investors whose assets and liabilities are predominantly in currencies other than the currency in which their Shares will be denominated should take into account the potential risk of loss arising from fluctuations in value between the currency in which their Shares will be denominated, the currency of investment and the currencies of their assets and liabilities.

The Clients may utilise such instruments as the Firm deems appropriate including, but not limited to, stock market index futures and put options, currency forwards and currency derivatives (listed and unlisted) when seeking to hedge against currency fluctuations. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Firm wishes to use them or will be able to be liquidated when the Clients wish to do so. In addition, the Firm may choose not to enter into hedging transactions with respect to some or all of its positions. Currency exchange costs will be incurred when the Clients change investments from one country to another.

Prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the US dollar and such other currencies.

Debt Securities

Clients may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Clients may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness.

Clients may invest in distressed and other low quality debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Clients to suffer significant losses. The Clients will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

Derivatives

Clients may include both exchange-traded and over-the-counter ("**OTC**") derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

Transactions in OTC contracts may involve additional risk as there is no exchange market on which to close out an open position. The derivatives markets are frequently characterised by limited liquidity, which may make it difficult, as well as costly, to close out an open position to realise gain or to limit loss. It may not be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. The price at which a derivative instrument may be liquidated or sold, should the Clients wish or be compelled to do so, may be materially different from the price at which it is valued. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in NAV, incorrect collateral calls or delays in collateral recovery.

Further risks related to investing in OTC derivatives is outlined in the relevant offering documents.

Emerging Markets

Where the Clients invest in equities or other securities of companies incorporated in, or whose principal operations are in, emerging markets, additional risks may be encountered. These include:

- A. Currency Risk: the currencies in which investments are denominated may be unstable and/or subject to significant depreciation and/or may not be freely convertible.
- B. Country Risk: the value of the Clients' assets may be affected by political, legal, economic and fiscal uncertainties, and existing laws and regulations may not be consistently applied.
- C. Market Characteristics: emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and are not highly regulated, and settlement of transactions may be subject to delay and administrative uncertainties.
- D. Custody Risk: custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Clients will not be recognised as the owner of securities held on its behalf by a sub-custodian.
- E. Disclosure: less complete and reliable fiscal and other information may be available to investors.

Investment in the securities of issuers based in emerging markets involves a greater degree of risk than an investment in securities of issuers based in more developed countries. Among other things, emerging market securities investment may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favourable tax provisions, and a greater likelihood of severe inflation, unstable or not freely convertible currency, war and expropriation of personal property as compared with investments in securities of issuers based in more developed countries. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Emerging markets are not generally as efficient as those in more developed countries.

#### Equity and Equity-Linked Securities

The Clients engage in trading equity and equity-linked securities (including equity-based derivatives), the values of which vary with an issuer's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political and other factors, influence the value of equities. At any given time, the Clients may have significant investments in companies with smaller market capitalisations. These securities often involve greater risks than the securities of larger, better-known companies, including less liquidity and greater volatility.

Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumours of accounting irregularities. These factors may adversely affect the Clients.

#### Financing Arrangements: Availability of Credit

Borrowings may be an integral part of the Clients' strategies and may include, but not be limited to, the use of securities margin, futures margin or the notional principal amounts of swap transactions. There can be no assurance that the Clients will be able to maintain adequate financing arrangements under all market circumstances.

Where the Clients make use of such borrowings to initiate long or short positions and the positions decline in value, it will usually be subject to a "margin call", pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for

compensation for any losses incurred by the lender. In some cases, a margin call may be made even if the relevant positions have not declined in value. The Clients would normally satisfy such margin calls in cash or US Treasury bills and, to the extent that such assets were insufficient, would liquidate other assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, the Firm might not be able to liquidate assets quickly enough to pay off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of the Clients in order to enable the Clients to satisfy its obligations to that lender.

The Clients could also be subject to a “margin call”, pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the securities over which the broker has been granted security to compensate for the decline in value. A “margin call” can essentially be made at the discretion of the relevant broker, even if the securities over which that broker has been granted security to secure the Clients’ margin accounts, have not declined in value. In the event of a sudden drop in the value of the Client’s assets, the Firm may not be able to liquidate assets quickly enough to pay off the margin debt. In such a case, the relevant broker may liquidate additional assets of the Clients, in its sole discretion, in order to satisfy such margin debt.

#### Forward Foreign Exchange Contracts

Clients may enter into forward foreign exchange contracts, which are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. Clients will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the client to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

#### Leverage and Borrowing

Clients may employ leverage, including through the use of borrowings, for the purpose of making investments. The level of interest rates at which Clients can borrow will affect the operating results of the Clients. If the Clients leverage its assets to borrow additional funds for investment purposes, they will be required to pledge assets to secure such borrowings, potentially reducing their liquidity. Clients may also, in effect, borrow funds through entering into repurchase agreements and may leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. Client investments may also contain a significant amount of leverage.

The Firm will consider any inherent leverage in such investments in assessing the leverage to be applied in respect of any Clients. The use of leverage may significantly increase the investment risk of a Clients; whilst leverage creates an opportunity for greater yield and total return, at the same time, it will increase the Clients’ exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage



that are in excess of the costs associated therewith may cause the NAV of the Shares to increase more rapidly than would otherwise be the case.

Conversely, where the associated costs are greater than such income and gains, the NAV of the Shares may decrease more rapidly than would otherwise be the case. Any limitation on the availability of borrowing facilities may have a detrimental effect on a Clients' ability to maintain its intended level of leverage. On a winding up, as Shareholders/account owners rank for repayment after all other creditors, they may not get back their full investment if there are insufficient funds to discharge creditors.

#### Liquidity and Market Characteristics

Clients may be adversely affected by a decrease in the market liquidity for the instruments in which it invests which may impair the client's ability to adjust its positions. The size of the Clients' positions may magnify the effect of a decrease in market liquidity for such instruments.

In some circumstances, certain of the Clients' investments may be relatively illiquid making it difficult or impossible to acquire or dispose of them at the prices quoted on the various exchanges or at the prices which the Firm considers to reflect their then value. Accordingly, a Clients' ability to respond to market movements may be impaired and may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and a Clients 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. Clients 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. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, concerns about terrorism and war, property and commodity prices and national and international conflicts or political circumstances, as well as natural circumstances, may affect the price level, volatility and liquidity of securities, which could result in significant losses for Clients.

The prices of investments that may be held by Clients tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the of borrowed securities and leveraged investments.

Furthermore, to the extent that interest rate assumptions underlie the hedging of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Clients to additional costs and losses.

#### Market Disruptions:

Clients may incur major losses in the event that disrupted markets and/or other extraordinary events affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from the disconnection from historical prices during periods of market disruption is compounded by the fact that in disrupted markets many positions become illiquid, making

it difficult or impossible to close out positions against which the markets are moving. The financing available to the Clients from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to Clients.

Regulatory Risks of Hedge Funds:

The regulatory environment for hedge funds is evolving and changes therein may adversely affect the value of investments held by the Fund and/or the ability of the Fund to obtain the leverage it might otherwise obtain or to continue to implement its investment approach and achieve its investment objective. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. In addition, the regulatory or tax environment for derivative and related instruments and funds that engage in such transactions is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

Short Selling:

Clients may sell securities short or engage in swap transactions that replicate a short selling transaction. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no guarantee that securities necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby exacerbating the loss. In addition, if a sufficient number of market participants have entered into a short position, the short position may not react in the same way as a security would with no or limited short interest. In the event of a market downturn, the short position may therefore not provide the investment return that the Firm expected.

Due to regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted and/or more onerous disclosure requirements in respect of short positions have been implemented. The levels of restriction and disclosure vary across different jurisdictions and are subject to change in the short to medium term. Such restrictions and/or disclosure requirements have made it difficult and in some cases impossible for numerous market participants either to continue to implement their investment strategies or to control the risk of their open positions or have increased the risk for such participants to do so. Accordingly, the Firm may not be in a position to fully express its negative views in relation to certain securities, companies or sectors and the ability of the Firm to fulfil the investment objective of the Clients may be constrained.

**Item 9: Disciplinary Information**

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The Firm and its affiliate have not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action.

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

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**Broker-Dealer Registration Status**

None of the Firm or any of its management persons are registered as broker-dealers or registered representatives of broker-dealers, and no applications are pending to register the Firm or any of its management persons with the SEC as a broker-dealer or a registered representative of a broker-dealer.

**Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

The Firm is not registered as, and currently does not have any pending application to register as, a futures commission merchant (“**FCM**”), a commodity pool operator (“**CPO**”) or a commodity trading advisor (“**CTA**”) with the United States Commodity Futures Trading Commission (“**CFTC**”) and/or the National Futures Association (“**NFA**”).

The Firm has made exemption filings with the CFTC pursuant to CFTC Rules 4.13(a)(3).

**Monetary Authority of Singapore**

The Firm is registered and holds a Capital Markets Services Licence with the Monetary Authority of Singapore (“**MAS**”).

**Other Material Relationships**

Together with its affiliate, Blue Swell Japan Inc. (“**BSJI**”), the Firm provides investment management and advisory services to the Fund and Sub-Advised Funds. BSJI is incorporated in Japan and is a 100% owned subsidiary of the Firm. BSJI is registered to conduct investment advisory business with the Financial Services Agency of Japan, under registration number of, 3070. BSJI has been appointed by the Firm to give investment advice, as per an IAA with respect to the assets of the Fund. Under the IAA, BSJI will identify potential investments and provide advice and research on the same to the Firm, with consideration given to the investment objective, investment approach and investment restrictions described in the Fund’s PPM. BSJI has no investment discretion which will rest solely with the Firm. BSJI’s respective members, directors, employees, related entities and connected persons may subscribe, directly or indirectly, for Shares in the Fund.

Other than the above, the Firm does not have further relationships or arrangements that are material to the Firm’s advisory business or to its Clients that the Firm or any of its management persons have with any of the following related persons: (i) a broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) an investment company or other pooled investment vehicle; (iii) a futures commission merchant or commodity trading advisor; (iv) a banking or thrift institution; (v) an accountant or accounting firm; (vi) a lawyer or law firm; (vii) an insurance company or agency; (viii) a pension consultant; and (ix) a real estate broker or dealer sponsor or syndicator of limited partnerships.

The Firm does not recommend or select other Investment Advisers for its Clients in return for compensation directly or indirectly from those advisers.

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

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### Code of Ethics

In order to address conflicts of interest, the Firm has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “**Advisers Act**”) which is applicable to all of the Firm’s partners, officers, managers, members, and employees (collectively, “**Employees**”).

The Code of Ethics generally sets the standard of ethical and professional business conduct that the Firm requires of its Employees, requires Employees to comply with applicable federal securities laws and regulations, and sets forth provisions regarding personal securities transactions by Employees. Additionally, the Code of Ethics sets forth the Firm’s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that the Firm and each of its Employees owe to each Client.

The Code of Ethics is circulated at least annually to all Employees, and each Employee at least annually must certify that he or she has received and followed the Code and any amendments thereto. The Firm will provide a copy of the Code of Ethics to any Clients or perspective free of charge, upon request.

### Participation or Interest in Client Transactions

The Firm serves as the Investment Manager to the Fund. Subject to meeting eligibility requirements required by applicable regulations, certain members, directors, employees, related entities and connected persons of the Firm and BSJI may and/or have subscribed in the Fund directly or indirectly. The Firm does not receive compensation from subscriptions made by these members, directors, employees, related entities and connected persons of the Firm and BSJI.

### Personal Account Dealing

All Employees of Firm and its affiliates must provide duplicate copies of brokerage statements to Compliance. These records are used to monitor compliance with the Firm’s Compliance Manual and Code of Ethics.

The personal account dealing policy requires that:

- trades are subject to a general 30-day minimum holding period;
- securities cannot be traded if they are on the Firm’s restricted list;
- a Covered Person (defined below) may not purchase a security in an initial public offering available to the Fund;
- the Chief Compliance Officer (“**CCO**”) will consider the volume of both personal and the Firm’s trading when reviewing trade preclearance requests to determine whether trading may affect market prices.

The policy extends to the trading of Employees and certain other persons who have a relationship with the Firm or its personnel (“**Covered Persons**”). Covered Persons must obtain written authorization from the CCO prior to purchasing, selling or transferring certain types of securities, or exercising any option which is traded on exchanges in certain markets. Employees may not engage in any outside business activities or invest in private companies before obtaining authorisation from Compliance.

Any request for an exception under this policy must be submitted in writing to the CCO with sufficient information for consideration. A copy of the Compliance Manual will be provided upon request.

**Item 12: Brokerage Practices**

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**Best Execution**

In effecting securities transactions, the Firm and its affiliates will seek to obtain best execution of orders. In determining the broker or dealer to be used and the commission rates to be paid, the Firm and its affiliates will consider the utility and reliability of brokerage services, including execution capability and performance, financial responsibility, investment information, market insights, other research provided by such brokers, and access to analysts, management and idea generation. Accordingly, the commissions charged by any such broker may be greater than the amount another firm might charge if the Firm and its affiliates determine in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage services and research information provided by such brokers.

**Trade Aggregation**

The aggregation of Clients' transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to Clients. The Firm's policy is to aggregate Clients' transactions where possible and when advantageous to Clients. In these instances, Clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

**Trade Allocation**

The Firm's policy prohibits any allocation of trades in a manner that that would allow our proprietary accounts or Clients to receive more favourable treatment than other Clients.

**Principal Transactions / Cross Trades**

In a "principal transaction," an Investment Adviser, acting for its own account, buys a security from, or sells a security to, a Client's account. The Firm does not engage in principal transactions. The Firm may engage in cross trades only if the transaction acts in the best interests of the Clients involved, and when the transaction is expressly permitted by the Clients. To the extent that any cross trade may be viewed as a principal transaction due to the ownership interest in the Fund or other Clients by the Firm and/or its Employees, the Firm will comply with the requirements of Section 206(3) of the Advisers Act.

**Soft Dollars**

The Firm and Fund do not currently obtain products or services other than the execution of securities transactions from brokers in exchange for the direction of brokerage transactions of the Fund to the broker ("**Soft Dollars**"). Soft Dollars may include products or services from brokers or other third parties (for example through commission sharing agreement) such as (without limitation) research and advisory services, economic and political analysis, portfolio analysis (including valuation and performance measurement), market analysis, data and quotation services and software incidental to the above soft dollars, clearing and custodian services and investment related publications. To the extent possible and appropriate, the Firm and its affiliates will use Soft Dollars for the benefit of the Funds but may also use the Soft Dollars for other investment funds, Clients' accounts and proprietary accounts it may manage in the future.

The Firm will generally use reasonable best efforts to ensure that the use of Soft Dollars to pay for research products or services will fall within the safe harbour requirements of Section

28(e) of the Exchange Act. The Firm's soft dollar practice is disclosed in the relevant offering documentation.



**Item 13: Review of Accounts**

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**Review of Accounts**

The Fund and the Sub-Advised Funds are reviewed and reconciled on daily basis by the investment team to ensure that the structure and individual securities held are suitable and consistent with the objectives and strategies. In addition, the Firm's operations team also monitors the Clients to help ensure conformity with investment objectives and guidelines. The Firm engages in active management and frequent transactions and, accordingly, performs daily trade and cash reconciliation.

The Firm has also engaged an independent administrator (currently, Citco Fund Administration (Cayman Islands) Limited and Citco Fund Services (Singapore) Pte. Ltd.) to prepare monthly unaudited investor statements reviewing the Fund's performance for the month.

**Reporting to Clients**

The Fund will prepare its annual financial statements in accordance with US GAAP. Copies of the audited financial statements will be issued to all US investors within 120 days of the Fund's fiscal year-end.

The Firm shall prepare and issue an investor newsletter on monthly basis. The appointed administrator shall issue monthly account statements to investors.

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

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Currently, neither the Firm nor its affiliates receive any economic benefit from anyone, other than its Clients, for providing investment management and investment advisory services. The Firm does not compensate third parties who provide referrals for advisory Clients.

In the event of any third-party engagements, due diligence and background checks will be carried out prior to engagement to ensure that applicable regulatory registrations are in place and that they have adequate controls and procedures to monitor compliance with selling procedures and suitability requirements.

**Item 15: Custody**

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The Firm does not maintain direct custody over each Fund or Sub-Advised Fund it manages. All assets are held at qualified custodians in accordance with Rule 206(4)-2 of the Advisers Act (the "Custody Rule"). Each Fund or Sub-Advised Fund is subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financial statements of the Fund are distributed to all Investors within 120 days of the end of its fiscal year.

**Item 16: Investment Discretion**

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The Firm possesses discretionary portfolio management authority over the Fund with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

The Firm has the authority to determine (i) the securities to be purchased and sold for the Clients' accounts and (ii) the amount of securities to be purchased or sold for the Clients' accounts.

**Item 17: Voting Client Securities**

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Where the Firm and its affiliate have responsibility for voting proxies, the Firm will take measures reasonably designed to ensure that they are voted in the best interest of its Clients, which generally means voting with a view to enhancing the value of Clients' securities. Financial interest of Clients is the primary consideration in determining how their proxies should be voted. The Firm and its affiliate may also refrain from voting in certain circumstances.

The Firm and its affiliate generally also accept the authority to vote proxy or corporate actions on behalf of the Sub-Advised Funds.

**Item 18: Financial Information**

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The Firm and its affiliate are not aware of any financial condition that is likely to impair its ability to meet contractual and fiduciary commitments to Clients.

The Firm has not been the subject of a bankruptcy proceeding.

**Item 19: Requirements for State-Registered Advisers**

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Not applicable.