

Ledger ILS Managers, LLC

54 West 40th Street, New York, NY 10018

PART 2A OF FORM ADV: FIRM BROCHURE

March 29, 2022

This brochure provides information about the qualifications and business practices of Ledger ILS Managers, LLC ("Ledger"). If you have any questions about the contents of this brochure, please contact us at 646-644-7653. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Ledger is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC as a registered investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"), does not imply a certain level of skill or training.

Item 2 Material Changes

Ledger ILS Managers, LLC has had no material changes since it last amended its Form ADV October 14, 2021.

Item 3 Table of Contents

	Page
Item 1 Cover Page	1
Item 2 Material Changes	3
Item 3 Table of Contents	4
Item 4 Advisory Business	5
Item 5 Fees and Compensation	5
Item 6 Performance-Based Fees and Side-by-Side Management	5
Item 7 Types of Clients	5
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	6
Item 9 Disciplinary Information	22
Item 10 Other Financial Industry Activities and Affiliations	22
Item 11 Code of Ethics, Participation or Interest In Client Transactions and Personal Trading	22
Item 12 Brokerage Practices	23
Item 13 Review of Accounts	23
Item 14 Client Referrals and Other Compensation	23
Item 15 Custody	24
Item 16 Investment Discretion	24
Item 17 Voting Client Securities	24
Item 18 Financial information	24
Item 19 Requirements For State-Registered Advisers	24

Item 4 Advisory Business

Ledger ILS Managers, LLC, a Delaware limited liability company (“**Ledger**” or the “**Adviser**”), formed on July 9, 2021 acts as the investment Advisor to Nanorock and other funds-of-one (the “**Funds**”) that may be launched in the future. Ledger is responsible for the investment and management of the Funds’ assets, subject to the policies and supervision of the Funds’ Boards of Directors (the “**Board of Directors**,” and each member thereof, a “**Director**”). Ledger had \$154.8 million in regulatory assets under management as of February 28, 2022.

The Adviser is a wholly-owned subsidiary of Ledger Investing, Inc. (“**Ledger Investing**”). Ledger Investing is an insurtech start-up company founded in 2017 that is focused on building a marketplace for casualty insurance risk securitization.

Rajiv Punja is the Chief Executive Officer and Chief Investment Officer

Ledger does not participate in wrap fee programs.

Item 5 Fees and Compensation

The Funds will pay to Ledger a fixed management fee (the “**Management Fee**”), payable monthly in advance, equal to $1/12^{\text{th}}$ of 0.75% (0.75% per annum) of the opening net asset value of certain series of shares as of the first day of the calendar month, before the accrual of any performance fee and after giving effect to any subscriptions as of such date.

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

Ledger will be entitled to a performance fee of up to 20% of net profits for each calendar year or other performance period, subject to a hurdle and loss carry forward.

Ledger will not participate in side-by-side management programs.

Item 7 Types of Clients

The Funds will be Ledger’s initial clients. Shares in the Funds will be offered to a limited number of prospective investors, each of whom must be (i) an “accredited investor” as defined under Regulation D of the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), (ii) a “qualified purchaser” or a “knowledgeable employee” as defined under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and the rules promulgated thereunder and (iii) a qualified participant as defined in section 9(2) of Bermuda’s Investment Funds Act 2006, as amended (the “**IFA**”). Investors must also meet such other eligibility requirements as may be imposed by the Fund from time to time, including as necessary to ensure compliance with applicable anti-money laundering regulations and any requirements imposed by non-U.S. jurisdictions.

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

Investment Strategies and Methods of Analysis

The Funds' investment objective is to generate attractive risk-adjusted net returns over the long-term by investing in diversifying casualty insurance risks, including, but not limited to, workers' compensation, general liability, commercial and private passenger auto and commercial multi-peril insurance. The Adviser's investment strategy with respect to the Funds is centered around accessing the unique capabilities of Ledger Investing, an insurtech startup, to build relationships with profitable teams of risk originators and reliably model the underlying portfolios of insurance risks. These portfolios will offer investors an opportunity for long term stable returns in markets where there are high barriers to entry and a distinct incumbent advantage, given the originator's expertise and experience. Unlike traditional ILS strategies that are exposed to catastrophic event risk, the Adviser will focus on portfolios that are primarily exposed to frequency of small losses (i.e., frequency risk) rather than one or more events that result in very large losses (i.e., severity risk). To align interests with risk originators, Ledger will negotiate financial structures that require the originator to retain the volatility within a loss corridor around the expected loss, which further reduces the volatility assumed by the Funds. As such, Ledger's strategy with respect to the Funds seeks to offer investors a less volatile, diversifying insurance risk exposure where returns are linked to the underwriting performance, as measured by the gross loss ratio, of these frequency risk driven insurance portfolios.

Risk of Loss

Potential Loss of Investment

An investment in the Funds is speculative and involves substantial risks, including the risk of a complete loss of invested capital. The Funds' investments, including its investments in seemingly low risk investments, could decrease as well as increase in value, and may decrease substantially over a relatively short period of time.

Risks Associated with Insurance-Based Instruments Generally

The Funds will pursue their investment objectives by investing primarily in a diversified portfolio of insurance-based securities and other insurance-based instruments, including with respect to the following lines of business: (i) workers compensation; (ii) general liability; (iii) commercial automobile; (iv) private passenger automobile; and (v) commercial multi-peril. In addition, the Funds may from time to time be exposed to other lines of insurance business, as determined by the Adviser. Insurance-based instruments, particularly with exposure to these lines of business, may incur losses as a result unexpectedly large accumulations of insured losses. The Adviser will seek to manage this risk by using appropriate underwriting processes to guide the pricing, terms and acceptance of risks. These processes are intended to ensure that premiums received are sufficient to cover the expected levels of losses. However, it is possible that these underwriting approaches may not work as intended and that actual losses from a class of risks may be greater than expected. Shareholders in the Funds may lose all or a substantial amount of their investment if an insured event occurs that affects the contracts underlying one or more insurance-based instruments.

Reinsurance Contracts

The Funds invest in reinsurance contracts and other similar private reinsurance transactions, typically through an investment in preference shares or other instruments issued by Artex Re or another Transformer Vehicle. The Funds may have exposure to proportional reinsurance, sometimes referred to as quota share reinsurance, wherein the reinsurer accepts a pro rata portion of the premiums and liabilities of the cedant associated with a specified business or portfolio of insurance contracts. The Funds may also invest in adverse development cover contracts, whereby the reinsurer agrees to cover losses associated with a specified period or event after the period has expired or the event has occurred, and with respect to which the losses may be subject to significant adverse development (i.e. such losses may significantly exceed the cedent's current loss reserves). A reinsurer in a reinsurance transaction will "follow the fortunes" of the ceding insurer with respect to the underlying policies and will therefore be subject to the underwriting and claims management operations of the ceding insurer. Reinsurance transactions may involve significant insurance brokerage fees, fronting fees and other transaction costs. Information pertaining to the underlying subject business of a reinsurance contract may be limited, making it difficult for the reinsurer or the Adviser to fully evaluate the associated risks.

There is typically no secondary market for the preference shares of the reinsurers in which the Funds invest to gain exposure to reinsurance contracts. Furthermore, all or a significant portion of the net proceeds of the issuance such preference shares will be placed in trust accounts by the relevant reinsurer to collateralize reinsurance contracts and will not be released until the expiration of the terms of such contracts. Such capital will be subject to claims by cedants pursuant to the terms of such contracts (which may adversely develop over time resulting in greater losses than expected) and may become trapped in trust accounts for significant periods of time following the expiration of the relevant risk period. In addition, even if there are no events impacting a reinsurance contract, there may be unforeseen delays in allowing funds released from a trust account to be used to collateralize trust accounts for subsequent periods. The Funds will have no right to distributions from a reinsurer to the extent funds are not released from the trust accounts pursuant to the terms of the reinsurance contracts. Collateral held in trust accounts will not be available for reinvestment or to pay redemption proceeds or other obligations and could materially and adversely impact the liquidity of the Fund at any given time. Therefore, the Funds' investment in collateralized reinsurers should be considered to be highly illiquid.

Furthermore, Bermuda law and regulations, including but not limited to Bermuda insurance regulation, limit the declaration and payment of dividends and the making of distributions by Bermuda licensed insurance companies. For example and without limitation, the assets of a reinsurer, including funds held in its trust accounts and amounts retained to pay expenses, will be available to satisfy, first, any obligations of that reinsurer to the cedants under its reinsurance contracts and any obligations of the reinsurer to pay its expenses prior to any cash distributions to the Funds. Accordingly, the investors' ability to receive cash proceeds from the redemption of Shares is effectively subordinated to any obligations of the reinsurers in which the Fund is invested as such time to the cedants under such reinsurance.

Reliance on a Limited Number of Fronting Carriers

The Adviser expects that a substantial portion of the transactions in which the Funds invest will be originated by MGAs which use fronting carriers to issue insurance policies that are reinsured by the Fund through Artex Re or another Transformer Vehicle. There are a limited number of fronting carriers and Ledger is developing relationships with them and seeking attractive terms to reinsure their portfolios. Ledger expects a large portion of its reinsurance to come from several fronting carriers operated by Randall & Quilter Investment Holdings (“**R&Q**”) with which we have negotiated attractive collateralization and commutation terms. Therefore, the success of a Fund will be largely dependent upon the continuation of the relationships with R&Q and other fronting carriers on terms that are favorable to the Fund.

Projection Risk

Projections utilized by the Adviser in connection with the construction of the Funds’ portfolios of risks are based in part on information taken from third parties and from financial, actuarial and stochastic models, and on certain significant assumptions. Many of the assumptions, inputs or data used in these models may be based on estimates that have not been verified or audited and which may be unreliable. Many reinsurance risks are inherently unpredictable, and the output of the models is dependent upon the quality and accuracy of the data and assumptions used. Both the underlying factors driving risks and the theory to account for risks change over time, and models must be expected to change as well. There is a risk that such factors do change and that a model does not. In addition, the underlying contracts may be exposed to risks that are not captured or are not captured effectively by the models. Failures or inadequacies in modeling could lead to results differing materially from the projections or expectations.

Projections and expectations are subject to considerable uncertainty, particularly during periods of softening pricing and expanding coverage terms. There is often a divergence of views among market participants concerning the outlook for markets within the insurance and reinsurance industry, and the assumptions in the financial and stochastic models may differ in material respects from those of other industry participants or commentators.

Estimates of future losses incurred in relation to insurance contracts are based on reviews of historical data, experience and judgment. These estimates are based on long-term trends of insurance losses and, in some cases, estimates of appropriate prudence margins. These estimates may fail to take account of short- or long-term cyclical or other trends, or of potential correlations between loss events affecting different lines of business. Due to, among other things, a lack of information and uncertainty or error in extrapolating from reported information, models and estimates of losses may be materially different from actual losses. In the event that future losses occur that are not in line with estimates, this could result in results differing materially from the projections and expectations.

No representation or warranty regarding the accuracy or completeness of any information received from third parties and used in loss modeling can be made. The results of such modeling and estimates are not to be viewed as facts or forecasts of future premium, exposure and losses, and should not be relied upon as a representation of the future value of an investment in the Funds.

Claims May Exceed Loss Estimates

The Funds' success may depend in part on the Adviser's ability to assess accurately the risks associated with the subject business of a given reinsurer in which the Funds invest. If the Adviser or the relevant insurance manager fails to assess these risks accurately, or if events or circumstances cause these estimates to be incorrect, appropriate premium rates may not be established. If the actual claims experience of a reinsurer in which the Funds invest is less favorable than the reinsurer's underlying assumptions, the reinsurer will be required to increase its liabilities, which will reduce the Funds' net income and overall liquidity and could have a significant and negative effect on the Funds' financial condition and results of operations.

Reserves are actuarial and statistical projections at a given point in time of expected payments on claims and benefits, based on facts and circumstances then known, estimates of future trends in claim frequency and severity, mortality, casualty payments and other variable factors such as inflation. Unlike property losses, liability losses are claims made by third parties of which the policyholder may not be aware, and which therefore may be reported a significant amount of time, sometimes years, after the occurrence. As liability claims most often involve claims of bodily injury, assessment of the proper case reserve is a far more subjective process than claims involving property damage. In addition, the determination of a case reserve for a liability claim is often without the benefit of information, which develops slowly over the life of the claim and can subject the case reserve to substantial modification well after the claim was first reported. Numerous factors impact the liability case reserving process, including venue, the amount of monetary damage, the permanence of the injury, and the age of the claimant among other factors.

A reinsurer's actual losses may deviate, perhaps substantially, from the reserve estimates contained in its financial statements. Reinsurance reserves are subject to greater uncertainty than insurance reserves primarily because a reinsurer relies on the original underwriting decisions made by ceding companies and MGAs to which decisions it does not typically have complete access. In addition, ceding insurers and MGAs may use for their own risk management purposes internal models or third-party vendor models or internal or external actuarial models, which may produce significantly different results from those used by the Funds. As a result, the Funds are subject to the risk that ceding companies and MGAs may not have adequately evaluated the risks reinsured by the reinsurers in which the Funds invest, and the premiums ceded may not adequately compensate the reinsurer for the risks it assumes. In addition, reinsurance reserves may be less reliable than insurance reserves because there is generally a longer lapse of time from the occurrence of the event to the reporting of the loss or benefit to the reinsurer to the ultimate resolution or settlement of the loss.

In addition, there will always be a reporting lag between a loss event taking place and the reporting of the loss to the reinsurer. These incurred but not reported losses are inherently difficult to predict. Because of the variability and uncertainty associated with loss estimation, it is possible that the reinsurer's individual case reserves will be incorrect, possibly materially.

These factors require the reinsurers in which the Funds invest to make significant assumptions when establishing loss reserves. A reinsurer that does not have sufficient past loss experience may

supplement this information with industry data. This industry data may not match the reinsurer's risk profile, which introduces a further degree of uncertainty into the process. Accordingly, actual claims and claim expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in a given reinsurer's financial statements.

If a reinsurer's loss reserves are determined to be inadequate, the reinsurer will need to increase such loss reserves at the time of such determination with a corresponding reduction in its net income in the period in which the deficiency is rectified. It is possible that claims in respect of events that have occurred could exceed the reinsurer's loss reserves and have a material adverse effect on its results of operations or its financial condition in general. In addition, unlike the loss reserves of U.S. reinsurers, certain non-U.S. reinsurers' loss reserves will not be examined regularly by U.S. or other insurance regulators.

Underwriting Practices and Decisions of Cedants

The reinsurers in which the Funds invest will be dependent on the original underwriting decisions, including decisions with respect to exclusions from the ceded policies, made by the cedants. Thus, the Funds are subject to the risks that a cedant may not have adequately evaluated the risks to be underwritten and that the premiums a reinsurer receives may not adequately compensate the reinsurer for the risks it assumes. The Funds are also subject to the risk that the information on which the cedant bases its underwriting decisions is inaccurate.

In addition, underwriting is inherently a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond the Funds' control or that of the reinsurer in which the Fund invests and for which historical experience and probability analysis may not provide sufficient indication of future performance. One or more insured events could result in claims that substantially exceed the Funds' or the reinsurer's expectations, which could have a material adverse effect on the business, results of operation and financial condition of the Funds, possibly to the extent of eliminating the Funds' ability to make distributions in respect of the Shares.

Risk of Additional Unforeseen Losses Due to Unforeseen Claims

The Funds may be exposed to additional losses if the policies underlying the Funds' investments in insurance-based instruments become subject to claims that are typically not covered, or contemplated to be covered, by the policies. As industry practices and legal, judicial, social and other environmental conditions change, unexpected issues related to claims and coverage may emerge, particularly in response to certain catastrophic events. These issues may adversely affect reinsured business by either creating or extending coverage beyond the ceding company's underwriting intent or by increasing the number or size of claims thereunder. The effects of unforeseen emerging claim and coverage issues are extremely hard to predict and could have material effects on the reinsured business and, as a result, increase the likelihood and the size of the loss payments under the reinsurance agreements.

Changes in other legal theories of liability relating to the reinsured business could also adversely impact the ceding company's loss experiences. Such adverse developments in claims could result in losses to the Fund.

In addition, there can be no assurance that various provisions of policies will be enforceable as written or in the manner intended. Disputes relating to coverage and legal forum under reinsurance agreements and underlying policies may arise, and one or more policies may be interpreted in a way that is unfavorable to the Funds. Legal action over different interpretations of policies and coverages could lead to delays in claim settlements. To the extent such reinsurance contracts or policies are unenforceable, a (re)insurer may receive fewer premiums than otherwise expected.

Valuation Risk

The lack of an actively traded market for these privately negotiated and illiquid securities means there is no market price to rely on to value them. The unpredictable nature of insured events makes it difficult to determine whether a particular insurance-based instrument is fairly priced in the ordinary course of trading to the extent that any such trading takes place. Valuation may also be affected by a number of factors, such as whether a loss event is likely to occur or has occurred. The valuation models used in the insurance-based instrument markets attempt to simulate fundamentally unpredictable events and there could be periods of time when trading ceases or is interrupted as result of such market's inability to value the instruments. The model-based valuation of these instruments is derived from individual models for which the accuracy, assumptions and inputs used may lead to considerable valuation uncertainties.

Illiquidity and Related Risks:

Illiquidity of Investments

Investments in insurance-based instruments can be difficult to sell quickly, which may affect the value of the Funds and, under extreme market conditions, their ability to meet redemption requests upon demand. The secondary market for insurance-based instruments may experience limited liquidity.

The Adviser manages the Funds' liquidity through the Funds' share structure and redemption policy, and with a view toward the Funds' requirements for paying expenses. Liquidity is generally provided by the sale of securities and other investments, and through additional subscriptions. As the Funds may invest in illiquid assets, investors in the Funds will generally be required to bear the risk of a proportion of their investment for such period of time as it takes to realize such illiquid assets, particularly where such assets have been designated as segregated investments.

Privately Placed Securities

Privately placed securities owned by the Funds may lead to product-specific risks including, but not limited to legal, liquidity, credit, valuation and modeling risks.

Through investing in such instruments, the Funds could be subject to special registration risks, legal contamination risk in case of legal action against the owner of the structure used to issue the instrument, valuation uncertainties, credit risk as a result of potential cross-liability risk in the structure used to issue the instrument, transferability restrictions or other liquidity-related difficulties. In addition, the Funds may be subject to the risk of breach of the purchase agreements by the issuers of such securities.

Thinly Traded Securities

The Funds' portfolio may include substantial positions (in terms of number of issues and percentage of the Net Asset Value) where there is only a single broker-dealer, if any, quoting prices, which may be preliminary or "soft," and where any such broker-dealer is affiliated with the issuer of such security or with the Adviser. It is not unusual for broker-dealers affiliated with an issuer of a security to provide "bid" and "ask" quotations for such security on a preliminary or "soft" basis. Such preliminary quotations may or may not reflect the "bid" or "ask" prices at which such broker-dealer would be willing to effect actual transactions. Broker-dealers unaffiliated with the issuer of such security, if providing quotes, may be even less likely to execute transactions (particularly sales transactions by the Funds) at or near preliminary quotes.

In the absence of actual sale transactions, the reliability of preliminary quotes even when multiple broker-dealers are providing "bid" and "ask" prices may not accurately reflect the price at which the relevant securities may be sold. Additionally, any instruments for which market quotations are not readily available may be valued at fair value in accordance with the Fund's valuation policies. Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio securities could dramatically affect the Net Asset Value, particularly where the Funds seek to sell positions, if the Funds' or its designee's judgments regarding appropriate valuations should prove incorrect.

Credit Risks:

Insolvency of Cedants

In the event of a cedant insolvency or other financial difficulty, certain events could occur that could have an adverse effect on the financial performance of the applicable reinsurer. The claims of a reinsurer against the cedants under the reinsurance contracts written by such reinsurer are not preferred by law and thus, have no priority. If after the priority claims of the preferred creditors have been paid in full there are not enough proceeds from the liquidation of the insolvent estate to cover all liabilities the ordinary creditors whose claims have been admitted are discharged ratably. In the event of liquidation or other reorganization proceedings of a cedant, there can be no assurance that the proceeds from the liquidation of the assets of such cedant will be sufficient to cover all liabilities of such

cedant and that the applicable reinsurer will be able to fully or partly recover its claims against the cedant under the reinsurance contract.

Credit Risk with Respect to Premiums Due

The reinsurers in which the Funds invest are dependent on agents, brokers or other intermediaries paying over to such reinsurers any premiums due by clients under reinsurance contracts comprising part of the reinsurance contracts. Consequently, the Funds assume a degree of indirect credit risk associated with agents, brokers, or alternatively directly with cedants. In certain jurisdictions, when an insured or ceding insurer pays premiums for policies of insurance or contracts of reinsurance to agents or brokers for further payment to a reinsurer, such premiums might be considered to have been paid and the insured or ceding insurer will no longer be liable to the reinsurer for such amounts, whether or not the reinsurer has actually received the premiums from the agent or broker. In addition, in accordance with industry practice, the reinsurers in which the Funds invest generally will pay amounts owed on claims under their reinsurance contracts to brokers, and these brokers, in turn, pay these amounts over to the clients that have purchased reinsurance from such reinsurers. Although the law is unsettled and depends upon the facts and circumstances of the particular case, in some jurisdictions, if a broker fails to make such a claims payment to the insured or ceding insurer, the reinsurer might remain liable to the insured or ceding insurer for that non-payment. Consequently, the Funds assume a degree of credit risk associated with the brokers with whom the reinsurers in which the Funds invest transact business. Due to the unsettled and fact-specific nature of the law governing these types of scenarios and the Funds' lack of historical experience with such risks, the Fund is unable to quantify its exposure to this risk.

Counterparty Risk; Counterparty Credit Risk

A number of the investment techniques to be utilized by the Funds, and a number of markets in which the Funds invest, will expose them to counterparty risk, which is the risk that a counterparty will not settle a transaction in accordance with its terms. The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

Limited Recourse to Counterparties

The counterparties to many insurance-based instruments often are thinly capitalized, special purpose entities that do not have access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or pay amounts due under the instruments. Any such nonperformance by a counterparty could result in losses for the Funds.

Underlying Asset Portfolios

Most insurance linked securities, collateralized reinsurance and special purpose reinsurance transactions involve collateral accounts. While these are generally invested in high grade

assets, the credit risk of such assets could impact investor returns. In addition, the portfolios of special purpose reinsurers backing reserves may include assets with credit or other risk characteristics which could also impact investor returns negatively.

Correlation with Other Asset Classes

The occurrences of catastrophic and other insured events are largely uncorrelated to the factors which influence the global equity and bond markets. However, because catastrophic and other insured events are unpredictable, it is entirely possible that the Fund will incur major losses at or about the same time as other components of an investor's portfolio are also declining in value. Furthermore, major catastrophes can disrupt the supply of goods and services or otherwise adversely affect markets and industries.

Volatility

The prices of securities and other financial instruments connected to insurance markets can be highly volatile. The Funds invest in these markets on a purely speculative basis. No assurance can be given that the Adviser's speculative investing will result in profitable investments for the Funds or that the Funds will not incur substantial losses.

Market Disruptions

The Funds may incur major losses in the event of disrupted markets and other extraordinary events which may affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from a disconnect with historical prices 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 Funds from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Funds. In 1994, in 1998 and again in the so-called "credit crunch" of 2007-2008 a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of investment vehicles. The "credit crunch" of 2007-2008 has particularly affected investment vehicles focused on credit-related investments. However, because market disruptions and losses in one sector can cause ripple effects in other sectors, during the "credit crunch" of 2007-2008 many investment vehicles suffered heavy losses even though they were not necessarily heavily invested in credit-related investments. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Funds and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Funds to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Fund to close out positions.

Diversity and Concentration Risks

The Funds will pursue their investment objective by investing primarily in a diversified portfolio of insurance-based instruments. However, the Funds' actual portfolio investments may differ from its

expected portfolio investments. The Funds may not be able or required to diversify their investments, either initially or in the future, and may have a high concentration in certain positions, exposures or risks. Accordingly, the Funds' assets may be subject to greater risk of loss than if they were more widely diversified, since the failure of one or a limited number of investments could have a material adverse effect on the Funds.

Operational Leverage Risks

No financial leverage will be utilized at the Funds level to increase returns to investors (i.e. the Funds will not borrow money from banks or other financial institutions and will not invest on margin as part of its investment strategy). Certain fronting arrangements in which the Funds invest may involve operational leverage whereby the limit under the contract may exceed the amount of collateral that is required to be funded under the contract. The use of such leverage may increase the volatility of the Funds' investments and can, in certain circumstances, magnify the losses to which the Funds' investment portfolio may be subject.

The Adviser is responsible for maintaining a prudent level of leverage within the Funds' maximum leverage guidelines. The Funds' level of leverage may fluctuate over time, and may vary based on the Adviser's assessment of risk and other considerations. Managing this collateralization level may impact returns.

Hedging

The Adviser may cause the Funds to engage in spot and forward foreign exchange contracts, derivatives transactions and other hedging techniques (including the purchase of reinsurance through an appropriately licensed vehicle) where such hedging is deemed appropriate by the Adviser and available on suitable terms. However, the Adviser is not obligated to seek to hedge against actual or perceived risks and, where a hedging technique is employed, there can be no guarantee of its success.

The success of the Funds' hedging strategy will depend, in part, upon the Adviser's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, because it does not foresee the occurrence of the risk, or because it does not have sufficient liquid assets available.

Flexible Investment Approach

In furtherance of the Funds' investment objective, the Funds may opportunistically implement whatever strategies or discretionary approaches it believes from time to time will be best suited to prevailing market conditions and to the Adviser's investment experience. Such strategies or approaches may involve higher levels of risk than the ones discussed herein. There can be no assurance that the Adviser will be successful in applying any strategy or discretionary approach to the Adviser's trading.

Availability of Suitable Investment Opportunities

The activity of identifying, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. The Funds will compete for the acquisition of investments with many other investors, some of which may have greater resources than the Funds. Such competitors may include other private investment funds, as well as individuals, insurance and reinsurance companies, financial institutions and other institutional investors. Additional funds with similar investment objectives may be formed in the future by other unrelated parties. In addition, the availability of investment opportunities generally will be subject to market conditions, as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities (and in particular, given the Funds' intention to invest primarily in a predefined universe) is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense.

Currency Risk with Respect to Investments in Non-U.S. Issuers and Instruments

The Funds may invest a significant portion of its assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with references to currencies other than the U.S. dollar. The Funds, however, value their securities and other assets in U.S. dollars. Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that could affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Funds may seek to hedge their non-U.S. currency exposure by, among other things, investing in currencies or forward currency exchange contracts, but there is no assurance that such strategies will be implemented, and if implemented, will be effective. The Funds may also enter into unhedged transactions as part of the investment programs of the Funds. Consequently, such investments may increase the risk to investors of losing all or a substantial portion of their investment.

Custody Risk

The Funds will maintain custody of their assets with custodians that may not separately segregate such customer assets. Although the Funds will attempt to limit custodial arrangements to custodians that the Adviser believes are well-established financial institutions and brokerage firms in an effort to mitigate custody risks, no assurance can be made that such efforts will be successful.

Moreover, sub-custodians may be appointed to hold the assets of the Funds. The appointing custodian may not be responsible for cash or assets which are held by sub-custodians, nor for any losses suffered by the Funds as a result of the bankruptcy or insolvency of any such sub-custodians. The Funds may, therefore, have a potential exposure on the default of any sub-custodian and, as a result, many of the protections which would normally be provided to a fund by a custodian will not be available to the Funds.

Systemic Risk

The financial markets generally are characterized by extensive interconnections among financial institutions. These interconnections present significant risks to the Funds as the failure or perceived weakness of any counterparties has the potential to expose the Funds to risk of loss. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This “systemic risk” may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the Fund interacts on a daily basis.

Risks Relating to the Fund’s Investment Objective and Strategy in Specific Sectors

Casualty Risks

The Funds may have exposure to casualty insurance risks. These include risks based on the frequency and severity of claims and the related legal liability and indemnification payment amounts. These legal liability and indemnification payments can be affected by several factors. The most significant factors are the changing legal and regulatory environment, including changes in civil liability law and jurisprudence. Additionally, due to the length of amicable, arbitral and court claims settlement procedures, the casualty business is exposed to inflation risks regarding the assessment of claim amounts.

Workers’ Compensation Risk

The Funds may have exposure to workers’ compensation insurance risk. Workers’ compensation insurance is purchased by employers to provide protection for employees’ lost wages and medical benefits in the event of work-related injury, disability, or death. The frequency and severity of claims, and the adequacy of reserves for workers’ compensation claims and expenses can all be significantly influenced by such risk factors as future wage inflation in states that index benefits, the speed with which injured employees are able to return to work in some capacity, the cost and rate of inflation in medical treatments, the types of medical procedures and treatments, the cost of prescription medications, the frequency with which closed claims reopen for additional or related medical issues, the mortality of injured workers with lifetime benefits and medical treatments, the use of health insurance to cover some of the expenses, the assumption of some of the expenses by states’ second injury funds, the use of cost containment practices like preferred provider networks, and the opportunities to recover against third-parties through subrogation.

General Liability

General liability is generally considered a long tail line, as it takes a relatively long period of time to finalize and settle claims from a given accident year. The speed of claim reporting and claim settlement is a function of the characteristics of claims, including specific coverage provided, the jurisdiction and specific policy provisions such as self-insured retentions, among others. There are numerous components underlying the general liability product line. Some of these have relatively moderate payment patterns (with most of the claims for a given accident year closed within five to seven years), while others can have extreme lags in both reporting and payment of claims (e.g., a reporting lag of a decade or more for “construction defect” claims).

While the majority of general liability coverages are written on an “occurrence” basis, certain general liability coverages (such as those covering management and professional liability, including cyber coverages) are typically insured on a “claims-made” basis.

General liability reserves are generally analyzed as two components: primary and excess/umbrella, with the primary component generally analyzed separately for bodily injury and property damage. Bodily injury liability payments reimburse the claimant for damages pertaining to physical injury as a result of the policyholder’s legal obligation arising from non-intentional acts such as negligence, subject to the insurance policy provisions. In some cases the damages can include future wage loss (which is a function of future earnings power and wage inflation) and future medical treatment costs. Property damage liability payments result from damages to the claimant’s private property arising from the policyholder’s legal obligation for non-intentional acts. In most cases, property damage losses are a function of costs as of the loss date, or soon thereafter.

In addition, sizable or unique exposures are reviewed separately. These exposures include asbestos, environmental, other mass torts, construction defect and large unique accounts that would otherwise distort the analysis. These unique categories often require a very high degree of judgment and require reserve analyses that do not rely on conventional actuarial methods.

Defense costs are also a part of the insured costs covered by liability policies and can be significant, sometimes greater than the cost of the actual paid claims. For some products this risk is mitigated by policy language such that the insured portion of defense costs is included in the policy limit available to pay the claim. Such “defense within the limits” policies are most common for “claims-made” products. When defense costs are outside of the policy limits, the full amount of the policy limit is available to pay claims and the amounts paid for defense costs have no contractual limit.

This line is typically the largest source of reserve estimate uncertainty in the United States (excluding assumed reinsurance contracts covering the same risk). Major contributors to this reserve estimate uncertainty include the reporting lag (i.e., the length of time between the event triggering coverage and the actual reporting of the claim), the number of parties involved in the underlying tort action, whether the “event” triggering coverage is confined to only one time period or is spread over multiple time periods, the potential dollars involved (in the individual claim actions), whether such claims were reasonably foreseeable and intended to be covered at the time the contracts were written (i.e., coverage dispute potential), and the potential for mass claim actions. Claims with longer reporting lags result in greater estimation uncertainty. This is especially

true for alleged claims with a latency feature, particularly where courts have ruled that coverage is spread over multiple policy years, hence involving multiple defendants (and their insurers and reinsurers) and multiple policies (thereby increasing the potential dollars involved and the underlying settlement complexity). Claims with long latencies also increase the potential recognition lag (i.e., the lag between writing a type of policy in a certain market and the recognition that such policies have potential mass tort and/or latent claim exposure).

The amount of reserve estimate uncertainty also varies significantly by component for the general liability product line. The components in this product line with the longest latency, longest reporting lags, largest potential dollars involved, and greatest claim settlement complexity are asbestos and environmental. Components that include latency, reporting lag and/or complexity issues, but to a materially lesser extent than asbestos and environmental, include construction defect and other mass tort actions. Many components of general liability are not subject to material latency or claim complexity risks and hence have materially less uncertainty than the previously mentioned components. In general, components with shorter reporting lags, fewer parties involved in settlement negotiations, only one policy potentially triggered per claim, fewer potential settlement dollars, reasonably foreseeable (and stable) potential hazards/claims and no mass tort potential result in much less reserve estimate uncertainty than components without those characteristics.

Examples of common risk factors, or perceptions thereof, that could change and, thus, affect the required general liability reserves (beyond those included in the general discussion section) include: general liability risk factors; changes in claim handling philosophies; changes in policy provisions or court interpretation of such provisions; new or expanded theories of liability; trends in jury awards; changes in the propensity to sue, in general with specificity to particular issues; changes in the propensity to litigate rather than settle a claim; increases in attorney involvement in, or impact on, claims; changes in statutes of limitations; changes in the underlying court system; distortions from losses resulting from large single accounts or single issues; changes in tort law; shifts in lawsuit mix between federal and state courts; changes in claim adjuster processes or reporting which may cause distortions in the data being analyzed; the potential impact of inflation on loss costs; changes in settlement patterns; changes in policy provisions (e.g., deductibles, policy limits, endorsements); changes in underwriting standards; and product mix (e.g., size of account, industries insured, jurisdiction mix). Unanticipated changes in risk factors can affect reserves.

Commercial Auto Risks

The commercial automobile product line is a mix of property and liability coverages and, therefore, includes both short and long tail coverages. The payments that are made quickly typically pertain to auto physical damage (property) claims and property damage (liability) claims. The payments that take longer to finalize and are more difficult to estimate relate to bodily injury claims. In general, claim reporting lags are generally short, claim complexity is not a major issue, and the line is viewed as high frequency, low to moderate severity. Overall, the claim liabilities for this line create a moderate estimation risk. Increases on the rate of attorney involvement and the length of the claim development pattern can be expected to result in a higher level of bodily injury severity.

Commercial automobile reserves are typically analyzed in four components: bodily injury liability; property damage liability; collision claims; and comprehensive claims. These last two components have minimum reserve risk.

Examples of common risk factors, or perceptions thereof, that could change and, thus, affect the required commercial automobile reserves (beyond those included in the general discussion section) include: trends in jury awards; changes in the underlying court system; changes in case law; litigation trends; increases in attorney involvement in, or impact on, claims; frequency of claims with payment capped by policy limits; change in average severity of accidents, or proportion of severe accidents; changes in auto safety technology; subrogation opportunities; changes in claim handling philosophies; frequency of visits to health providers; number of medical procedures given during visits to health providers; types of health providers used; types of medical treatments received; changes in cost of medical treatments; degree of patient responsiveness to treatment; changes in policy provisions (e.g., deductibles, policy limits, endorsements, etc.); changes in mix of insured vehicles (e.g., long haul trucks versus local and smaller vehicles, fleet risks versus non-fleets); and changes in underwriting standards. Unanticipated changes in risk factors can affect reserves.

Private Passenger Auto Risks

Private passenger automobile product line is a combination of physical damage and liability coverages and therefore includes both short and long-tailed coverages. The payments that are made quickly typically pertain to auto physical damage (property) claims and property damage (liability) claims.

The payments that take longer to finalize and are more difficult to estimate relate to bodily injury claims. In general, claim reporting lags are generally short, claim complexity is not a major issue, and the line is viewed as high frequency, low to moderate severity. Overall, the claim liabilities for this line create a moderate estimation risk. Increases on the rate of attorney involvement and the length of the claim development pattern can be expected to result in a higher level of bodily injury severity.

Examples of common risk factors, or perceptions thereof, that could change and, thus, affect the required commercial automobile reserves (beyond those included in the general discussion section) include: trends in jury awards; changes in the underlying court system; changes in case law; litigation trends; increases in attorney involvement in, or impact on, claims; frequency of claims with payment capped by policy limits; change in average severity of accidents, or proportion of severe accidents; changes in auto safety technology; subrogation opportunities; changes in claim handling philosophies; frequency of visits to health providers; number of medical procedures given during visits to health providers; types of health providers used; types of medical treatments received; changes in cost of medical treatments; degree of patient responsiveness to treatment; changes in policy provisions (e.g., deductibles, policy limits, endorsements, etc.); and changes in underwriting standards. Unanticipated changes in risk factors can affect reserves.

Commercial Multi-Peril Risks

Commercial multi-peril provides a combination of property and liability coverage typically for small businesses and, therefore, includes both short and long tail coverages. For property coverage, it generally takes a relatively short period of time to close claims, while for the other coverages, generally for the liability coverages, it takes a longer period of time to close claims.

The reserving risk for this line is dominated by the liability coverage portion of this product, except occasionally in the event of catastrophic or other large single loss events. The reserving risk for this line differs from that of the general liability product line and the property product line due to the nature of the customer. Commercial multi-peril is generally sold to small- to mid-sized accounts, while the customer profile for general liability and commercial property includes larger customers. Unanticipated changes in risk factors can affect reserves.

As discussed above, this line combines general liability and commercial property coverages and it has been impacted in the past by many of the same events as those two lines.

Item 9 Disciplinary Information

There are no legal or disciplinary events that are material to a client's evaluation of Ledger or the integrity of our management or any employee of our Firm.

Item 10 Other Financial Industry Activities and Affiliations

Neither Ledger nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

Neither Ledger nor any of its management persons is registered, or has applied to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person thereof.

None of Ledger's employees or officers have relationships with related parties in the financial services industry that materially affect Ledger's advisory services.

None of Ledger's employees or officers recommend or select investment advisers for clients or have any business relationships with other investment advisers.

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

Ledger has adopted a Code of Ethics that sets forth our commitment to the high legal and ethical standards of conduct dictated by our fiduciary, federal securities law and other regulatory obligations and applies to all of our employees and officers. The Code of Ethics includes policies and procedures relating to personal trading, gifts and entertainment involving business associates, outside activities, charitable donations as well as other potential or actual conflicts of interest. All employees and officers must acknowledge receipt of the Code of Ethics and report any violations of the Code to the Chief Compliance Officer.

Personnel are not permitted to trade in securities on Ledger's restricted list. In addition, personal trading by personnel should not interfere with the performance of their duties at Ledger, and personal transactions are subject to review by the Chief Compliance Officer and other supervisory personnel. Issuers on the restricted list include issuers about which any Employee has material non-public information. At any given time, the Funds may directly or indirectly be shareholders in one or more companies and may have the ability to nominate individuals to serve on the boards of directors of such companies. As a result, certain access persons may come into possession of material non-public information regarding those companies or their publicly traded affiliates. In order to minimize the risk of improper transactions, all companies in which Ledger or a Fund owns stock or controls one or more board seats, and all of the publicly traded affiliates of such companies, will be placed on the Restricted List. In addition, the signing of any form of confidentiality agreement with a company will trigger a review by

the Chief Compliance Officer to determine whether such company should be placed on the Restricted List.

Companies will be removed from the Restricted List at the discretion of the Chief Compliance Officer, typically when information involved has been made public or is no longer considered material, or when the confidentiality agreement relating to such company has expired. Adviser personnel are prohibited from trading in the securities of issuers that are included on the Adviser's Restricted List (or any other securities to which the material non-public information relates) for either a Personal Account or for a Fund. To the extent that a company is on the Restricted List solely by virtue of ownership of shares by the Adviser or an affiliate or control of board seats, purchases, sales and recommendations may be approved by the Chief Compliance Officer upon proper pre-clearance request.

A copy of our Code of Ethics will be provided to any client upon written request.

Item 12 Brokerage Practices

Ledger Investing is the 100% owner of Ledger Capital Markets LLC (“**LCM**”), a U.S. registered securities broker/dealer. Many if not all the securities acquired by the Fund will be brokered by LCM. LCM will charge fees for its securities equal to 2.5% or less of the reinsurance premiums payable by the ceding insurer pursuant to the underlying reinsurance transaction. Such fees will be paid directly by the ceding insurer and will reduce the premiums otherwise payable to the vehicles through which the Fund invests.

Item 13 Review of Accounts

The Advisor will continuously review and monitor the Funds' portfolios. Such review includes performance analysis and adherence to investment guidelines and objectives. Additional reviews may be triggered by, among other factors, changing market conditions, or news concerning specific holdings.

The Funds' third-party Administrator, Horseshoe Fund Services Ltd., will provide quarterly statements and related industry standard reporting to investors in the Funds.

Item 14 Client Referrals and Other Compensation

Ledger will not receive economic benefits from third parties for providing investment recommendations, nor will it compensate any third party for client referrals.

Item 15 Custody

Ledger will use third party unaffiliated qualified custodians to hold the funds and securities of the Funds in accordance with current SEC rules and regulations. Although Ledger is deemed to have custody of underlying assets of the Funds, Ledger relies upon the “pooled investment vehicles” exemption from reporting and surprise examinations. Accordingly, the Funds are subject to a year-end audit by an independent public accounting firm that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board and audited financial statements of each Fund will be provided to the investors of such Fund within 120 days or 180 days of the end of the fiscal year, as applicable.

Item 16 Investment Discretion

Ledger will have investment discretion over the Fund’s portfolio.

Item 17 Voting Client Securities

Ledger does not intend to vote securities on behalf of clients and will not provide advice as to how clients should vote.

Item 18 Financial information

Ledger will not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and does not have any financial condition that would impair its ability to meet contractual commitments to clients.

Item 19 Requirements for State-Registered Advisers

This item is not applicable to Ledger.