



Cheyne Capital Management (UK) LLP

Part 2A of Form ADV: Firm Brochure

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This brochure ("Brochure") provides information about the qualifications and business practices of Cheyne Capital Management (UK) LLP. If you have any questions about the contents of this brochure, please contact us at (+44) 20 7968 7378.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cheyne Capital Management (UK) LLP is also available on the SEC's website at www.adviserinfo.sec.gov.

Cheyne Capital Management (UK) LLP is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training.

ITEM 2 – Material Changes

The following changes have been made to this brochure since our last filing dated 27 May 2022:

- Update: Item 5 - Other Expenses. Updated to reflect the expanded remit of selected existing loan servicers who support the Real Estate investment team and provide services to improve the servicing of our Real Estate loans.

We are monitoring the recent proposals made by the SEC with respect to private fund disclosures and will make any necessary changes when, or if these proposals are adopted in the future.

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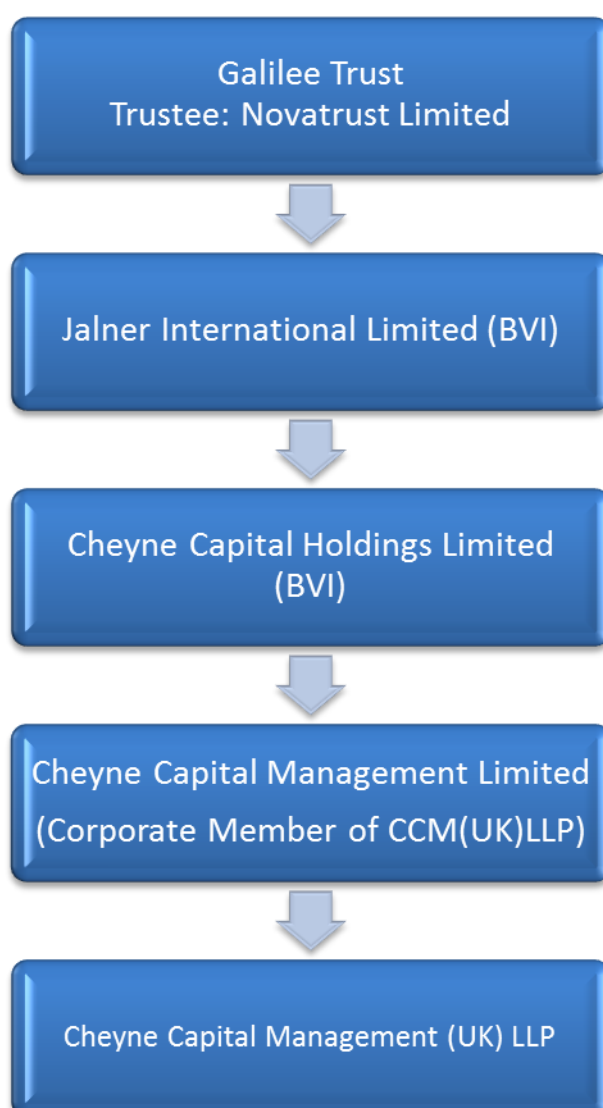
ITEM 4 – Advisory Business

Introduction

Cheyne Capital Management was founded in 2000 as a limited company and in 2007, the business was restructured into Cheyne Capital Management (UK) LLP (“CCM(UK)LLP” or the “Firm”), a limited liability partnership registered in England and Wales and regulated in the conduct of its investment business in the United Kingdom by the Financial Conduct Authority (“the FCA”).

Principal Owners

The following is an organisational chart depicting the principal owners of 25% or more of CCM(UK)LLP as described in Schedule A of Part 1A of its Form ADV:



The potential beneficiaries of the Galilee Trust are all members of the family of Jonathan Lourie, who is the Chief Executive Officer of CCM(UK)LLP.

Regulation and the EU Alternative Investment Fund Managers Directive

On the 22 July 2014, CCM(UK)LLP became authorised by the FCA as a full-scope Alternative Investment Fund Manager (“AIFM”), under the EU Directive 2011/61/EU of the European Parliament and the Council of the European Union on Alternative Investment Fund Managers (“the AIFMD”).

The AIFMD introduced several regulatory requirements for EU AIFMs and the alternative investment funds they manage, most notably the areas of custody and valuation of fund assets and remuneration of personnel and marketing funds in Europe. Overall, the new AIFMD regulations have not had a material impact on CCM(UK)LLP’s business model. A number of enhancements were made to the firm’s existing processes, policies and procedures in order to fully comply with the AIFMD. See AIFMD Valuation and Pricing Responsibilities on page 6.

CCM(UK)LLP’s AIFM Activities

As an AIFM, CCM(UK)LLP continues to provide discretionary investment management services to a number of private investment funds (the “Cheyne Funds” or “Funds”) as well as other investment vehicles and managed accounts, primarily for institutional clients. This Brochure provides information about CCM(UK)LLP’s activities on behalf of the Cheyne Funds only.

The Cheyne Funds are established in jurisdictions outside of the United States (Cayman Islands, Luxembourg, and Ireland) and consist of single strategy as well as multi-strategy funds. Certain Cheyne Funds are formed as “funds of funds” which invest in other Cheyne investment vehicles.

The Cheyne Funds typically issue separate classes, sub-classes, or series of interests, (including without limitation each having different fee schedules, currency denominations or other characteristics).

The investments of each Cheyne Fund are managed in accordance with the relevant Fund’s investment objectives and guidelines as set forth in the Fund’s Information Memorandum and any applicable supplement thereto (“IM”), governing documents and application forms (together with the IM, the Fund’s “Offering Documents”) and are not tailored to any particular investor in the Fund (an “Investor”). CCM(UK)LLP does not provide individual investment advice to Investors; therefore, Investors should consider whether a particular Cheyne Fund meets their investment requirements, including, without limitation, their investment objectives, risk tolerance and financial situation. The Cheyne Funds invest in a range of asset classes and market sectors, which are discussed in more detail in Item 8 of this Brochure and in each Fund’s IM.

CCM(UK)LLP’s investment management services include determining appropriate asset allocation across the Cheyne Funds’ investment strategies, placing trades with third-party brokers for execution, and monitoring existing and prospective investments in light of each Cheyne Fund’s investment objectives and risk parameters.

AIFMD Valuation and Pricing Responsibilities

AIFMD requires CCM(UK)LLP (as the AIFM of the Cheyne Funds) to be responsible for the proper and independent valuation of the assets of each Fund.

CCM(UK)LLP's independent Risk Management function has responsibility for all asset valuations within the Firm. The team monitors price sources to ensure all instruments are priced at the point of trade and throughout the life of each trade. The Risk Management team reviews pricing providers and price sources to ensure that the valuation policies and procedures and the designated valuation methodologies are applied consistently. Investments are valued in accordance with the requirements set out in the Fund's IM. e.g. traded securities are valued at close of business mid-price.

The Fund Administrators do not act as independent valuers of the Cheyne Funds, for the purposes of AIFMD. However, CCM(UK)LLP delegates certain aspects of asset pricing and NAV calculation and publication to the Fund Administrators.

CCM(UK)LLP's Fund Accounting department have overall responsibility for the reconciliation of the daily, weekly, monthly, and quarterly NAV calculations provided by the Fund Administrators. The Fund Accounting team liaise with the Fund Administrators to ensure the calculation procedures and methodologies are applied correctly for each NAV.

In addition, CCM(UK)LLP also operates an independent Pricing Committee ("the Committee"). The Committee is made up of representatives from CCM(UK)LLP's Risk Management, Finance, Compliance department, and Directors of the Cheyne Funds. The Fund Administrators are invited to attend the meetings so they can opine on any pricing issues. The Committee meets at least once a month to oversee the consistent application of the valuation processes and procedures detailed in CCM(UK)LLP's Valuation Policy, as well as to discuss and sign off on any issues with regards to the pricing of positions within Cheyne's Funds. At the quarterly committee meetings, the Directors review and sign off on all positions priced by CCM(UK)LLP.

Regulation and the EU Markets in Financial Instruments Directive (MiFID)

MiFID became law in the United Kingdom in November 2007. It set the conditions for initial authorisation and the on-going regulatory requirements that investment firms must meet. It was designed to encourage competition between Europe's trading venues for financial instruments. It also aimed to ensure appropriate levels of protection for investors and consumers of investment services across the European Union (EU). For example, it introduced conduct rules such as suitability requirements for investment advice and best execution requirements for firms carrying out client orders. It expanded the range of investment services that investment firms could provide across the EU on the basis of their authorisation in the country where they are established and allowed EU firms to passport their activities through Europe.

MiFID II

More recently, the European Commission reviewed the MiFID framework and concluded that change was needed. This was to address issues identified because of the 2008 financial crisis,

market developments such as the growth of algorithmic trading and lessons learned from experience of how MiFID had operated so far. The European Commission made a proposal in 2011 for revisions to MiFID which, after negotiations, were agreed in 2014. The European Commission set out four objectives for the revised legislation:

- strengthen investor protection
- reduce the risks of a disorderly market
- reduce systemic risks, and
- increase the efficiency of financial markets and reduce unnecessary costs for participants

The new MiFID Rules went live across Europe on 3rd January 2018 and incorporate the following updated legislation:

- the Directive (MiFID -2014/65/EU); this revises and expands the existing directive.
- the Regulation, the Markets in Financial Instruments Regulation (MiFIR -2014/600/EU); this is a binding legislative act, which directly applies across the EU. It seeks to harmonise across the key provisions linked to the trading of financial instruments.

Implemented together, the legislation is known as MiFID II.

CCM(UK)LLP's MiFID II Activities

In addition to the AIFM activities discussed above, CCM(UK)LLP provides discretionary investment management services to certain EU domiciled funds (UCITS) and third-party managed accounts. In order to do so, the Firm must be authorised under MiFID. These 'top-up' MiFID permissions allow for the management of these other EU fund products, and for these non-AIFM activities the Firm must follow those areas of the FCA Rules that apply to both AIFM and MiFID investment firms.

Brexit – The United Kingdom's Withdrawal from Europe

Following the withdrawal from the European Union ("EU"), the United Kingdom ("UK") entered into a transition period, during which EU law continued to apply in the UK. New EU legislation that took effect before the end of the transition period also applies in the UK. The transition period ended on 31 December 2020. On 30 December 2020, the EU and the UK signed an agreement governing certain aspects of the EU's and the UK's relationship following the end of the transition period, the EU-UK Trade and Cooperation Agreement (the "TCA"). Notwithstanding the TCA, following the transition period there is likely to continue to be uncertainty as to the UK's post-transition framework, and, in particular, as to the arrangements which will apply to the UK's relationships with the EU and with other countries, which is likely to continue to develop.

This transition could damage the UK economy, the financial system, and UK based financial firms such as CCM(UK)LLP. It is too soon to quantify such risks, but they could be material to many aspects of CCM(UK)LLP's business model. Following the transition period, regulation in the UK is likely to change and CCM(UK)LLP could be restricted from certain types of activities. Therefore, in order to manage potential post Brexit risks, the Firm has implemented contingency plans to delegate certain activities to Cheyne group affiliates. See item 10 for more information on affiliations.

Wrap Fee Programs

CCM(UK)LLP does not participate in wrap fee programs.

Assets under Management

As of 30th April 2022, CCM(UK)LLP had approximately \$27,979,000,000 in assets under management as per the Firm's regulatory capital calculation, all of which were managed on a discretionary basis.

ITEM 5 – Fees and Compensation

Fees

U.S. Investors in the Cheyne Funds are ‘qualified purchasers’ as defined under the US Investment Company Act of 1940 (the “Investment Company Act”). As such, a detailed fee schedule is not included in this Brochure. Fees for each Cheyne Fund are described in the Fund’s Offering Documents.

Generally, fees include, *inter alia*, a “management fee” based upon the net asset value (“NAV”) of the relevant Cheyne Fund, before deduction of any performance fees. Management fees are generally accrued and paid monthly in arrears. In addition, fees typically include a “performance” element, which is calculated based upon the performance of a portfolio, share or assets. Performance fees are generally accrued monthly and paid quarterly in arrears or “back ended” and paid on maturity of investment or return of cash to investors.

Cheyne Funds’ current fee schedule is generally as follows:

- Management Fee: 1% - 2% of NAV, annually
- Performance Fee: 10% - 20% of increase in NAV
- The above fees are typically payable to CCM(UK)LLP or its affiliates.

Fees are generally non-negotiable, and investors in the same Cheyne Fund typically pay fees based on the same rate schedule.

Other Expenses

Investment related expenses, including commissions, interest expense and other trading and custody expenses associated with a Cheyne Fund will be borne by the Fund. Please see Item 12 of this Brochure for a discussion of CCM(UK)LLP’s brokerage practices.

In addition, each Fund pays its own overhead and operating expenses including, without limitation, organizational costs, custody and fund administration expenses, accounting, tax preparation and audit expenses, consulting services, promotional activities, registration fees and other expenses due to supervisory authorities, insurance, interest, the fees of the Directors and the cost of the publication of the net asset value and legal fees, including for certain matters for certain Cheyne Funds, work undertaken by a CCM(UK)LLP internal lawyer specifically for the fund in question.

The Prime Brokers perform a variety of brokerage and custodial services on arm’s length commercial terms for which fees will be charged at normal commercial rates and out-of-pocket costs and expenses will be reimbursed. Any sub-custodian fees will be met by the Fund. All sub-custodian fees are charged at normal commercial rates. Such fees are generally revised by the relevant Prime Broker from time to time.

Certain Cheyne Funds are required to have a Depositary that provides depositary services. The Depositary is entitled to receive a fee, calculated on arm’s length commercial terms, as agreed from time to time together with reimbursement of its out-of-pocket expenses. Such fees and expenses are not subject to a maximum limit.

The Fund Administrator is entitled to receive a fee, calculated on arm's length commercial terms, as agreed from time to time, together with reimbursement of its out-of-pocket expenses. Such fees and expenses are not subject to a maximum limit.

CCM(UK)LLP provides certain middle office, operational and trade related administrative support and fund accounting services (together "Portfolio Support Services") to Cheyne Funds pursuant to Portfolio Support Agreements. In return for Portfolio Support Services, CCM(UK)LLP receives a Portfolio Support Fee based on the net asset value of the fund in question. The fees, charges, and expenses payable to CCM(UK)LLP as Portfolio Support Provider are set forth in each fund IM.

CCM(UK)LLP uses the services of Real Estate Loan Servicing Agents. In light of the increased and sustained volume of our investment pipeline and the growing complexity of loan transactions, CCM(UK)LLP has expanded the remit of selected existing loan servicers to support the Real Estate investment team and improve the servicing of our loans. Selected loan servicers will now provide underwriting support, enhanced loan monitoring and other administration services alongside loan agency and loan servicing. Costs in relation to these services will be recovered from borrowers where possible, with any excess costs being borne by the relevant Cheyne Funds relative to their respective ownership participations in the underlying loan. The costs of these services are not expected to exceed c.15bps p.a. of the value of the loan once the services are fully scaled.

More detailed information about fees and expenses that investors will bear when investing in a Cheyne Fund is provided in the Fund's IM.

ITEM 6 – Performance Based Fees and Side-by-Side Management

As described in Item 5, Cheyne Funds generally pay both a management fee, which is generally equal to between 1% and 2% of the net value of the assets (“NAV”) of the relevant Cheyne Fund and a performance fee, which is generally between 10% and 20% of the performance of a portfolio, share or assets in a Cheyne Fund.

Managing assets for different Cheyne Funds, which may have different fee structures, can create a conflict of interest for CCM(UK)LLP because such an arrangement could create an incentive to favour Funds which have the ability to generate greater fees for CCM(UK)LLP. Such situations give rise to potential conflicts of interest which include the allocation of investment opportunities among Cheyne Funds. As a result, CCM(UK)LLP is required by its regulators to employ policies and procedures governing the identification, management, and monitoring of conflicts of interest, including asset allocation policies. In addition, CCM(UK)LLP’s Compliance team routinely conducts investment allocation reviews across all the Cheyne Funds as part of the conflict management process.

In addition, the prospect of receiving a performance fee could lead CCM(UK)LLP to advise on and/or make on behalf of a Cheyne Fund investments that are riskier than would otherwise be the case. Performance fees for certain Cheyne Funds are calculated on unrealised as well as realised gains and hence conflicts could arise although the relevant gains might not be realised.

ITEM 7 – Types of Clients

CCM(UK)LLP currently only provides investment services to Cheyne Funds and other clients established in jurisdictions outside of the United States. As a result, CCM(UK)LLP has no direct U.S. clients.

Investors in the Cheyne Funds are typically non-U.S. persons (as defined under Regulation S of the U.S. Securities Act of 1933 (the “Securities Act”)) and include, without limitation: institutions (such as pension funds, insurance companies, banks, private client stockbrokers, asset managers, corporations, portfolio managers), other private investment funds, various public and private trusts, and high net worth individuals.

The Cheyne Funds and other investment vehicles advised by CCM(UK)LLP qualify for an exception from the definition of Investment Company under the Investment Company Act, and as such, the Cheyne Funds are not registered under the Investment Company Act. Interests in Cheyne Funds are offered to Investors pursuant to exemptions found in Regulation D and/or Regulation S under the Securities Act. As a result, Investors do not have the benefits of Investment Company Act or Securities Act registration. Investors that are U.S. persons must generally meet the requirements for “accredited investors” under the Securities Act and, if applicable, must also be “qualified purchasers” under the Investment Company Act.

Investors must also meet other eligibility criteria and minimum investment requirements, as set forth in each Fund’s IM. Investors are required to make various representations and warranties to a Fund, including representations regarding their eligibility to invest in the Fund, as a condition to the acceptance of their subscriptions.

Investors and other recipients of this Brochure should be aware that while this Brochure includes information about the Cheyne Funds, as necessary or appropriate, this Brochure should be not considered to represent a complete discussion of the features, risks or conflicts associated with any particular Cheyne Fund. More complete information about each Cheyne Fund is included in the Fund’s IM, which will be provided to current and eligible prospective investors only by CCM(UK)LLP or another authorised party.

In no event should this Brochure be considered to be an offer of interests in a Cheyne Fund or relied upon in determining to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.

Rather, this Brochure is designed solely to provide information about CCM(UK)LLP, which could differ from the information provided in an IM. To the extent that there is any conflict between discussions herein and similar or related discussions in any IM, the IM shall govern.

As an “offshore adviser,” with its principal office and place of business outside of the United States, CCM(UK)LLP is permitted, and has chosen, to rely on the position established in various SEC no-action letters with respect to its non-U.S. clients, pursuant to which CCM(UK)LLP is not subject to many of the substantive provisions and restrictions of the Investment Advisers Act of 1940 (“Advisers Act”) with respect to its dealing with non-U.S. funds or clients.

ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Subject to the investment guidelines and restrictions, if any, of the relevant Cheyne Funds as disclosed in the applicable Offering Documents, the Cheyne Funds will invest, directly or indirectly, in a wide variety of investments and instruments, including, without limitation, equities, equity-related instruments, fixed income and fixed income-related instruments, securities issued by public and private issuers, futures, commodities, currencies and derivative instruments, including, without limitation, credit derivatives such as credit default swaps referencing single credits or portfolios of credits, swaps, repurchase and reverse repurchase agreements and forward contracts, interests in secured senior loans made to corporations or other business entities, unsecured loans, subordinated loans, corporate debt securities, loans made to, or debt securities issued by, corporations or other business entities, equity securities incidental to investment in loans, asset swaps, collateralised debt obligations, collateralised loan obligations, and contracts for differences. The Cheyne Funds and other clients will invest in the foregoing for speculative or hedging purposes in accordance with their respective investment objectives.

The Cheyne Funds are typically allowed to invest in other private and non-private investment funds, including other Cheyne Funds and non-private funds in receipt of investment services from CCM(UK)LLP and its affiliates. Fee arrangements with respect to such investments are set forth in the relevant Cheyne Fund Offering Documents.

Investment Strategies

The Cheyne Funds will generally participate in one or more of the following investment strategies:

- ***Investment Grade Corporate Credit:*** The Corporate Credit team specialise in Investment Grade and Crossover corporate credit on a global basis. CCM(UK)LLP manages both long-only and long/short strategies investing in corporate credit through credit default swaps and bonds. The team determines relative value in credits using rigorous fundamental analysis in order to avoid defaults and generate trading gains.
- ***Strategic Value Credit:*** The SVC team employ a value-orientated, opportunistic strategy that seeks to capitalise on the mispricing of risk in European sub-investment grade credit.
- ***Event Driven:*** The Event Driven team invests in predominantly European, liquid, event driven situations with defined short-term catalysts.
- ***Global Equities:*** The Global Equity team combines fundamental investing in research-driven opportunities and undervalued companies with a pro-active approach to trading. The team manages a global equity long/short strategy.
- ***Convertible Bonds:*** The Convertible Bond team aims to capitalise on the compelling combination of downside protection and upside participation inherent in convertible securities. The team manages global absolute return and long-only strategies.

- **Real Estate Debt:** The Real Estate Debt team capitalises on opportunities in securitised European real estate debt (CMBS and RMBS), direct mezzanine real estate lending and real estate investments with equity characteristics. The investment approach combines a rigorous valuation of the underlying residential or commercial property and a detailed analysis of the debt structure to identify investments offering attractive yields and robust downside protection.
- **Social Property Impact:** The UK has a structural shortage of social housing; working with UK councils, local authorities, housing associations and social sector organisations, the Social Property team focus on the provision of affordable homes whilst generating positive social outcomes.

Risk Factors

All investments involve the risk of loss of capital and an Investor may not get back the money they invested in a Cheyne Fund. An investment in a Cheyne Fund is not a complete investment program, and Investors are responsible for appropriately diversifying their assets. **Investors in a Cheyne Fund could lose money as a result of their investment.**

A complete description of the risks associated with an investment in a particular Cheyne Fund is included in the IM of the respective Cheyne Fund. The IM, and in particular the risks involved in respect of the Cheyne Fund in question, should be carefully reviewed prior to investing.

The discussion below as to risks associated with an investment in a Cheyne Fund is not intended to be exhaustive. A Cheyne Fund could also invest in instruments other than those described below, including instruments not in existence or available in the market as of the date hereof. Investors should consider the following factors when considering the risks associated with an investment in a Cheyne Fund and should review all risks in the Fund's IM.

Investment Risk

Investment and Trading Risks in General

All securities investments present a risk of loss of capital. Various Cheyne Funds utilise investment techniques such as option transactions, derivatives margin transactions, short sales and futures and forward contracts, which practices can maximise, in certain circumstances, any losses. There can be no assurance that a Fund will achieve its investment objective. The past investment performance of a Cheyne Fund or any other Fund should not be construed as an indication of its future results.

Equities

Certain Cheyne Funds will acquire equity securities or options or rights to acquire equity securities, including in connection with its debt investments or otherwise. Equity risk is the risk that stocks and other equity securities generally fluctuate more than bonds and can decline in value over short or extended periods. The value of stocks and other equity securities will be affected as a result of changes in a company's financial condition and in overall market and economic conditions and can fall to zero.

Short Selling

Short selling may be part of an Investment Manager's investment strategy in respect of a Fund / Master Fund and may be utilised both in situations where the Investment Manager believes the securities in question are overvalued, and therefore likely to experience significant price declines, over time, or as a hedge or offset to related long positions. Short selling inherently involves certain additional risks. Selling securities short creates the risk of losing an amount greater than the initial investment in a relatively short period of time and the theoretically unlimited risk of an increase in the market price of the securities sold short. There is also the risk that the securities borrowed by a Fund in connection with a short sale would need to be returned to the securities lender on short notice. If the request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the relevant Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier. In addition, short selling can involve significant borrowing and other costs which can reduce the profit or create losses in particular positions.

New Issues

The purchase of New Issues involves greater risk than securities trading in general. The prices of New Issues may not increase as expected and, in fact, may decline more rapidly. While it is often assumed that New Issues will trade at a premium to their issue price until they are liquidated, there is no guarantee that this will occur. In order for a Cheyne Fund to trade New Issues, or invest in underlying funds that trade New Issues, each investor must represent and warrant in the Application Form whether or not it is a Restricted Person and/or a Covered Person and the Fund will be relying on such representations and warranties in engaging in its business activities.

Liquidity of Small and Mid Cap Securities

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

Event-Driven and Special Situation Investments

A Cheyne Fund may invest in companies based upon certain situations or events, including (but not limited to) spin-offs, mergers and acquisitions, rights offerings, restructurings, and *bankruptcies*. Frequently the securities (which may include, but are not limited to, bonds, leveraged loans and credit default swaps) of the company being acquired or the acquirer will be significantly mispriced to where it is expected to trade post the event. The Investment Manager also believes that many such special situations and events carry a high probability of indiscriminate selling or neglect of valuable assets for reasons other than a lack of investment merits. The Investment Manager may use event-driven investments as an investment strategy.

Convertible Securities

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

Convertible Arbitrage Transactions

Convertible arbitrage transactions are designed to be relatively market neutral, i.e. they hedge out the directional risks generally associated with unhedged investments in the underlying instruments. However, should the credit status of an issuer weaken, losses could result from decreases in the market conversion premium or a loss of liquidity with respect to the security. These losses will be limited by the short hedge on the underlying security but could be substantial in relation to the net asset value of the underlying fund in which investment has been made from time to time. A Cheyne Fund could also suffer losses if an issuer is acquired for cash or debt securities at a price that does not generate profits on the unhedged portion of a position sufficient to recover the premium paid to acquire the convertible security and any unpaid accrued interest that would be lost should conversion become necessary.

Losses could result when securities are called for redemption at prices below the current market prices. Frequently, these losses will include interest accrued but not paid upon conversion of the called securities. In addition, losses could occur if an issuer declares a special dividend or spin-off which causes a reduction in the conversion premium, or the underlying fund is forced to convert a security earlier than anticipated.

Trading in Indices, Financial Instruments and Currencies

Certain Cheyne Funds invest in indices, financial instruments, and currencies. The effect of any governmental intervention can be particularly significant at certain times in currency and financial instrument futures and options markets. Such intervention (as well as other factors) will likely cause all of these markets to move rapidly in the same or varying directions which could result in sudden and significant losses.

Fixed Income Securities

Certain Cheyne Funds invest in bonds or other fixed income securities, including without limitation, commercial paper and “higher yielding” (including non-investment grade and, therefore, higher risk) debt securities. The Cheyne Fund will, therefore, be subject to credit, liquidity, and interest rate risks. Higher-yielding debt securities are generally unsecured and tend to be subordinated to certain other outstanding securities and obligations of the issuer, which could be secured on substantially all of the issuer’s assets. The lower rating of debt obligations in the higher-yielding sectors reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both would impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities are sometimes not protected by financial covenants or limitations on additional

indebtedness. In addition, evaluation of 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. It is likely that a major economic event, such as a recession or reduction of liquidity in the market could severely disrupt the market for such securities and have an adverse impact on the value of such securities. In addition, it is likely that any such an economic event could adversely affect the ability of issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Credit Risk

Cheyne Funds are also subject to credit risk, i.e. the risk that an issuer of securities or a borrower will be unable to pay principal and interest when due, or that the value of the security will suffer because investors believe the issuer is less able to pay. This can be broadly gauged by the credit ratings of the securities or borrowers in which the Funds invest. However, ratings are only the opinions of the agencies issuing them, they tend to change less quickly than the relevant circumstances and are not absolute guarantees of the quality of the securities. Furthermore, certain Cheyne Funds invest in securities that are not rated by any rating agency or are below investment grade. A default, downgrade, or credit impairment of any of its investments could result in a significant or even total loss of the investment.

Subordination Risk

Certain debt investments acquired, including loans made, will be subject to certain additional risks. Such investments could be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all, or significant portion of which could be secured. Moreover, certain such investments will not be protected by financial covenants or limitations upon additional indebtedness.

Investments in Unlisted Securities

Because of the absence of any trading market for these investments, it will frequently take longer, or not be possible, to liquidate these positions, than would be the case with publicly traded securities. Accordingly, the ability of a Cheyne Fund to respond to market movements could be impaired and the funds could experience adverse price movements upon liquidation of their investments. Although these securities can be resold in privately negotiated transactions, prices realised on these sales could be less than those originally paid by the fund. Settlement of transactions is sometimes subject to delay and administrative uncertainties. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities. The lack of publicly available information an actively traded market in unlisted securities will also give rise to uncertainty in valuing such securities.

Distressed Investments: Non-Performing and Defaulted Debt, Including Trade Obligation

A Cheyne Fund could invest in the securities of companies experiencing financial, operational, or legal difficulties, including companies that are or could become subject to restructuring, refinancing, or bankruptcy proceedings. These investments could include, among other things, debt securities, and bank loans or other obligations of companies that are in or near payment or covenant default. The Investment Manager believes that securities of companies experiencing these difficulties represent attractive investment opportunities due to market inefficiencies in pricing these securities. Numerous factors contribute to these market

inefficiencies, including the complexity of the situations in which the companies are involved, and the extensive analyses required for informed decision-making; the limited universe of interested investors; and the relative lack of institutional research coverage of, and market making activity in, securities of these companies. A Fund may also invest in a limited number of “off-the-run” distressed situations requiring direct involvement in the bankruptcy process, creditors’ committee participation, or the pursuit of a litigation strategy.

Collateralised Debt Obligations

Certain Cheyne Funds invest in collateralised debt obligations (including without limitation collateralised loan obligations (“CLO”) and collateralised bond obligations (“CBO”), collectively, “CDOs”). CDOs can either be fixed pools or “market value” or managed pools of collateral which entitle the holders thereof to receive payments that depend primarily on the cash flow from the pool of assets, which include commercial loans, high yield and investment grade debt, Structured Securities (as defined below) and derivative instruments relating to debt. Holders of CDOs bear various risks, including credit risk, liquidity risk, interest rate risk, market risk, operations risk, structural risk, and legal risk. The pools of assets of CDOs are typically separated into tranches representing different degrees of credit quality, with lower rated tranches being subordinate to senior tranches. The senior tranches of CDOs, which represent the highest credit quality in the pool, have the greatest collateralisation and pay the lowest spreads over LIBOR. Lower rated CDO tranches represent lower degrees of credit quality and pay higher spreads over LIBOR to compensate for the attendant risks. The bottom tranches specifically receive the residual interest payments (i.e. money that is left over after the higher tiers have been paid) rather than a fixed interest rate. The returns on the junior tranches of CDOs are especially sensitive to the rate of default in the collateral pool. In addition, the exercise of redemption rights, if any, by more senior CDO tranches and certain other events could result in an elimination, deferral, or reduction in the funds available to make interest or principal payments to the junior tranches. Certain Cheyne Funds are authorised to acquire mezzanine or equity tranches of CDOs which are the most susceptible to these risks.

Structured Securities Generally

Certain Cheyne Funds invest in interests in securitisation vehicles organised and operated solely for the purpose of restructuring the investment characteristics of other debt securities, MBSs, CDOs etc. (collectively, “Structured Securities”). This type of restructuring generally involves the deposit with or purchase by an entity, such as a corporation or trust, of specified instruments and the issuance by that entity of one or more classes of securities backed by, or representing interests in, the underlying instruments. The cash flow on the underlying instruments could be apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Certain classes of such securities might be subordinated to the right of payment of another class. Subordinated structured investments typically have higher yields and present greater risks than unsubordinated structured investments.

Many Structured Securities are highly complex instruments and are often sensitive to changes in interest rates, prepayment rates or both. There is no guarantee that a liquid market will exist for any Structured Security. Structured Securities generally are limited or non-recourse obligations payable solely from underlying assets or collateral securities or the proceeds

thereof. Consequently, holders of Structured Securities must rely solely on distributions on the underlying assets or collateral securities or proceeds thereof for payment in respect of the Structured Securities. The underlying assets are subject to, among other things, credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks, and legal risks and tend to fluctuate with the financial conditions of the underlying issuers and obligors. In the event that issuers of the underlying collateral securities or obligors on the underlying assets default on their obligations, or distributions on the underlying assets or collateral securities are insufficient to make payments in respect of the Structured Securities, no other assets will be available for the payment of the deficiency. There is no guarantee that liquidation of underlying assets and collateral securities will be sufficient to repay investors for their investment in such Structured Securities.

In addition, Structured Securities involve risks different from those of the assets or securities underlying or backing such Structured Securities. The failure by a servicer, sponsor, or manager of a Structured Security to perform adequate credit review of underlying assets or collateral securities or to otherwise fulfil its obligations with respect to a Structured Security could lead to the liquidation of, or default on, such Structured Security. Such failures and defaults would likely have a negative impact on the return of the Structured Security and the performance of the relevant underlying fund.

Synthetic Securities

Certain Cheyne Funds invest in synthetic securities. Synthetic securities are securities in which the value is determined by reference to changes in the value of specific currencies, interest rates, credits, bonds (or credit or bond portfolios), commodities, indices, or other financial indicators (a "Reference") or the relative change in two or more References. The interest rate or the principal amounts payable upon maturity or redemption will be increased or decreased depending upon changes in the applicable Reference. Synthetic securities could either be positively or negatively indexed, so that appreciation of the Reference will produce an increase or decrease in the interest rate or value of the security at maturity. In addition, changes in the interest rates or the value of the security at maturity could be a multiple of changes in the value of the Reference. Consequently, synthetic securities generally present a greater degree of market risk than other types of securities and tend to be more volatile, less liquid, and more difficult to value accurately than less complex securities.

Over-the-Counter ("OTC") Transactions

A Cheyne Fund can invest in OTC credit default swap transactions. OTC transactions are instruments which are not traded on organised exchanges and as such are not standardised. As well as credit default swaps and other swaps, a Fund can invest in other OTC transactions, which could include forward contracts or options. Whilst some OTC markets are highly liquid, transactions in OTC derivatives involve greater risk than investing in exchange traded derivatives transactions because there is no exchange market on which to close out or dispose of an open position.

It could be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it can be difficult to establish what is a fair price. In respect of such trading, a Cheyne Fund will be subject to the risk of counterparty failure or

the inability or refusal by a counterparty to perform with respect to such contracts. See also the risk factor entitled “Counterparty Risk” below.

Market illiquidity or disruption could result in major losses to any such Fund. Furthermore, the absence of any exchange or registered clearing houses for OTC derivatives transactions may mean that OTC transactions the Fund enters into do not benefit from the protections afforded to participants in derivatives that are cleared, or exchange traded (for example, a centralised counterparty and customer asset segregation).

Swap Agreements

Certain Cheyne Funds enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements will increase or decrease the exposure of the underlying funds to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names.

Swap agreements tend to shift the investment exposure of the Cheyne Fund from one type of investment to another. For example, if a Cheyne Fund agrees to exchange payments in dollars for payments in euro, the swap agreement would tend to decrease the exposure of the Cheyne Fund to dollar interest rates and increase its exposure to the euro and its interest rates. Depending on how they are used, swap agreements could either increase or decrease the overall volatility of the portfolios of a Cheyne Fund. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity value or other factors that determine the amounts of payments due to and from the relevant underlying fund. If a swap agreement calls for payments by a Cheyne Fund, that Fund must be prepared to make such payments when due. In addition, if a counterparty’s credit worthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the relevant Cheyne Fund.

Credit Default Swaps

Certain Cheyne Funds enter into credit default swap agreements. The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or “par value,” of the reference obligation in exchange for the reference obligation. The Cheyne Fund could be either the buyer or seller in a credit default swap transaction. If the Cheyne Fund is a buyer and no event of default occurs, the Cheyne Fund will lose its investment and recover nothing. However, if an event of default occurs, the Cheyne Fund (if the buyer) will receive the full notional value of the reference obligation that could have little or no value. As a seller, the Cheyne Fund receives a fixed rate of income throughout the term of the contract, which typically is between six months and three years if there is no default event. If an event of default occurs, the seller must pay the buyer the full notional value of the reference obligation. Credit default swap transactions involve greater risks than if the Cheyne Fund had invested in the reference obligation directly.

Trading in Options

Certain Cheyne Funds purchase and sell (“write”) options on securities, currencies, and commodities on a variety of commodities and securities exchanges and over-the-counter markets. The seller (“writer”) of a put or call option which is uncovered (i.e. the writer has effectively a long or a short position in the underlying security, currency, or commodity) assumes the risk (which theoretically could be unlimited) of a decrease or increase in the market price of the underlying security, currency, or commodity below or above the sales or purchase price. Investing in futures and options is a highly specialised activity and, although it could increase total return, it also entails significantly greater than ordinary investment risk.

Exchange-Traded Futures Contracts and Options on Futures Contracts

The use by a Cheyne Fund of futures contracts and options on futures contracts will present the same types of volatility and leverage risks associated with transactions in over-the-counter (“OTC”) derivative instruments generally. In addition, such transactions present several risks which might not be associated with the purchase and sale of other types of investment products.

Certain Cheyne Funds invest in futures and related options to the extent that all necessary CFTC registrations or exemptions have been obtained. Such registrations or exemptions would not include review or approval by the CFTC of any Information Memorandum or the trading strategies.

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

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

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

OTC Derivative Instrument Transactions

Certain Cheyne Funds invest in investments which are not traded on organised exchanges and as such are not standardised. Such transactions are known as OTC transactions and include credit default swaps, forward contracts, or options. Whilst some OTC markets are highly liquid, transactions in OTC derivatives involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It

could be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and, consequently, it can be difficult to establish what is a fair price. In respect of such trading, a Cheyne Fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result, directly or indirectly, in major losses to a Cheyne Fund. The instruments, indices and rates underlying derivative transactions expected to be entered into by a Cheyne Fund could be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and will be influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies; national and international political and economic events; and changes in interest rates. The volatility of such instruments, indices, or rates, which renders it difficult or impossible to predict or anticipate fluctuations in the value of instruments traded could result, directly or indirectly in losses to the Cheyne Fund.

Repurchase Agreements

Certain Cheyne Funds enter repurchase and reverse repurchase agreements. When a Fund enters a repurchase agreement, it “sells” securities to a broker-dealer or financial institution and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In reverse repurchase transactions, a Cheyne Fund “buys” securities from a broker-dealer or financial institution subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by that underlying fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Cheyne Fund involves certain risks. For example, if the seller of securities under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities because of its bankruptcy or otherwise, the Cheyne Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, a Cheyne Fund will be restricted in its ability to dispose of the underlying securities. It is possible in a bankruptcy or liquidation scenario that the Cheyne Fund will not be able to substantiate its interest in the underlying securities. In addition, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a Cheyne Fund would suffer a loss to the extent that it is forced to liquidate its position in the market and proceeds from the sale of the underlying securities are less than the repurchase prices agreed by the defaulting seller.

Highly Volatile Instruments

The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which the assets of a Cheyne Fund could be invested are influenced by, amongst other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and could, together with other factors, cause many of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Cheyne Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

Investments in senior loans involve certain risks

Senior loans hold the most senior position in the capital structure of a business entity and are typically, but not necessarily, secured with specific collateral (including real estate assets) that is senior to that held by unsecured creditors, subordinated debt holders and stockholders of the borrower. The senior loans that a Cheyne Fund originates and in which it invests are likely to be collateralised by real estate and could be rated below investment grade or could be unrated. As a result, the risks associated with senior loans are like the risks of below investment grade instruments, although senior loans are typically senior and secured in contrast to other below investment grade instruments, which could be subordinated and/or unsecured. Nevertheless, if a borrower under a senior loan defaults, becomes insolvent or goes into bankruptcy, the Cheyne Fund would be likely to recover only a fraction of what is owed on the senior loan or nothing at all. Senior loans are subject to several risks described elsewhere in the Information Memorandum, including credit risk and liquidity risk.

Although the senior loans in which the Cheyne Fund will invest will typically be secured by real estate collateral, there can be no assurance that such collateral could be readily liquidated or that the liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal. In the event of the bankruptcy or insolvency of a borrower, the Cheyne Fund will likely experience delays or limitations with respect to its ability to realise the benefits of the collateral securing a senior loan. Such collateral is often subject to complex, competing legal claims and any applicable legal or regulatory requirements which would restrict the giving of collateral or security by a borrower under a loan, such as, for example, thin capitalisation, over-indebtedness, financial assistance, and corporate benefit requirements. In addition, investments in senior loans are sometimes unperfected for a variety of reasons, including the failure to make required filings by lenders, and it is possible that the Cheyne Fund would not have priority over other creditors. In the event of a decline in the value of the already pledged collateral, if the terms of a senior loan do not require the borrower to pledge additional collateral, the Cheyne Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the senior loans. Even if such loans do require the borrower to pledge additional collateral, there is no warranty the borrower will be able to pledge collateral of sufficient value or at all. To the extent that a senior loan is collateralised by stock in the borrower or its subsidiaries, such stock would be likely to lose some or all its value in the event of the bankruptcy or insolvency of the borrower. Those senior loans that are under-collateralised involve a greater risk of loss. In the context of cross-border lending it is possible that the rights actually enjoyed by lenders will be adversely affected by the interplay of the rules of the various applicable legal systems.

Mezzanine Loans

Certain Cheyne Funds will invest in certain lower grade subordinated debt instruments that are generally acquired in private placements, or directly made to private companies. Mezzanine loans could be issued with or without registration rights. Mezzanine loans are usually subordinated to other obligations of the issuer and will sometimes be unsecured.

Loans to small entities involve significant risks

Certain Cheyne Funds, in pursuit of their investment objectives, are authorised to originate loans to small entities. Investments in such small entities involve several risks generally

associated with other types of loans described herein. Additional risks associated with such small entities include the following:

- These companies often have limited financial resources and a reduced ability to meet their obligations;
- they typically have shorter operating histories, smaller market shares than larger businesses and tend to be less geographically diverse, which renders them more vulnerable to competitors' actions and market conditions, as well as declines in the property market;
- there is generally little public information about these companies. These companies and their financial information are typically not subject to rules that govern public companies, and CCM(UK)LLP could be unable to uncover all material information about these companies, which would prevent it from making a fully informed investment decision and cause the Fund to lose money on its investments;
- they could have difficulty accessing the capital markets to meet future capital needs; and
- loans to these entities typically are evidenced by privately negotiated documentation not based on any particular industry standard (e.g., Loan Market Association or Loan Syndicate Trading Association).

Residential Mortgage-Backed Securities ("RMBS")

Certain Cheyne Funds invest in or are exposed to RMBS. An RMBS is a form of asset-backed security and is a general obligation of the issuer, which is typically secured by residential mortgages or residential mortgage-backed collateral. Mortgage-backed securities can be issued or guaranteed by U.S. government agencies or instrumentalities or by private entities such as banks, savings and loans, mortgage bankers and other nongovernmental issuers.

Commercial Mortgage-Backed Securities ("CMBS")

A CMBS is a form of mortgage-backed security which is typically secured by commercial mortgages or commercial mortgage-backed collateral. Commercial mortgage loans underlying commercial mortgage-backed securities are generally secured by income producing property, such as offices, malls, stores, industrial properties, multi-family housing or other commercial property, and will entail risks of delinquency and foreclosure. In general, incremental risks of delinquency, foreclosure, and loss with respect to an underlying commercial mortgage loan pool will be greater than those associated with residential mortgage loan pools. In part, this is caused by lack of diversity. CMBS are often backed by an underlying mortgage pool of only a few mortgage loans. A failure in performance of any one commercial mortgage loan in the underlying mortgage pool will have a much greater impact on the performance of the related CMBS. Credit risk relating to commercial mortgage-backed transactions is, as a result, property-specific. In this respect, commercial mortgage-backed transactions resemble traditional non-recourse secured loans.

Rates of defaults and losses on commercial mortgage loans, and the value of any commercial property, will be adversely affected by risks generally incident to interests in real property, including various events which the related borrower and/or manager of the commercial property, is typically unable to predict or control, such as: changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies, including

environmental legislation; acts of God; environmental hazards; and social unrest and civil disturbances. If a commercial mortgage loan is in default, foreclosure of such commercial mortgage loan will likely be a lengthy and difficult process and involve significant expenses and potential liabilities.

Prepayments on the underlying commercial mortgage loans in an issue of CMBS will be influenced by the prepayment provisions of the related mortgage notes and will also be affected by a variety of economic, geographic, and other factors, including the difference between the interest rates on the underlying mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related mortgage loans, the rate of prepayment on the underlying mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related CMBS issue.

Concentrations of CMBS of a particular type, as well as concentrations of CMBS issued or guaranteed by affiliated obligors, serviced by the same servicer, or backed by underlying collateral located in a specific geographic region, will subject the CMBS to additional risk. CMBS issues could be subordinate in right of payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In general, subordinate classes are more sensitive to risk of loss and writedowns than senior classes of such securities

Distressed instruments

Certain Cheyne Funds could acquire an instrument of or make a loan to a company that is potentially facing liquidity or solvency issues, subsequently declares bankruptcy or otherwise engages in a bankruptcy-type reorganisation. Certain of these companies will be in transition, turnaround, out of favour, financially leveraged or troubled, or potentially troubled, and will typically be or have recently been involved in major strategic actions, restructurings, bankruptcy, reorganisation, or liquidation. These characteristics of these companies can cause their instruments to be particularly risky, although they also offer the potential for high returns. These companies' instruments could be considered speculative, and the ability of the companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within the companies.

Private debt terms

A private debt instrument could have a contractual return that is not paid entirely in cash, but rather partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received, and increasing the Cheyne Fund's risk exposure to the borrower. While CCM(UK)LLP intends to achieve the Cheyne Fund's targeted returns for a given investment, including private debt, other factors, such as overall economic conditions, the competitive environment, and the availability of potential purchasers of the securities, could shorten or lengthen the Cheyne Fund's holding period and some investments could take additional years from the initial investment date to achieve a realisation. In some cases, the Cheyne Fund could be prohibited by contract from selling certain securities for a period of time. If the Cheyne Fund is required to liquidate all or a portion of its portfolio positions

quickly, then the Cheyne Fund could realise significantly less than the value at which the Cheyne Fund previously recorded those investments.

Risks associated with real estate assets

The net operating income from, and value of, any commercial property is subject to various risks, including changes in general or local economic conditions and/or specific industry segments; the solvency of the related tenants; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies; acts of God; terrorist threats and attacks and social unrest and civil disturbances.

Fluctuations in real estate and rental income

Rental levels and market values of real estate in the U.K. and continental Europe (and other markets in which Cheyne Funds will invest) are generally affected by overall conditions in the economy, political factors and one-off events, such as the condition of the financial markets, the availability of finance to businesses and consumers, the effectiveness of fiscal and monetary policies in stabilising economic conditions, changes in government legislation, political developments including changes in regulatory or tax regimes, increases in unemployment and related declines in consumer spending, an oversupply of, or a reduction in demand for, retail space or consumer goods, infrastructure quality, financial performance and the productivity of industries located in these countries, relocations or insolvency of tenant businesses and armed conflicts or terrorist attacks. Certain types of these risks (for example, risk of armed conflicts or terrorist acts, certain natural disasters, or weather catastrophes, such as flooding, as well as certain acts of God) could in the future become uninsurable or not economically insurable.

Subjectivity and uncertainty of real estate valuations

The valuation of real estate and therefore the valuation of any underlying security relating to a Cheyne Fund's investments are inherently subjective due to, among other factors, the individual nature of each property, its location, and the expected future rental revenues from that particular property. As a result, the valuations of the real estate assets underlying the Cheyne Fund's investments are subject to a degree of uncertainty and are made on the basis of assumptions which could prove to be inaccurate, particularly in periods of volatility or low transaction flow in the market.

In addition, any valuations relied on by CCM(UK)LLP will reflect the position only at their date, and market volatility since the date of any such valuations and over the longer term will sometimes cause significant variations in the value of the real estate, potentially to the downside.

Development and construction risks

Certain Cheyne Funds intend to lend in situations where the underlying assets are in the process of being developed and/or constructed. The development and construction of real estate assets are subject to timing, budgeting and other risks that could adversely affect the Cheyne Fund's operating results. Any renovation, redevelopment, development and related construction activities could affect the ability of a borrower to repay loans secured on the underlying assets, including construction delays or cost overruns that would increase project costs, receipt of zoning, occupancy and other required governmental permits and authorisations, development costs incurred for projects that are not pursued to completion,

acts of God such as earthquakes, floods or fires that could adversely impact on a project, ability to raise capital and governmental restrictions on the nature or size of a project. Development and construction activities contain a high element of risk both in terms of costs and completion. These factors include, but are not limited to, increases in labour costs, increases in material costs, prolonged adverse weather, extended construction timeframe, the impact of archaeological finds within the site, industrial disputes, ground conditions, governmental regulations, governmental delays in issuing relevant licences, design changes to meet changing environmental conditions and engineering cost fluctuations. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development and construction activities once undertaken, any of which could have an adverse effect on the Cheyne Fund's investments.

Concentration of Investments/Lack of Asset Diversification

Certain Cheyne Funds are subject to limited diversification requirements and can invest a significant portion of their assets in the securities of a small number of underlying funds or, directly or indirectly similar in assets. As a result, such a Fund will be more susceptible to risks associated with a single economic, political, or regulatory occurrence than would be the case with a more diversified portfolio. Such a Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including by default of the issuer.

Investment Manager Risks

No operating history

When a Cheyne Fund is newly organised with no operating history, prospective investors have no track record or history on which to base their investment decision.

Past Performance

The past performance of any strategies, investment funds, or accounts managed or advised by CCM(UK)LLP are not representative of the potential future performance of any Cheyne Fund.

Business Dependent Upon Key Individuals

The success of each Cheyne Fund is significantly dependent upon the expertise of members of CCM(UK)LLP's investment management team and any future unavailability of any of their services could have an adverse impact on the Cheyne Fund's performance.

CCM(UK)LLP's principals and other key personnel possess substantial experience and expertise and have strong business relationships with members of the business community. The loss of these personnel could jeopardise the CCM(UK)LLP's relationships with members of the business community and could result in fewer investment opportunities for the Cheyne Fund. For example, if any of CCM(UK)LLP's principals were to join or form a competing firm, the Cheyne Funds results and financial condition could suffer.

Conflicts of Interest

Other clients of CCM(UK)LLP are likely to have similar or identical investment objectives, policies and/or strategies to those adopted and/or implemented in respect of a Cheyne Fund and would invest in the same markets or the same or similar instruments and securities or in

other securities of the same issuer. The existence of multiple funds could result in each fund receiving a smaller allocation of an investment opportunity.

Analysing Investment Opportunities

CCM(UK)LLP seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The due diligence process can at times be subjective with respect to newly organised entities for which only limited information is available. Accordingly, CCM(UK)LLP cannot be certain that due diligence investigations with respect to any investment opportunity for the Cheyne Fund will reveal or highlight all relevant facts (including fraud) that would be necessary or helpful in evaluating such investment opportunity, or that its due diligence investigations will result in investments for the Cheyne Fund being successful. There can be no assurance that the projected results of an investment opportunity will be achieved for the Cheyne Fund, and actual results could vary significantly from the projections. General economic, natural, and other conditions, which are not predictable, can have an adverse impact on the reliability of such projections. Assumptions or projections about asset lives; the stability, growth, or predictability of costs; demand; or revenues generated by an investment or other factors associated therewith could, due to various risks and uncertainties including those described herein, differ materially from actual results.

Restriction in Dealing in Investments

In providing investment services in relation to a Cheyne Fund or other clients, CCM(UK)LLP will sometimes recommend and/or advise on and/or give effect to activist and/or other strategies in relation to securities and/or issuers involving the acquisition on behalf of a Fund or in concert with other parties, of positions in companies and/or other issuers, or could otherwise receive material non-public information. In connection with such positions, in order to comply with laws and regulations relating to insider dealing, market abuse, concert parties, takeovers and market standards generally and also as a means of dealing with conflicts of interest, CCM(UK)LLP will from time to time be prevented, or elect to restrict themselves, and one or more Funds from dealing in and/or advising on certain strategies, securities or instruments, either in particular circumstances or generally. As a result of this, CCM(UK)LLP could be unable to realise a position in a particular security or instrument and/or advise as to, make or act on certain investment decisions which they would otherwise have made or implemented on behalf of their clients including one or more Funds. This could result in, inter alia, a Cheyne Fund being unable to realise a position in order to meet redemption requests or margining or other financing obligations or take advantage of certain opportunities in the market to the detriment of the Fund and/or its investors.

Performance Allocation

CCM(UK)LLP or its affiliates will receive a performance allocation as more particularly described in each Cheyne Fund's Offering Materials. While CCM(UK)LLP has adopted policies and procedures designed to mitigate the associated risks, as with all incentive-based fees and allocations, the existence of a performance allocation could provide an incentive for CCM(UK)LLP to make investments that are riskier or more speculative than it otherwise would have made to the detriment of a Cheyne Fund.

Cheyne Fund Risks

Restrictions on Redemptions

Investors in Cheyne Funds are often subject to restrictions relating to the redemptions of investments in the Cheyne Fund. The ability of a Cheyne Fund to meet redemption requests by investors will depend on numerous factors including the liquidity available to the Cheyne Fund and the speed at which it will be able to realise investments in securities, structures, or underlying funds in which the Fund has invested. Such securities, structures and underlying funds typically offer liquidity at intervals and in circumstances which might not provide sufficient liquidity for a Fund to be able to fully meet redemption requests in certain circumstances. The directors of a Cheyne Fund have the ability to limit the value of redemptions in circumstances where the directors believe that, owing to their perception of the liquidity of the underlying investments, such an action would be in the overall interests of investors. The Directors also have the ability to suspend the calculation of the net asset value of a Cheyne Fund, which will lead to a suspension of redemption rights for investors, in certain circumstances as set forth in each Cheyne Fund's Information Memorandum. The Directors are authorized to withhold payment to investors who have redeemed prior to such a suspension of valuation. Directors also have the ability to suspend redemptions during any period in which the settlement of redemptions would, in the opinion of the directors, result in a violation of law or violate any instrument or agreement governing any indebtedness incurred by the Fund

Compulsory Redemption

The Directors can compulsorily redeem all or some of an investor's holding in a Cheyne Fund as more specifically disclosed in each Cheyne Fund's Information Memorandum. Such circumstances include, but are not limited to, situations where: (i) the investor does not meet eligibility requirements; (ii) the holding of interests in the Cheyne Fund by the investor gives rise to tax or regulatory disadvantage for the Cheyne Fund or subjects the Cheyne Fund to registration or filing requirements in any jurisdiction; or (iii) the level of the investor's holding drops below the minimum holding requirement.

Fees and Expenses

Each Cheyne Fund pays fees, costs and expenses incurred in its operation, including, without limitation, taxes, expenses for legal, auditing, administration, custody, prime brokerage and consulting services, promotional activities, registration fees and other expenses due to supervisory authorities, insurance, interest, the fees of its Directors (for corporate funds), and the Directors of its General Partner (for limited partnership funds) and the cost of the publication of the net asset value. In addition, the General Partner on behalf of each Cheyne Fund is authorised to incur all expenses on behalf of the Cheyne Fund which it deems necessary or desirable (including in certain cases, without limitation, the direct cost of CCM(UK)LLP's in-house lawyers providing legal services in respect of the Cheyne Fund). The fees and expenses to which a Cheyne Fund will be subject could be substantial and will dilute the returns realised by investors.

Auditors' Limitation on Liability

The Auditors of Cheyne Funds, in common with current Cayman Islands practice, have limited their liability under the terms of their engagement which has limited the Fund's rights of possible recourse against the Auditors.

Funding Liquidity Risk

Where investors redeem their investments in the Cheyne Fund in an amount which exceeds the amount of cash or other liquid assets immediately available to fund such redemptions, the Cheyne Fund has the authority, subject to its discretion to restrict redemptions, to liquidate additional assets to fund the redemption proceeds required. This would limit or otherwise affect the ability of the Cheyne Fund to operate or manage investment positions and strategies and restrict or materially affect investment performance and returns.

Valuation

The net asset value of each Cheyne Fund's assets, the price at which investors subscribe and redeem interests in the Cheyne Fund and the value with reference to which management and other fees are calculated in respect of each Cheyne Fund are determined as per CCM(UK)LLP's AIFMD Valuation Policy and as more specifically disclosed in each Information Memorandum. CCM(UK)LLP's Pricing Committee has the authority, however, with the consent of the relevant Cheyne Fund's directors, to follow some other prudent method of valuation if it considers that under the circumstances such other method should be adopted in order to reflect fairly the values of the relevant investments or liabilities of the Cheyne Fund. In addition, special situations affecting the measurement of the net asset value of the assets of a Cheyne Fund could arise from time to time. Investors should be aware that situations involving uncertainties as to the valuation of such assets could have an adverse effect on the net asset value of a Fund.

The net asset value of a Cheyne Fund will fluctuate over time according to the performance of the Fund's investments. An investor might not fully recover his initial investment when he chooses to redeem his investment or upon compulsory redemption if the net asset value of the Fund is less than that at the time of investment. The value of an investment in a Cheyne Fund, and the income (if any) derived therefrom, can go down as well as up.

Portfolio Turnover

Turnover of certain Cheyne Funds' investments will from time to time be higher than the average for other more traditional portfolios and accordingly the level of commissions paid, and other transaction costs is likely to be higher than average, which could adversely affect the returns realised by investors in a Fund.

Currency

Interests in Cheyne Funds are issued and redeemed in different currencies. Certain underlying instruments held by a Cheyne Fund will be denominated in those or other currencies. Accordingly, the value of an investment will be affected by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations. In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than the currency of investment should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the currency of investment and such other currency. Certain Cheyne Funds have the ability to enter into back-to-back currency borrowing or utilise derivatives such as forwards, futures, options and other derivatives to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be undertaken or if undertaken will be effective or beneficial or that there will be a hedge in place of any given time.

Cross-Class Liability

Certain Cheyne Funds have multiple Classes, Series and Portfolios and further Classes, Series and/or Portfolios could be created in the future. Each separate Class or Series or Portfolio will generally be maintained with separate accounting records. However, certain jurisdictions could treat such a Fund as one entity, in which case, there would be no legal segregation of assets or liabilities between Classes, Series and Portfolios. The assets of one Portfolio could be available to meet or support liabilities or activities of another Portfolio. Thus, all of the assets of a Cheyne Fund could be available to meet all of the liabilities of the Cheyne Fund, regardless of the Class, Series or Portfolio to which such assets or liabilities are attributable. In practice, cross-class liability will usually only arise where any Class or Series or Portfolio becomes insolvent or exhausts its assets and is unable to meet all its liabilities. In this case, all of the assets of the Cheyne Fund attributable to the other Classes, Series and/or Portfolios could be applied to cover the liabilities of the insolvent Class or Series. Underlying funds in which a Cheyne Fund invests will likely be subject to similar risks.

Business and Regulatory Risks Associated with Cheyne Funds

Legal, tax and regulatory changes as well as judicial decisions could occur that could adversely affect Cheyne Funds. The regulatory environment for funds pursuing alternative investment strategies is evolving and changes in the regulation of such funds could adversely affect the value of investments held by the Cheyne Funds (and any underlying funds) and the ability of a Cheyne Fund (and any underlying fund) to obtain leverage or to pursue its trading strategies. The financial services industry generally and the activities of private investment funds (such as hedge funds) and their investment advisers have been the subject of increasing legislative and regulatory scrutiny. Such scrutiny could increase CCM(UK)LLP's and the Cheyne Funds' legal, compliance, administrative and other related burdens and costs or result in ambiguity or conflict among legal or regulatory schemes applicable to CCM(UK)LLP and the Cheyne Funds. In addition, the securities and future 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. The regulation of derivatives transactions and entities that engage in such transactions is an evolving area of law and is subject to further development and modification by governmental and judicial action. Any future legal or regulatory changes or developments could substantially and adversely affect one or more Cheyne Fund.

Potential Liability of Limited Partners Under the Cayman Fund Law

Under the Cayman Fund Law, limited partners (in a Fund formed as a Limited Partnership in the Cayman Islands) can be liable for debts or obligations of the Fund to the extent provided under Cayman Islands law.

Market and Counterparty Risks

Emerging and Developing Markets

Certain Cheyne Funds invest in emerging markets and/or developing markets. Investment in such markets involves risk factors and special considerations which are not typically associated with investing in more developed markets. Such risks include (i) greater risk of expropriation, confiscation, taxation, nationalisation, and social, political and economic instability; (ii) the smaller markets for securities of emerging markets issuers and lower volumes of trading, resulting in lack of liquidity and in greater price volatility, (iii) certain

national policies which restrict the investment opportunities available in respect of a Fund, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and on the realisation or repatriation of foreign investment; (iv) currency instability and hyper-inflation; and (v) the absence of developed legal structures governing private or foreign investment and private property.

These factors would affect the level and volatility of securities prices and the liquidity of the investments of the underlying funds. Unexpected volatility or illiquidity could impair the profitability of a Fund or result in losses. Political or economic change and instability are more likely to occur in emerging and developing markets and have a greater effect on the economies and markets of emerging and developing countries. By comparison with more developed securities markets, most emerging countries' securities markets are comparatively small, less liquid, and more volatile. In addition, settlement, clearing and registration procedures may be underdeveloped enhancing the risks of error, fraud, or default. Furthermore, the legal infrastructure and accounting, auditing, and reporting standards in emerging and developing markets are unlikely to provide the same degree of investor information or protection as would generally apply to major markets.

Certain Securities Markets

Stock markets in certain countries may have a relatively low volume of trading. Securities of companies in such markets may also be less liquid and more volatile than securities of comparable companies elsewhere. There may be low levels of government regulation of stock exchanges, brokers, and listed companies in certain countries. In addition, settlements of trades in some markets are slow and subject to failure.

Proposals to reform LIBOR and global benchmark reform

Where any of a Cheyne Fund's floating or adjustable-rate investments calculate interest by reference to a benchmark interest rate, such as the London Inter-Bank Offered Rate ("LIBOR") or the European Inter-Bank Official Rate ("EURIBOR") (for these purposes, each a "Benchmark"), a discontinuance or change in the method of calculation of that Benchmark could have a negative impact on the value of such investments. Regulators across a number of jurisdictions have conducted investigations into whether the banks that contributed to the British Bankers' Association, the former administrator of LIBOR ("BBA"), in connection with the calculation of daily LIBOR may have been under-reporting or otherwise manipulating LIBOR. In early 2014, ICE Benchmark Administration ("IBA") replaced BBA as LIBOR's administrator. Should any new investigations result in further findings of manipulation or under-reporting of LIBOR, the liquidity of investments may be affected and in turn this could adversely effect the value of a relevant Cheyne Fund's portfolio.

Regulation (EU) 2016/1011 (the "Benchmarks Regulation") imposes requirements on certain European "supervised entities" that are users of Benchmarks (such as the Firm), including maintaining written plans regarding their use of Benchmarks. The Benchmarks Regulation has already and may further affect how certain Benchmarks are calculated and administered. Further changes to the way LIBOR is calculated, including those that alter, discontinue, or suspend the calculation or dissemination of LIBOR in respect of certain currencies or periods, may adversely affect the value of a relevant Cheyne Fund's adjustable rate investments.

Given that the various Benchmark related developments are new, on-going, and fast moving, it is difficult to predict their effect. Generally, however, the replacement of LIBOR and any

related uncertainty could negatively impact the value of a relevant Cheyne Fund's adjustable rate investments which calculate interest by reference to LIBOR or any other Benchmark. Whilst the Investment Manager has identified floating or adjustable rate investments as the main area where it expects certain Cheyne Funds to be exposed to Benchmarks, exposure to Benchmarks may also arise in other areas of a Cheyne Fund's or the Investment Manager's business and operations and would be affected for the same reasons set out above, and potentially also in additional ways. Since these exposures are currently unknown, it is difficult to predict their effect on any Cheyne Fund, but the effects may be adverse.

Limited Availability of Investment Opportunities and Increased Competition

The activity of identifying, completing, and realising the types of investment opportunities targeted by CCM(UK)LLP for the Cheyne Fund is highly competitive and involves a significant degree of uncertainty. The Cheyne Fund competes for investment opportunities with other investment companies and private investment vehicles, as well as the public debt markets, individuals, and financial institutions, including investment banks, commercial banks and insurance companies, business development companies, strategic industry acquirers, hedge funds and other institutional investors, investing directly or through affiliates. Such supply-side competition may adversely affect the terms upon which investments can be made by the Master Fund.

Rehypothecation and Transfer of Ownership of Assets

A Prime Broker and certain of its affiliates may borrow, lend, or otherwise use a Cheyne Fund's assets for its own purposes and may take such investments as collateral. Such assets will become the property of the Prime Broker and, in the event of the insolvency of the Prime Broker, could be made available to the creditors of the Prime Broker. As a result, it is unlikely that the Cheyne Fund would be able to recover such investments in full.

Depository Risk

Each Cheyne Fund is subject to a range of risks relating to its Depository. Although custodians/depositaries are fiduciaries entrusted with the safekeeping of a Fund's assets, it is market practice for such organisations to seek to exclude their liability for a range of matters. Consequently, there is a risk that if the Cheyne Fund suffers a loss as a result of an action of the Depository, it is not necessarily the case that such loss will be compensable under the Fund's contract with the Depository. Further, in the event of the bankruptcy or other form of insolvency of the Depository, a Fund would be exposed to a range of loss types including but not limited to, loss of cash held at the Depository or any sub-custodian (including the risk of loss of monies that purport to be impressed with the character of client money) and the loss of securities that have not been properly and successfully segregated from the Depository's general assets as belonging to the Cheyne Fund. In respect of cash and other assets that are not lost in such a bankruptcy or insolvency process there is a material risk of a substantial delay before they are returned to the Cheyne Fund as the relevant process could be a lengthy one.

No Established Rating Criteria

Certain Cheyne Funds invest in low rated (considered to be those that are below "investment grade") and unrated debt securities. Low rated and unrated debt securities are the equivalent of high yield, high risk bonds, commonly known as "junk bonds" and are generally considered to be speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of its obligations under such securities.

Leverage, Interest Rates and Margin

Certain Cheyne Funds will borrow funds from brokerage firms, banks, and other financial institutions in order to increase the amount of capital available for investment. The level of interest rates at which the Fund can borrow will, directly or indirectly affect the operating results of the Fund. In addition, certain Cheyne Funds will, in effect, borrow funds through entry into repurchase agreements and “leverage” its investment return with such instruments as forwards, futures, options and other derivative contracts. The use by a Cheyne Fund of borrowing and leverage results in certain additional risks.

While leverage presents opportunities for increasing the total return of a Cheyne Fund, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment held by a Cheyne Fund would be magnified to the extent that the Cheyne Fund is leveraged. The cumulative effect of the use of leverage by the Cheyne Fund in a market that moves adversely to its investment could result in a substantial loss) which would be greater than if the Fund was not leveraged.

Should the securities pledged to brokers to secure the Cheyne Fund’s margin accounts decline in value, the Fund could be subject to a “margin call” and need to deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Cheyne Fund’s assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

In addition, leverage can increase the loss to investors. In the futures markets, margin deposits are typically low. Low margin deposits mean that a relatively small price movement in a futures contract could result in immediate and substantial losses. For example, if at the time of purchase 10 per cent of the price of a futures contract is deposited as margin, a 10 per cent decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Any limitation on the availability of leverage and/or borrowing facilities will have a detrimental effect on the ability of a Fund to maintain the intended level of leverage.

Interest Rate Risk

Cheyne Funds are subject to several risks associated with changes in interest rates on their financings and investments which may affect profitability.

Interest Rate Adjustments

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

Amortisation of Costs

The financial statements are prepared in accordance with IFRS which does not permit the amortisation of costs. Notwithstanding this, the Cheyne Funds generally have the ability to

amortise costs over a period of time and, if they do, the financial statements may be qualified in this regard.

Counterparty Risk

Some of the markets in which a Fund (and any underlying funds) will effect transactions are OTC or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as members of “exchange-based” markets. This exposes the Cheyne Fund (and any underlying funds) to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Cheyne Fund (or, where applicable, the relevant underlying fund) to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund (or, where applicable, the underlying fund) has concentrated its transactions with a single or small group of counterparties. The Cheyne Funds generally are not (and underlying funds may not be) restricted from dealing with any particular counterparty or from concentrating any or all of its or their transactions with one counterparty.

Trading documentation

The terms of the trading documents governing OTC transactions will often include various termination events relating to the relevant Cheyne Fund, such as triggers relating to the net asset value of the Fund, pursuant to which the relevant Trading Counterparty will have the option to terminate its agreement(s) with the Fund if the Fund’s net asset value falls below certain threshold percentage levels over prescribed periods. Other common termination events include those relating to key individuals and amendments to key documents. These agreements also include, as standard, cross-default provisions, whereby if a Cheyne Fund is in default, this can trigger a termination event under the agreements of another Trading Counterparty.

It is common that OTC transactions are entered into with Trading Counterparties with whom a Fund has other agreements. If the relevant Fund were to default under the trading document governing OTC transactions or any other trading agreement with a given Trading Counterparty, it will usually give the Trading Counterparty the right to terminate all other trading agreements entered into with either the Trading Counterparty itself or its affiliates and in turn that default may trigger a cross-default pursuant to the terms of trading documentation with other Trading Counterparties. Such Fund therefore has a contagion risk both with respect to agreements entered into with a single Trading Counterparty, and across agreements with different Trading Counterparties. If a default did lead to the Fund having its positions closed out by a Trading Counterparty, this would be at the Fund’s cost and could result in major losses to the Fund. Furthermore, the termination of trading documents by Trading Counterparties could limit the Fund’s ability to access the markets and to achieve its investment strategy.

The documentation governing OTC transactions will often also provide Trading Counterparties with wide discretions with respect to key terms such as the provision of margin, both initial or upfront margin (often known as an “independent amount”), and/or variation margin. In the event of market disruption and/or volatile markets, a Fund may be required to deliver additional collateral on demand to its Trading Counterparties, calculated pursuant to the Trading Counterparty’s methodologies. Satisfying such margin calls could

result in the Fund having to deliver more collateral than it had expected, which, so as to ensure it does not default, may in turn lead to the Fund having to rapidly acquire cash to be posted as collateral, for example by liquidating positions at what it may perceive to be an undervalue, all of which could lead to losses to the Fund.

The legal structure of collateral varies according to the type of transaction and where it is traded. For OTC transactions, title transfer is common. Any cash or securities so transferred as collateral will generally become the absolute property of the Trading Counterparty and a Fund will have a right to the return of equivalent assets in respect of such Fund. That right to the return of equivalent assets is normally unsecured and the collateral will be at risk in the event of the insolvency of the Trading Counterparty. Should a Trading Counterparty insolvency occur, a Fund may be unable to secure the return of the collateral or amounts equal to the collateral, resulting in losses to such Fund.

Market developments

Recent years have shown extreme volatility and disruption in credit markets. Continuing instability in the credit markets could make it more difficult for a number of issuers of debt instruments to obtain financing or refinancing for their investment or lending activities or operations. In particular, because of volatile conditions in the credit markets, obligors under investments may be subject to increased cost for debt. While this is one of the premises for the creation of certain Cheyne Funds, continuing instability in credit markets may cause companies to defer their strategic financing considerations.

Certain borrowers may, due to macroeconomic conditions, be unable to repay loans during this period. A borrower's failure to satisfy financial or operating covenants imposed by lenders could lead to defaults and, potentially, termination of loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardise the borrower's ability to meet its obligations under its debt instruments. A Cheyne Fund could incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. In addition, if a borrower were to commence bankruptcy proceedings, even if the Cheyne Fund structured its interest as senior debt, depending on the facts and circumstances, including the extent to which the Fund actually provided managerial assistance to such borrower, a bankruptcy court might recharacterise the Fund's debt holding and subordinate all or a portion of its claim to that of other creditors. Adverse economic conditions also could decrease the value of collateral securing some of a Fund's loans and the value of its equity investments. A recession could lead to financial losses in a Fund's portfolio and a decrease in revenues, net income, and the value of the Fund's assets.

These developments would increase the volatility of the value of investments owned by a Cheyne Fund. These developments also would make it more difficult for a Cheyne Fund to accurately value its investments or to sell its instruments on a timely basis. These developments could adversely affect the ability of a Cheyne Fund to borrow for investment purposes and increase the cost of such borrowing, which would reduce returns to Investors. These developments also could adversely affect the broader economy, which in turn could adversely affect the ability of obligors of assets owned by a Fund to make payments of principal and interest when due, lead to lower credit ratings of the issuer and increased defaults by the issuer. Such developments could, in turn, reduce the value of assets owned by a Fund and adversely affect the net asset value of the Fund.

Financial fraud

Instances of fraud and other deceptive practices committed by companies in which a Cheyne Fund has invested would undermine its due diligence efforts with respect to such companies and would negatively affect the valuation of the Cheyne Fund's investments. Certain Cheyne Funds invest in small to medium sized entities and such entities typically have less control infrastructure, increasing the risk of fraud and other financial malpractice.

Legal, Regulatory and Taxation Risks

Impact of Law and Regulation

If legislation or government regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, such actions would adversely affect the ability of a Cheyne Fund to originate loans or the availability of loans in the secondary market for investment by the Cheyne Fund. In addition, such requirements or restrictions could reduce or eliminate sources of financing or refinancing for certain borrowers. This would increase the risk of default.

If legislation or government regulations require financial institutions to increase their capital requirements, this could cause financial institutions to dispose of particular types of loans to optimise use of their available capital resources. Such sales could result in prices that, in the opinion of CCM(UK)LLP, do not represent fair value. If a Cheyne Fund attempts to sell a loan at a time when a financial institution is engaging in such a sale, the price the Fund could obtain for the loan would likely be adversely affected.

Government intervention in the financial markets

The instability in the financial markets in recent years has led the global governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Governments, their regulatory agencies, or self-regulatory organisations may take additional actions that affect the regulation of the instruments or structured products in which a Cheyne Fund invests, or the issuers of such instruments or structured products, in ways that are unforeseeable. Borrowers under secured loans held by a Cheyne Fund could seek protection under the bankruptcy laws. Legislation or regulation could also change the way in which a Cheyne Fund itself is regulated. Such legislation or regulation could limit or preclude the Fund's ability to achieve its investment objectives. CCM(UK)LLP will monitor developments and seek to manage each Fund's portfolio in a manner consistent with achieving its investment objectives, but there can be no assurance that it will be successful in doing so.

European Market Infrastructure Regulation

E.U. Regulation No 648/2012 on over-the-counter derivatives, central counterparties and trade repositories (as amended by EU Regulation No 2019/834 of 20 May 2019, and also known as the European Market Infrastructure Regulation, or "EMIR") introduced requirements in respect of derivative contracts by requiring certain "eligible" OTC derivative contracts to be submitted for clearing to regulated central clearing counterparties (the clearing obligation) and by mandating the reporting of certain details of OTC and exchange-traded ("ETD") derivative contracts to registered trade repositories (the reporting obligation). In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty risk in respect of OTC derivative

contracts which are not subject to mandatory clearing (the risk mitigation requirements). Under EMIR, the requirements cover both financial counterparties (“FCs”), which term includes investment firms, credit institutions, insurance companies based in the European Union, and AIFs which are managed by an E.U. AIFM; as well as certain E.U. based non-financial counterparties (“NFCs”). FCs will be subject to the clearing obligation, the reporting obligation, and the risk mitigation requirements. NFCs will be subject to the reporting obligation and certain risk mitigation requirements, and may also be subject to the clearing obligation, subject to their positions in OTC derivative contracts exceeding certain thresholds. Each Cheyne Fund is a “Financial Counterparty” for the purposes of EMIR and will be subject to the clearing obligation (except to the extent it is a “Small FC”), the reporting obligation and the risk mitigation requirements.

The clearing obligation and the requirement to post collateral in respect of uncleared OTC trades are being phased in over a period of several years. While it is difficult to predict the long-term impact of EMIR compliance on the Cheyne Funds, compliance with the requirements of EMIR and the impact of any corresponding adaptations of the derivatives market could result in an increase in the overall costs of entering into and maintaining OTC and ETD derivative contracts.

EU General Data Protection Regulation

The processing of personal data by the Firm, the Cheyne Funds and their service providers imposes regulatory risks and legal requirements relating to the collection, storage, handling, and transfer of personal data which continue to develop. The Firm, the Cheyne Funds and/or their affiliates may become subject to new legislation or regulation concerning the personal information they may store or maintain, including, without limitation, the requirements of the General Data Protection Regulation (the “GDPR”). The GDPR took effect on 25 May 2018 and introduced a range of new compliance obligations regarding the handling of personal data and new obligations on data controllers and data processors and rights for data subjects. The GDPR also significantly increased fines for non-compliance. Whilst the Firm, the Cheyne Funds and their service providers intend to comply with any obligations arising out of the GDPR, if it is interpreted or applied in a manner inconsistent with their policies and procedures, they may be fined or ordered to change their business practices in a manner that adversely impacts their operating results. The Firm, the Cheyne Funds and their service providers and affiliates may also be subject to data protection laws of other jurisdictions. Compliance with these regulations may divert their time and effort and entail substantial expense. Any failure to comply with these laws and regulations could result in negative publicity and may subject the Firm and/or the Cheyne Funds to significant costs or penalties associated with litigation or regulatory action.

Greater regulation of the financial services industry

In recent years, greater regulation of the financial services industry has been pursued in the U.S. (including through the passage of the Dodd-Frank Act), as well as the European Union and its member states, in the wake of the ongoing financial crisis of 2008 - 2013 and the dramatic losses incurred both by private investment funds and their counterparties from trading in substantially unregulated markets. The U.S. government “bailout” of financial institutions that began in 2008 was the largest governmental intervention in the history of the U.S. financial markets. In connection with this “bailout”, there has been and may be further extensive rulemaking and regulatory changes that have affected and will continue to affect private fund managers, the funds they manage, and the financial industry as a whole. Similar

government “bailouts” of financial institutions by both individual member states and the European Union has also increased the scrutiny on the financial services industry in Europe and may lead to further regulation of the financial markets.

There can be no assurance that future regulatory action will not result in additional market dislocation. It is impossible to predict the nature, timing, and scope of future changes in laws and regulations applicable to the Cheyne Fund. Any such changes in laws and regulations may have a material adverse effect on the ability of the Fund to carry out its business, to successfully pursue its investment policy and to realise its profit potential and may include a requirement of increased transparency as to the identity of Investors in the Cheyne Funds. Any such event may materially adversely affect the investment returns of the Cheyne Funds.

Limited or no regulatory oversight

Certain Cheyne Funds will, from time to time, invest directly and/or indirectly in Investment Vehicles domiciled in jurisdictions where these Investment Vehicles are not subject to a recognised supervisory authority, investments in any of such Investment Vehicles are subject to a corresponding risk.

Tax Reporting and Withholding

Certain countries have adopted tax laws which require reporting and/or withholding in certain circumstances in connection with an investors acquisition, holding and/or disposal of an investment in a Cheyne Fund. Depending on the nature of the requirements, these tax laws impose (or will impose in the future) reporting and/or withholding obligations. To the extent that a Cheyne Fund determines to incur the costs of compliance with tax or other laws, the Fund’s directors will generally require that investors whose acquisition, holding or disposal triggers the compliance requirements to share pro rata the cost to the Fund of doing so with other such investors.

Foreign Account Tax Compliance Act (“FATCA”)

Pursuant to FATCA, each Cheyne Fund is required to comply with extensive reporting and withholding requirements designed to inform the U.S. Department of the Treasury of U.S.-owned foreign investment accounts. Failure to comply (or be deemed compliant) with these requirements will subject a Fund to U.S. withholding taxes on certain U.S.-source income. Detailed guidance as to the mechanics and scope of this reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations. Investors may be requested to provide additional information to a Cheyne Fund to allow the Fund to satisfy these obligations. Failure to provide requested information or (if applicable) satisfy its own FATCA obligations may subject an Investor to liability for any resulting U.S. withholding taxes, U.S. tax information reporting and/or mandatory redemption, transfer, or other termination of the Investor’s interest in the Fund. Detailed guidance as to the mechanics and scope of this reporting and withholding regime is continuing to develop. There can be no assurance as to the timing or impact of any such guidance on future operations of the Cheyne Funds. The administrative cost of compliance with FATCA could cause the operating expenses of the Funds to increase, thereby reducing returns to Investors.

OECD’s BEPS Action Points

In 2013 the OECD published its report on Addressing Base Erosion and Profit Shifting (“BEPS”) and its Action Plan on BEPS. The aim of the report and Action Plan was to

address and reduce aggressive international tax planning. On 5 October 2015, the OECD published its final reports, analyses and sets of recommendations (deliverables) with a view to implementing internationally agreed and binding rules which could result in material changes to relevant tax legislation of participating OECD countries. The final package of deliverables was subsequently approved by the G20 Finance Ministers on 8 October 2015. On 24 November 2016, the OECD announced that more than 100 jurisdictions concluded negotiations on a multilateral instrument that will amend their respective tax treaties (more than 2,000 tax treaties worldwide) in order to implement the tax treaty-related BEPS recommendations. The multilateral instrument was signed on 7 June 2017 and entered into force on 1 July 2018. The multilateral instrument will then enter into effect for a specific tax treaty at certain times after all parties to that treaty have ratified the multilateral instrument. The final actions to be implemented in the tax legislation of the countries in which the Cheyne Funds operate or where they will have investments, or changes in tax treaties negotiated by these countries, could adversely affect the returns from the Cheyne Funds to their investors.

E.U. list of non-cooperative jurisdictions for tax purposes

In November 2016, the E.U. established criteria based on OECD methodologies against which to evaluate non-E.U. jurisdictions for compliance with transparency and information exchange standards and the use of tax regimes perceived to offer unfair tax competition. Jurisdictions whose domestic tax systems were found to contain elements regarded as unsatisfactory were expected to commit to the E.U. to remedy these within an agreed timeframe. The formal output of that review process is the E.U. list of non-cooperative jurisdictions for tax purposes. The list identifies those non-E.U. jurisdictions which have refused to cooperate, or which have failed to meet their commitments given to the E.U. On 18 February 2020, the E.U. Council updated the E.U. list of non-cooperative jurisdictions to include the Cayman Islands on the basis that the Cayman Islands does not have appropriate measures in place relating to economic substance in the area of collective investment vehicles.

Where a jurisdiction is included on the non-cooperative list, the direct tax consequences are limited at the E.U. level as the E.U. has not developed comprehensive sanctions. However, E.U. member states have committed to adopt administrative measures targeted towards listed jurisdictions, and as such, individual E.U. member states may have a range of actions available under their domestic laws. Such actions include, but are not limited to, transaction reporting, increased tax audits for taxpayers with connections to a listed jurisdiction, application of controlled foreign companies' rules, withholding taxes at punitive rates and restrictions on capital gains exemptions. If such actions are implemented in the jurisdictions in which a Cheyne Fund will have investments, this could adversely affect the returns to its investors.

Cybersecurity Risk

CCM(UK)LLP's information and technology systems can be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. CCM(UK)LLP has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become

inoperable for extended periods of time, or cease to function properly, or fail. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors. In addition, cyber security failures or breaches by third party service providers and the issuers of securities in which the Cheyne Funds invest, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

Information Technology Systems

The Cheyne Funds are dependent on the Manager, the Investment Manager, the Investment Adviser and the Portfolio Support Provider for investment management, trade implementation, operational and middle office services and upon the Administrator, the Depository, and the Prime Broker for back office functions. The Manager and Investment Manager depend on information technology systems to assess investment opportunities, strategies, and markets and to monitor and control risks for the Funds. Information technology systems are also used to trade in the investments. Although the Manager and the Investment Manager have established a disaster recovery plan, there is a risk that a failure of some kind which causes disruptions to these information technology systems could materially limit the Investment Manager's ability to adequately assess and adjust the investments of the Funds, formulate and implement strategies and provide adequate risk control, any of which could harm the performance of the Funds, which could have a material adverse effect on the performance of the Funds and returns to Shareholders. Similarly, despite the disaster recovery plans established by the Administrator, the Depository, the Prime Broker, and the service providers there is a risk that a failure of the back office functions of the Prime Broker, the Depository and/or the service provider to process trades by the relevant Fund in a timely fashion could prejudice the investment performance of the Fund.

Political Risks

The value of the assets attributable to a Cheyne Fund may be affected by uncertainties such as national, regional, or international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Furthermore, the legal infrastructure and accounting, auditing, and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets.

European Economic Risks

In recent years, European financial markets have periodically experienced volatility and been adversely affected by concerns about government debt levels, credit rating downgrades, and or restructuring of government debt. There have been concerns that certain Eurozone states could default on meeting their debt obligations or funding requirements. These states may be reliant on continuing assistance from other governments and institutions and/or multilateral agencies and offices and could be detrimentally affected by any change in or withdrawal of

such assistance. Any sovereign default is likely to have adverse consequences for the Member State concerned, the Eurozone and the wider world economy.

It is possible that one or more Eurozone states could at some point exit the euro and return to a national currency and/or that the euro will cease to exist as a single currency in its current form. The effects of an exit from the euro are impossible to predict, but are likely to be negative, and include, without limitation, flight of capital from perceived weaker countries to stronger countries in the EU, default on the exiting state's domestic debt, collapse of its domestic banking system, seizure of cash or assets, imposition of capital controls that discriminate in particular against foreigners' asset holdings and political or civil unrest. The exit of any country from the euro is likely to have a destabilising effect on all Eurozone countries and their economies and a negative effect on the global economy as a whole. Events of this nature could be adverse for investors including, among other things, causing extreme fluctuations in the value and exchange rate of the euro, market disruption, governmental intervention, and difficulties in valuing assets, obtaining funding or credit, transacting business with counterparties and managing investment risk.

United Kingdom's Withdrawal from the European Union

Following the withdrawal from the European Union, the UK has entered a transition period, during which European Union law will continue to apply in the UK. New European Union legislation that takes effect before the end of the transition period will also apply to the UK. As of the date of this Brochure, the transition period will last until 31 December 2020, but may be extended. During and following the transition period, there is likely to be considerable uncertainty as to the UK's post-transition framework, and, in particular, as to the arrangements which will apply to its relationships with the European Union and with other countries. This process and/or the uncertainty associated with it may, at any stage, adversely affect the return on the Cheyne Funds' investments. There may be detrimental implications for the value of a Fund's investments and/or its ability to implement its investment program.

The UK's vote to leave the EU created a degree of political uncertainty, as well as uncertainty in monetary and fiscal policy, which is expected to continue during the transition period. It may have a destabilising effect on some of the remaining members of the EU, the effects of which may be felt particularly acutely by Member States within the Eurozone. The withdrawal of the UK from the EU could have a material impact on the UK's economy and its future growth, impacting adversely a Cheyne Fund's investments in the UK. It could also result in prolonged uncertainty regarding aspects of the UK economy and damage customers' and investors' confidence. Any of these events could have a material adverse effect on a Fund.

Impact of COVID-19

In December 2019, an outbreak of a contagious respiratory virus now known as COVID – 19 occurred and it has since spread globally. The virus has resulted in government authorities in many countries (including the People's Republic of China and Hong Kong, the United States and Europe) taking extreme measures to arrest or delay the spread of the virus, including the declaration of states of emergency, restrictions on movement, border controls, travel bans and the closure of offices, schools, and other public amenities such as bars, restaurants, and sports facilities. This has resulted in major disruption to businesses, both regionally and globally, substantial market volatility, exchange trading suspensions and closures. While the full

impact is not yet known, it is anticipated that these events will have a material adverse effect on general global economic conditions and market liquidity.

This may in turn cause material disruptions to business operations of service providers on which a Cheyne Fund may rely, including the Investment Manager. It may also adversely impact a Cheyne Fund's investments, the ability of the Investment Manager to access markets or implement a Fund's investment policy in the manner originally contemplated, the Net Asset Value of a Fund and therefore the Shareholders. A Fund's access to liquidity could also be impaired in circumstances where the need for liquidity to meet redemption requests may rise significantly.

The foregoing list of risk factors is not complete. Prospective investors in any Cheyne Fund should review the Fund's IM and consult with their own advisors before deciding to subscribe.

ITEM 9 – Disciplinary Information

There are no legal or disciplinary events that CCM(UK)LLP believes are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

ITEM 10 – Other Financial Industry Activities and Affiliations

While CCM(UK)LLP's principal business activity is providing investment management services to Cheyne Funds and other clients, CCM(UK)LLP also provides certain marketing services for the Cheyne Funds.

CCM(UK)LLP provides investment management services to a number of Cheyne Funds that are organized as master/feeders excepted from U.S. registration as investment companies under the Investment Company Act. The general partners of these funds, which receive compensation for acting as the general partners of the limited partnership master funds, are affiliated with CCM(UK)LLP. Certain Cheyne Funds managed or advised by CCM(UK)LLP and/or its affiliates will invest in other funds managed or advised by CCM(UK)LLP and/or its affiliates. Because the general partners and CCM(UK)LLP are affiliated, there exists a potential disincentive for CCM(UK)LLP to be replaced, even if such an action is in the best interests of a Cheyne Fund. Moreover, the fees paid by a general partner to CCM(UK)LLP and/or its affiliates are paid pursuant to agreements negotiated between affiliated parties and therefore have not been established in an arm's length transaction.

CCM(UK)LLP is not registered, nor does it have an application pending to register, as a broker-dealer with the Financial Industry Regulatory Authority (FINRA). CCM(UK)LLP's management personnel are not registered representatives with FINRA and are not authorized to receive sales commissions in connection with the sale of interests in the Cheyne Funds.

CCM(UK)LLP is registered as a Commodity Pool Operator ("CPO") with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA").

Affiliations

CCM(UK)LLP is affiliated with the following Cheyne group entities:

- Cheyne Capital International L.P ("CCILP");
- Cheyne Capital US L.P ("CCUSLP");
- Cheyne SVC L.P ("CSVC");
- Cheyne Capital SMC Limited ("CSMC"); and,
- Cheyne Capital (MENA) Limited ("CMENA").

CCILP provides investment advice and worldwide marketing services to a number of the Cheyne Funds pursuant to marketing and advisory agreements with those funds. CCILP is registered with the SEC as an Exempt Reporting Adviser and is registered with the NFA as a Commodity Pool Operator.

CCUSLP carries out certain business development and investor relations activities with North American investors and is registered with the NFA as a Commodity Pool Operator.

CSVC provides investment advisory services to CCM(UK)LLP in respect of the Strategic Value Credit strategy and is registered with the NFA as a Commodity Pool Operator.

CSMC is authorised by the Central Bank of Ireland as Management Company under both the EU UCITS and AIFM Directives. CSMC is registered with the SEC as an Exempt Reporting Adviser and is registered with the NFA as a Commodity Pool Operator.

CMENA provides portfolio management services to CCM(UK)LLP in respect of the EMEA strategy. CMENA is authorised by the Dubai Financial Services Authority.

Potential Conflicts

From time to time, various potential and actual conflicts of interest could arise from CCM(UK)LLP's overall investment activities, including the activities between us and our affiliates as described further in Item 11.

The Firm has adopted and implemented certain standards, policies and procedures designed to ensure that clients are not harmed by the potential or actual conflicts of interest described in this Brochure. However, there is no guarantee that such standards, policies, and procedures will detect and ensure the avoidance, disclosure, or mitigation of each situation in which a conflict may arise.

Recommendation Fees

CCM(UK)LLP does not recommend or select other investment advisers for its clients for compensation.

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

Code of Ethics

Advisory persons are, to the extent applicable, subject to the provisions of CCM(UK)LLP's Code of Ethics (the "Code"). The Code is designed to comply with Advisers Act Rule 204A-1. Additionally, the Code contains provisions that assist CCM(UK)LLP with its recordkeeping obligations under the Advisers Act. CCM(UK)LLP will provide a copy of the Code to any client or prospective client upon request.

Through implementation of the Code, CCM(UK)LLP seeks to ensure that personal trading activities of "Access Persons" (as defined in the Advisers Act) do not conflict with the interests of CCM(UK)LLP clients. Consequently, CCM(UK)LLP has adopted policies and procedures designed to ensure that such trading (i) complies with CCM(UK)LLP's legal and fiduciary obligations; (ii) is properly recorded in CCM(UK)LLP's books and records and (iii) is subject to the review and oversight of CCM(UK)LLP's Chief Compliance Officer. The Code contains various provisions with respect to the reporting of personal holdings, transactions and/or brokerage statements.

In addition to these personal securities transaction reporting obligations, policies covering the following are also included in the Code:

- pre-clearance of initial public offerings and limited offerings;
- the receipt or giving of gifts;
- conflicts of interest;
- fair treatment of clients;
- outside business activities;
- disclosure of brokerage accounts and trading;
- reporting violations of the Code;
- notifications and certifications;
- violations and sanctions;
- review of Code reports and potential violations; and
- quarterly self certifications of compliance with the Code.

Political Contributions and "Pay to Play"

Contributions to candidates for a US public office, a US political party or a US political action committee ("PAC") by CCM(UK)LLP and its Employees are made in compliance with the Pay to Play Rule (Rule 206(4)-5 of the Advisers Act). Any contribution, to candidates running for U.S. state or local political office, candidates running for U.S. federal office who currently hold a U.S. state or local political office, or to political parties or PACs that may contribute to such campaigns (collectively, a "Political Contribution") by CCM(UK)LLP, or its Employees must be made in compliance with applicable law. US political contributions at a city, state, or county level are not permitted.

CCM(UK)LLP will not make Political Contributions or otherwise endorse or support political parties or candidates (including through intermediary organizations such as PACs or campaign funds) with the intent of directly or indirectly influencing any investment management relationship.

Preclearance is required for all Political Contributions. All Employees are required to obtain approval from the Chief Compliance Officer before making a Political Contribution. Under no circumstances may an Employee engage indirectly in any of the foregoing activities, such as funnelling payments through third parties including, for example, attorneys, family members, friends or companies affiliated with CCM(UK)LLP as a means of circumventing the Pay to Play Rule.

Principal Trades

Neither CCM(UK)LLP nor its related persons trade on a proprietary or personal basis for their own accounts with the Cheyne Funds as a counterparty.

Participation or Interest in Client Transactions

CCM(UK)LLP provides investment management and/or other investment services to the Cheyne Funds and other clients. CCM(UK)LLP may give advice and take action with respect to any Cheyne Fund or client to which it provides discretionary management services, which may differ from action taken by CCM(UK)LLP on behalf of other Cheyne Funds or clients. CCM(UK)LLP is not obligated to recommend, buy, or sell, or to refrain from recommending, buying, or selling any security that CCM(UK)LLP may buy or sell for the accounts of any other Cheyne Fund or other client.

Cross Trades

To the extent permitted by applicable law, the Firm's compliance policies and procedures, and the relevant investment management agreement, CCM(UK)LLP will from time to time undertake a Cross Trade between one Cheyne Fund or other client and another Cheyne Fund or other client. Cross Trades present a potential conflict of interest because CCM(UK)LLP represents the interests of both the selling account and the buying account in the same transaction and may have an incentive to favor one client over the other because of different fee arrangements or other factors. Cross Trades will be undertaken only when CCM(UK)LLP deems that it is in the best interests of both participating Cheyne Funds or other clients and is generally undertaken for rebalancing and to reduce transaction costs. These trades are undertaken in the market with the assistance of a broker-dealer and will be effected at the independent current market price of the security as determined by reference to independent third-party sources where available. Prior authorisation from CCM(UK)LLP's Chief Compliance Officer is required before a Cross Trade is undertaken. Such Cross Trades will not be undertaken for certain Cheyne Funds. If a Cheyne Fund or other client is not permitted to engage in Cross Trades, such restrictions could adversely impact the price of the commission that Cheyne Fund or client incurs.

Personal Account Trading

CCM(UK)LLP has adopted a Personal Account Trading Policy and related procedures that aim to prevent conflicts of interest occurring between CCM(UK)LLP's personnel and Cheyne Funds.

All CCM(UK)LLP personnel, as well as their household members and dependents are required to comply with the Personal Account Trading Policy. The Personal Account Trading Policy requires all personnel to make initial and annual securities holding reports to the Firm that identify all brokerage accounts in which the employee has a direct or indirect beneficial interest. These reports contain information about the securities held in such brokerage accounts. All personnel are required to obtain prior approval from a member of the Compliance team to undertake a personal account transaction. Before giving approval, the Compliance team will first ensure that the transaction in question does not cause any conflict with a Cheyne Fund or other client. In order to mitigate potential conflicts, investment personnel are prohibited from investing in securities held by Cheyne Funds that they are involved in managing, or which are being considered for purchase. In addition, a 60-day holding period is applied to all personal account transactions. CCM(UK)LLP personnel are required to provide account trading confirmations and statements promptly to the Compliance team to ensure compliance of all personal securities transactions.

Conflicts of Interest

CCM(UK)LLP is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of a Cheyne Fund.

CCM(UK)LLP will take all reasonable steps to identify and mitigate potential or actual conflicts of interest between:

- the Firm, including its partners and employees, or any person directly or indirectly linked to them and a Cheyne Fund, or
- between one Cheyne Fund and another.

CCM(UK)LLP has a Conflicts Policy ("the Policy"), which documents the methods used to identify and manage conflicts of interest. All matters relating to conflicts of interest are managed in accordance with the Policy.

Investment Allocations

CCM(UK)LLP is organised internally into independent investment management teams, each of which manages Cheyne Funds with specific investment strategies. Portfolio Managers are strategy specialists and generally act independently of each other, with each investment management team being responsible for their own funds under management.

Cheyne Funds are managed in accordance with their stated investment objectives and investment guidelines and restrictions as detailed in their Information Memorandums ("IMs") or Prospectuses as applicable. Any managed accounts will be managed in accordance with

the investment guidelines and restrictions detailed in the relevant schedules of the Investment Management Agreements.

In accordance with its Allocation Policy, when executing orders on behalf of clients, CCM(UK)LLP will provide for the prompt, fair and expeditious execution of all client orders; take all reasonable steps to identify conflicts of interest between clients and treat all clients fairly.

Where possible, orders will generally be aggregated together, in order to achieve a better overall execution result. Once completed, aggregated orders of eligible securities will generally be allocated pro rata based on AUM.

Material Non-public Information (“MNPI”)

CCM(UK)LLP has implemented a number of controls, processes, policies and procedures in order to appropriately manage the receipt of MNPI, in accordance with the Market Abuse Regulation, which was implemented in EU Member States and went live in the United Kingdom on 3rd July 2016.

These controls include, amongst other things (1) preclearance of all ‘wall crossings’ and ‘market soundings’. Prior to receiving any inside information in a wall crossing/market sounding, a member of CCM(UK)LLP’s Compliance team will carry out a conflict check to ensure that there are no conflicts with taking such information. CCM(UK)LLP’s Compliance team sits on top of the wall, with the aim of controlling all inside information entering the Firm. (2) Maintaining the Firm’s Restricted List. CCM(UK)LLP’s Restricted List provides details of all securities in which the Firm cannot deal for a variety of reasons. In some cases, this is because the Firm has inside information. The content of the Restricted List is kept strictly confidential and only circulated internally to those persons who need to receive such information. Trading in securities on the Firm’s Restricted List is strictly prohibited. (3) Surveillance; CCM(UK)LLP operates a number of internal surveillance programs which includes communications surveillance: recording and monitoring all front office communications, including desk telephones, business mobile telephones and other such devices and email messages. The use of personal devices for business matters is not permitted. Trade surveillance: the Compliance team have implemented a number of surveillance and analytical tools for the purposes of identifying potential breaches in the Firm’s procedures surrounding MNPI. (4) Training; all CCM(UK)LLP staff are required to complete annual compliance training, which includes, amongst other things, training on matters related to MNPI. In addition, ad-hoc training sessions are provided on this subject as a means of ensuring that all staff remain vigilant and aware of matters relating to MNPI.

Investor Side Agreements

CCM(UK)LLP recognises the conflict that investor side agreements cause and as such, it is the Firm’s policy not to enter into material side agreements. CCM(UK)LLP has not and would not grant preferential liquidity to any investor in a Cheyne Fund or agree to provide other material terms pertaining to an investment in a Cheyne Fund.

On certain occasions CCM(UK)LLP may grant fee discounts in the form of management fee rebates, this would be to reflect significant size and/or early stage nature of investments, in line with standard industry best practice.

Use of Investment Consultants

In certain circumstances CCM(UK)LLP will use the services of Investment Consultants, and/or Expert Networks (together “Experts”), to compliment the Firm’s own in-house analysis on particular investment opportunities. The use of such Experts is governed by the Firm’s Expert Network Policy.

Prior to engaging any new relationship, all Expert services must be preapproved by CCM(UK)LLP’s Compliance and Legal teams, this is to ensure that the services provided, and the controls operated by the service provider are robust and fit for purpose. In addition, CCM(UK)LLP has implemented a number of processes and procedures that control, amongst other things, the dissemination of MNPI by an Expert.

Where possible, CCM(UK)LLP will implement additional and bespoke controls, over and above those operated by the provider of Experts, which flag potential conflicts prior to engagement. If a potential conflict is flagged, an exception alert will prevent a member of CCM(UK)LLP staff from using the Expert service, until a member of Compliance has given approval to proceed. In certain circumstances requests to use certain Experts may be rejected by Compliance.

ITEM 12 – Brokerage Practices

Selection Criteria for Brokers and Dealers

CCM(UK)LLP's objective in selecting brokers and dealers and in effecting transactions on behalf of Cheyne Funds and other clients is to seek to obtain the best combination of execution price and transaction costs. The best net price, after taking account of brokerage commissions, spreads, and other costs, is normally an important factor in this decision, but a number of other factors are also considered as they are deemed relevant.

The factors include, but are not limited to: CCM(UK)LLP's knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer selected (or not selected); CCM(UK)LLP's knowledge of actual or apparent operational issues of any broker-dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions.

CCM(UK)LLP has full discretion in selecting which brokers and dealers to trade with for the Cheyne Funds and does not permit clients to direct brokerage.

Commission Rates

CCM(UK)LLP monitors the charges of eligible brokers and dealers to minimise the expense incurred for effecting transactions for the Cheyne Funds and other clients. However, CCM(UK)LLP will not select broker-dealers solely on the basis of commission rates nor always seek in advance competitive bidding for the most favourable commission rate applicable to any particular transaction. Although CCM(UK)LLP seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialist services on the part of the broker-dealer involved resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

CCM(UK)LLP monitors commissions paid, rates and quality of execution to ensure Cheyne's Funds and other clients are being treated fairly.

Investment Research under MIFID II

Under the FCA Rules which implement MiFID II, when CCM(UK)LLP is providing portfolio management services to a Cheyne Fund or other client, CCM(UK)LLP must not: (a) accept and retain any fees, commission, or monetary benefits; or (b) accept any non-monetary benefits (together with (a), "inducements"), other than the following:

- acceptable minor non-monetary benefits; or
- third party research received and paid for in accordance with the arrangements described in the Firm's Research Policy.

The FCA Rules state that third party research that is received by CCM(UK)LLP will not be a prohibited inducement if it is received in return for either of the following:

- direct payments by CCM(UK)LLP out of its own resources; or
- payments charged to clients and made from a separate Research Payment Account controlled by CCM(UK)LLP, provided that CCM(UK)LLP meets the requirements in the FCA Rules relating to the operation of the account.

Investment Research

Investment research is defined in the MiFID II legislation as: “research material or services:

- concerning one or several financial instruments or other assets; or
- concerning the issuers or potential issuers of financial instruments; or
- closely related to a specific industry or market such that it informs views on financial instruments, assets, or issuers within that sector,

and which explicitly or implicitly recommends or suggests an investment strategy and provides a substantiated opinion as to the present or future value or price of such instruments or assets, or otherwise contains analysis and original insights and reaches conclusions based on new or existing information that could be used to inform an investment strategy or be capable of adding value to a firm’s decisions on behalf of clients”.

The definition applies to investment research covering all asset classes, including fixed income/credit research and macro research in addition to equities research. The key elements of the definition are that the material must:

- explicitly or implicitly recommend or suggest an investment strategy; and
- provide a substantiated opinion as to the present/future value/price of instruments/assets or otherwise contain analysis and original thought and reach conclusions based on new or existing information.

The key elements above eliminate a number of types of information from the definition of research. Specifically, the following items would not constitute research (and would be classed as Non-Research Materials”):

- news articles;
- news commentary, commentary on flows or general market colour received from the sales and trading teams at a bank or broker;
- short term trade ideas/recommendations (e.g. “Vodafone is looking cheap today”), for example received from the sales and trading teams at a bank or broker that do not contain an in-depth, properly substantiated explanation of the rationale for that trade;
- a short form executive summary taken from a piece of investment research that has been cut and pasted into an email or other message, provided that the message does not reproduce, or contain a link to, the full in-depth analysis; and
- raw (i.e. un-manipulated) market or other data.

On the contrary, the following would constitute research:

- in-depth analysis relating to an issuer contained in a document consisting of multiple pages of text, where the analysis is based on a financial model built by the person (e.g. an analyst) who produced it (whether or not the document includes a buy/sell/hold (or equivalent) recommendation and/or a price target), plus any follow-up conversations about the research with its producer and/or being given access to the producer's model(s) and/or workings;
- in-depth analysis of past, present and/or expected future macroeconomic trends or trends within an industry sector or geographic area produced by an analyst or economist, plus any follow-up conversations about the research with the analyst/economist and/or being given access to the analyst's/economist's model(s) and/or workings.

The manner in which material is labelled by its producer is not relevant in determining whether or not the material constitutes research. Consequently, if material is labelled with "this document is not research" or "this document is marketing material" that does not necessarily mean that the material falls outside of the definition of research. Rather, the key question is whether it falls within the definition set out above.

Examples of goods or services not regarded as research and as such, must not be paid for from Client Research Payment Accounts include:

- post-trade analytics;
- price feeds or historical price data that have not been analysed or manipulated in order to present the firm with meaningful conclusions;
- services relating to the valuation or performance measurement of portfolios;
- seminar fees;
- corporate access services;
- subscriptions for publications;
- travel, accommodation, or entertainment costs;
- order and execution management systems;
- membership fees to professional associations;
- direct money payments; and
- administration of a research payment account.

To the extent that CCM(UK)LLP receives any of the above services, such services are required to be paid for by the Firm from its own resources, or where appropriate, charged to the Cheyne Funds under the additional costs and charges provisions within the Cheyne Fund offering documents.

Research Budgets

The research charge is based on a research budget set by each Portfolio Manager for the purpose of establishing the amount needed for third party research in respect of investment services rendered to CCM(UK)LLP's clients ("research budget"). CCM(UK)LLP will annually separately set and assess a research budget as an internal administrative measure.

In respect of the research budget, CCM(UK)LLP's policy is as follows:

- The budgeting process is carried out by each Portfolio Manager/ Business Unit/Division, in consultation with Compliance.
- Budgeting for research initially takes place annually at the outset of the research procurement process, in order to determine all anticipated needs to levy the research charge, in the best interest of clients. CCM(UK)LLP's research budget is an *ex-ante* estimate of forecast expenditure for research costs.
- The research budget is not linked to the volume or value of transactions executed by CCM(UK)LLP on behalf of clients. Instead, the research budget is based on a Portfolio Manager's independent assessment of their research needs, as distinct from any trade execution activities.
- CCM(UK)LLP does not use the research budget to fund internally generated research. Instead, the research budget is used only to purchase third party research.
- In setting a research budget, and in light of the obligation to fairly allocate costs as described above, CCM(UK)LLP will generally set a budget for a group of clients who would all benefit from the same research. This could be, for example, because those clients have portfolios that are managed according to similar investment strategies, i.e. Investment Grade Corporate Credit. Alternatively, the budget may be more granular i.e. where there are separately identifiable portfolios within a master fund.
- CCM(UK)LLP will not set a budget for a group of client portfolios or accounts that do not share sufficiently similar investment objectives and research needs. Budgets are set by Business unit or Division, with no cross subsidisation.

Minor Non-monetary Benefits

The prohibition on the receipt of non-monetary benefits by MiFID firms that provide portfolio management or independent investment advisory services is subject to an exception that, provided certain conditions are met, permits such firms like CCM(UK)LLP to receive non-monetary benefits that are "minor" in nature. For these purposes, there is an exhaustive list of benefits that potentially constitute "minor" non-monetary benefits.

In terms of written materials, the list of potential "minor" non-monetary benefits includes the following generic items:

- Information or documentation relating to a financial instrument or an investment service, that is generic in nature or personalised to reflect the circumstances of an individual client. This category includes short term market commentary on the latest economic statistics or company results or information on upcoming releases or events which are provided by a third party and which: (1) contain only a brief unsubstantiated summary of the third party's own opinion on the information; and (2) do not include any substantive analysis (e.g. where the third party simply reiterates a view based on an existing recommendation or existing substantive research). It, therefore, includes the types of Non-Research Materials that are above (although it would not include data feeds of raw market data). This category also includes material that falls within the definition of research, but which is made available to the public (for example by being posted to a website) on a free-of-charge basis ("Free Public Material").
- Widely-available, issuer sponsored research: written material from a research producer that is commissioned and paid for by a corporate issuer or potential issuer to promote a

new issuance by that issuer, or where the research producer is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public. This category includes most types of research produced by a ratings agency.

- Widely available research produced in connection with a particular issuance of securities: research relating to an issuance of securities by an issuer, which is:
 - produced prior to the issuance being completed by a person that is providing underwriting or placing services to the issuer in relation to that issue; and
 - made available to prospective investors in the issue.

Corporate Access

CCM(UK)LLP defines corporate access as the service provided by a broker-dealer of facilitating, arranging, or bringing about contact with an issuer or potential issuer of securities and includes field trips, conferences and individual meetings that involve one or more corporate issuers, and which are facilitated for CCM(UK)LLP by a bank or broker. Such services are non-monetary benefits and, subject to the exception described below, are not to be regarded as “minor” in nature. CCM(UK)LLP is, therefore, required to pay the bank or broker for such services (at an appropriate rate) out of CCM(UK)LLP’s own resources.

Alternatively, the language in Cheyne Fund Offering Documents provides for a recharge of such fees and charges for corporate access services, up to 10bps per annum.

As an exception to the above requirement, where a corporate issuer’s investor relations office (or its ‘house broker’ if the service is paid for by the issuer) organises investor ‘road shows’ to support a capital raising event and the event is freely and publicly open to analysts from investment firms and other investors, it is capable of qualifying as an acceptable minor non-monetary benefit. CCM(UK)LLP employees are permitted to attend such events without paying a fee to attend.

Prime Brokerage Services

When required, a Cheyne Fund will have a relationship with one or more prime brokers that provide prime brokerage services to the Funds. These services include, but are not limited to clearing, financing, securities lending, reporting, and other client services. When choosing prime brokers for the Funds, CCM(UK)LLP considers a number of factors, including the broker’s ability to locate borrows, fees, ability to finance the diverse assets that comprise the Funds’ portfolio, the cost of financing, margin requirements and creditworthiness, among other factors. In addition to the services described above, a prime broker may also provide additional services (such as capital introductions, advanced research and analytics and technology services) to the Funds and/or the Firm.

CCM(UK)LLP may take advantage of some, or all of these additional services provided by the prime brokers. CCM(UK)LLP’s use of a prime broker with respect to the Funds may yield increased administrative ease and, therefore, reduce expenses incurred by CCM(UK)LLP, and CCM(UK)LLP may therefore be incentivized to do business with prime brokers who provide these services. However, CCM(UK)LLP directs the Funds’ business to a

variety of prime brokers and does not believe that the Funds incur above-market cost for prime brokerage as a result of the prime brokers' providing these additional services.

Certain prime brokers may sponsor events, meetings, or other communications between potential investors and CCM(UK)LLP or its affiliates. These capital introduction services are incidental to prime brokerage services. CCM(UK)LLP is not compelled to engage prime brokers or other broker-dealers that sponsor these capital introduction programs in order to be included at these events. However, these capital introduction events are typically sponsored by prime brokers that provide services to the Funds and they may create the appearance that CCM(UK)LLP is using these prime brokers in order to be invited to their capital introduction programs. CCM(UK)LLP does not pay to participate in these programs and believes that the Funds are not subject to higher transaction costs as a result of CCM(UK)LLP's participation in such programs or services.

Aggregated Orders

It is CCM(UK)LLP's policy that when a decision is made to aggregate transactions on behalf of more than one Cheyne Fund or other client, such transactions will be allocated in a fair and equitable manner over time. Consistent with each participating client's investment mandate, CCM(UK)LLP may aggregate orders for more than one Cheyne Fund or other client to facilitate best execution, including negotiating more favourable prices, obtaining more timely or equitable execution, or reducing overall commission charges. CCM(UK)LLP will also consider the following when considering aggregating transactions and allocating trades:

- cash flow changes (including available cash, redemptions, exchanges, capital additions and capital withdrawals) may provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific accounts or types of accounts over time;
- accounts with specialised investment objectives or restrictions emphasising investment in a specific category of securities may be given priority over other accounts in allocating such securities; and
- for certain asset classes like bonds and other debt related securities, street convention and good delivery may dictate the minimum size and par amounts.

CCM(UK)LLP also has the discretion to choose not to aggregate orders to the extent permitted by regulation and law.

A *pro rata* allocation will typically be used when aggregating orders. While CCM(UK)LLP will usually attempt to allocate *pro rata* in the first instance, CCM(UK)LLP may invest in limited availability or thinly traded securities in which it may be unable to acquire substantial positions. Because block orders for such securities are rarely completed in a single trade, and because allocating small blocks of such securities may increase settlement and transaction costs, CCM(UK)LLP may use a different allocation to fill the total amount for one Cheyne Fund or other client before selecting the next. On its own, this alternative allocation method may result in a fill only for that Cheyne Fund or other client selected. CCM(UK)LLP will then place that Cheyne Fund or other client at the back of the group of funds eligible for a fill on the next trading day.

This allocation process should ensure that all eligible Cheyne Funds and other clients have an opportunity to participate in such transactions over time.

CCM(UK)LLP's Compliance department reviews aggregated transactions and allocated trades as part of the Compliance Monitoring oversight.

ITEM 13 – Review of Accounts

Periodic Reviews

The investments of each Cheyne Fund are managed in accordance with the investment objectives and guidelines applicable to such Cheyne Fund as set out in that Fund's IM.

Members of CCM(UK)LLP monitor the Cheyne Funds' investments each business day to aim to ensure that each portfolio is managed in accordance with the investment objective set out in the applicable IM. The individuals primarily responsible are the investment personnel and members of the Risk department. This ongoing process will use various data and methods, including computer-based exception reporting. CCM(UK)LLP's Chief Compliance Officer reviews investment activities periodically to aim to ensure these activities are in accordance with applicable regulations. The Chief Compliance Officer reports findings to CCM(UK)LLP's Executive Committee and to the Board of the Cheyne Funds.

The activities of individual portfolio managers are overseen by CCM(UK)LLP's Chief Investment Officer.

In addition to the regular reviews performed as part of the ongoing investment process, factors that would be likely to trigger an additional review include, but are not limited to, changes in market or economic conditions or changes in information regarding particular issuers.

Content and Frequency of Account Reports

CCM(UK)LLP prepares periodic written reports, fact sheets and investor letters and communications to all investors in the Cheyne Funds. Generally, fact sheets and investor communications are provided on a monthly basis. An annual audited financial report is also provided to investors in relation to the Cheyne Fund in question. Generally, Cheyne Funds are subject to financial audit by independent public auditors. Audited financial statements are delivered to investors within six months of the end of the fiscal year.

Please see the relevant Offering Documents for additional information related to the types of reporting and the frequency of reports provided to Investors in the Cheyne Funds.

ITEM 14 – Client Referrals and Other Compensation

CCM(UK)LLP does not receive any economic benefit from anyone that is not a client for providing investment advice or other advisory services to CCM(UK)LLP clients. In addition, CCM(UK)LLP does not directly or indirectly compensate any third parties for client referrals.

ITEM 15 – Custody

CCM(UK)LLP does not take custody of the assets belonging to Cheyne Funds. However, because an affiliate of CCM(UK)LLP serves as general partner of those Cheyne Funds that are organized as limited partnerships, CCM(UK)LLP is deemed to have “custody” over such Funds within the meaning of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). To comply with the Custody Rule, Fund assets are held at one or more qualified custodians; these qualified custodians include prime brokers, banks, and other broker-dealers. These arrangements are disclosed in the IM for the relevant Cheyne Fund.

In addition, CCM(UK)LLP provides each U.S. Investor in a Cheyne Fund with audited financial statements, reconciled in accordance with the International Financial Reporting Standards (“IFRS”), as soon as practicable following such Fund’s fiscal year end, but in all events, within 120 days of the end of such year.

ITEM 16 – Investment Discretion

Generally, CCM(UK)LLP is retained on a discretionary basis and is authorised to make the following determinations in accordance with the Cheyne Funds' specified investment objectives without consultation or consent before a transaction is effected:

- which securities to buy or sell;
- the total amount of securities to buy or sell;
- whether derivative or synthetic transactions are entered into or closed out;
- the broker-dealer through whom securities are bought or sold;
- the counterparty with whom a derivative or synthetic position is entered into;
- the commission rates at which securities transactions for client accounts are effected, and;
- the prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Investors in a Cheyne Fund will have no authority to make decisions or participate in the management of or exercise business discretion with respect to a Cheyne Fund. Accordingly, no person should invest in a Cheyne Fund unless he or she is willing to entrust all aspects of the management of the Cheyne Fund to CCM(UK)LLP.

ITEM 17 – Voting Client Securities

CCM(UK)LLP has the authority to vote the securities owned by Cheyne's Funds on their behalf and has adopted proxy voting policies and procedures (the "Proxy Policy") in connection with exercising this authority. Under the Proxy Policy, CCM(UK)LLP votes proxy proposals, amendments, consents, or resolutions relating to securities owned by the Cheyne Funds (collectively, "Proxies") in a manner that serves the best interests of the Cheyne Funds and the underlying investors, as determined by CCM(UK)LLP in its discretion.

CCM(UK)LLP has enlisted the services of third-party service providers with the aim of obtaining timely information on upcoming voting events. CCM(UK)LLP has not contracted with any provider that would be classified as a proxy advisory firm, and all voting is undertaken by CCM(UK)LLP in accordance with the Proxy Policy.

CCM(UK)LLP does not automatically vote on every event. CCM(UK)LLP is not required to vote on every proxy and the act of not voting should not necessarily be construed as a violation of the Firm's fiduciary obligations. CCM(UK)LLP does not ignore or neglect its proxy voting responsibilities. Rather, there may be times when refraining from voting is in the clients' best interests.

CCM(UK)LLP will generally vote Proxies in accordance with the recommendations of management. However, portfolio managers have the discretion to determine to vote Proxies other than in accordance with, or contrary to, the recommendations of management. In these cases, portfolio managers will base their decision on factors, including, but not limited to (i) their assessment of the impact of the vote on the value of the securities; (ii) their assessment of the impact of the vote on the investment strategy of the Cheyne Fund; and (iii) an overall analysis of the costs and benefits associated with the proposal for the Cheyne Fund in question.

CCM(UK)LLP aims to limit the occurrence of conflicts of interest in connection with voting Proxies by operating in line with its Proxy Policy. CCM(UK)LLP would consider the following events to be a potential material conflict of interest with respect to a proxy:

- the Firm has a business relationship or potential relationship with the issuer;
- the Firm has a business relationship with a proponent of the proxy proposal; or
- the Firm's management, employees or consultants have a personal or other business relationship with the participants in the proxy contest, such as corporate directors or director candidates.

In the unlikely event that a conflict of interest does occur, CCM(UK)LLP's and Chief Compliance Officer and General Counsel would be involved with a view to mitigating any such conflict.

A copy of CCM(UK)LLP's Proxy Policy is available on request.

Shareholder Rights Directive II

The Shareholder Rights Directive II (“SRD II”) is a European Union Directive which has the aim of encouraging long term shareholder engagement and enhancing transparency between companies and investors. Article 3(g) of SRD II requires institutional investors and asset managers to develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy or explain why they have not done so. For the purposes of SRD II, asset managers are defined as investment firms providing portfolio management services.

CCM(UK)LLP’s Shareholder Engagement Policy describes how the Firm:

- monitors investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact, and corporate governance; conducts dialogues with investee companies;
- exercises voting rights and other rights attached to shares;
- co-operates with other shareholders; and
- manages actual and potential conflicts of interests in relation to their engagement.

Furthermore, the directive requires firms to publicly disclose how its engagement policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors.

A copy of CCM(UK)LLP’s Shareholder Engagement Policy is available on request. As required by the Directive, a copy is also available on the Firm’s website.

ITEM 18 – Financial Information

CCM(UK)LLP has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.

CCM(UK)LLP does not require or solicit prepayment of fees.