

## **Southern Ridges Capital (USA) LLC**

**Suite 23B, 767 Fifth Avenue,  
New York, New York 10153**

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CRD: 311358**

**This brochure provides information about the qualifications and business practices of Southern Ridges Capital (USA) LLC. If you have any questions about the contents of this Brochure, please contact us at +1 (332) 910-5167 or by email at [rachna.khurana@southernridgescapital.com](mailto:rachna.khurana@southernridgescapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Southern Ridges Capital (USA) LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration as an investment adviser does not imply that Southern Ridges Capital (USA) LLC or any of its principals or employees possess a particular level of professional competence, education or special training in the investment advisory business or any other business.**

**Item 2: Material Changes**

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Since the last amendment of this Brochure of Southern Ridges Capital (USA) LLC submitted in October 2022, there have not been any material changes.

Any Material Changes to this Brochure will be included in subsequent filings.

**Item 3: Table of Contents**

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## Item 4: Advisory Business

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### Advisory Firm

Southern Ridges Capital (USA) LLC ("**SRC US**") is a Delaware limited liability company formed on September 17, 2020. The sole owner and member of SRC US is Southern Ridges Capital Pte. Ltd. ("**SRC Singapore**"), which is majority-owned and controlled by Mr. Mohit Khurana.

SRC US intends to act as a sub-investment adviser to the Southern Ridges Master Macro Fund (the "**Macro Master Fund**"), Southern Ridges Summit Master Macro Fund (the "**Summit Master Fund**") (collectively the "**Master Funds**") and the respective feeder funds, Southern Ridges Macro Fund, and Southern Ridges Summit Macro Fund (collectively with the Master Funds, the "**Funds**"). The Funds are exempted companies incorporated with limited liability under the laws of the Cayman Islands. The Funds have not been and will not be registered under the United States Investment Company Act of 1940, as amended, and the sale of their interests will not be registered under the Securities Act of 1933, as amended.

SRC Singapore acts as investment manager to the Funds and delegates all investment management rights to the sub-advisor – SRC US. SRC Singapore and SRC US will be referred to collectively as "**SRC**" or "**Group**" in this brochure.

### Types of Services Offered

The principal activity of SRC US is to provide discretionary investment management services, including investment advisory services, to the Master Funds. SRC US and SRC Singapore have entered into a sub-advisory agreement (the "**Subadvisory Agreement**") that governs SRC US's investment and trading activities. The Sub-advisory Agreement authorizes SRC US to conduct investment activities such as portfolio management, risk management, research, and trading from its offices in New York City for the ultimate benefit of the Funds and future clients of SRC.

The investment objectives of the Master Funds are to deliver absolute returns over the medium term with the expertise of an experienced team, supported by rigorous research and analytic tools. SRC US provides delegated investment management and advisory services to the Master Funds based on specific investment objectives and strategies. The Funds' offering documents (as amended and supplemented from time to time) set forth the investment guidelines and/or the types of investments in which the Funds may invest.

### Ability to Tailor Services and Impose Restrictions

The investment objectives and strategy for the Funds are described in the Funds' offering documents. SRC US provides investment management and advisory services to the Funds, pursuant to the Subadvisory Agreement, based on the specific investment objectives and strategies of the Funds and does not provide services individually to investors in the Funds (the "**Investors**"). Since SRC US does not provide tailored advice to the Investors, the Investors should consider whether the Funds' investment strategies are in line with their risk tolerances. The Funds has entered, and may from time to time continue to enter, into side letter agreements or other similar agreements ("**Side Letters**") providing Investors with additional and/or different rights and benefits. When a Side Letter is entered into between the Funds and an Investor, SRC US, acting as principal on behalf of the Funds, assesses the need for and determines the appropriate disclosures required to the remaining investors concerning such Side Letters. Where deemed necessary, SRC US will liaise with outside legal

counsel to ensure the conflicts of interests and other risks involved with entering into a Side Letter are properly mitigated.

**Wrap Fee Programs**

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

**Client Assets**

As of December 31<sup>st</sup>, 2022, SRC had approximately US \$816,786,302 of regulatory assets under management. Because (i) SRC US provides its advisory services to SRC Singapore, by means of the Subadvisory Agreement, on a discretionary basis and for the general benefit of the Funds and (ii) SRC US's services are not restricted to any particular portfolio or account, SRC US may be deemed to concurrently be managing all of the clients assets managed by SRC Singapore.

## Item 5: Fees and Compensation

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SRC US will receive payment from SRC Singapore for providing sub-advisory services to the Funds. The sub-advisory fees payable to SRC US by SRC Singapore represent a portion of the fees received by SRC Singapore from the Funds. The fees, compensation, and expenses applicable to the Funds are set forth in detail in their respective governing agreements.

### Management Fee

Investors in the Funds managed by SRC Singapore are charged a fee for investment management services based on assets under management (the “**Management Fee**”), which is set forth in the Funds’ offering documents. SRC Singapore receives an annual management fee of 0.5% to 2% per annum in respect of the net asset value (“**NAV**”) of the relevant class of shares or interests. The Management Fee is payable monthly in arrears as soon as practicable after the end of each calendar month. SRC Singapore may, in its sole discretion, waive, rebate, or vary the Management Fee that is payable in whole or in part, in respect of certain Investors. The Funds may from time to time enter into Side Letters providing for changes in management fees.

### Performance Based Compensation

In addition to Management Fees, SRC Singapore receives performance-based compensation in the form of a performance fee or performance allocation (the “**Performance Fee**”) which is set forth in the Funds’ offering documents, calculated on a Share-by-Share basis in respect of each Calculation Period so that each Share is charged a Performance Fee which equates precisely with that Share’s performance. The Performance Fee will accrue monthly as at the close of business on each valuation day and generally will be paid annually in arrears. Investors redeeming as of a date that is not the fiscal year end for a Fund will be assessed a Performance Fee calculated on a “crystallized” basis.

SRC Singapore in its sole discretion, may reduce, waive, rebate, or vary the Performance Fee with respect to certain investors. The Funds may from time to time enter into Side Letters providing for changes in Performance Fees.

### Other Costs and Expenses

In accordance with the Private Placement Memoranda (“PPM”) and other related subscription documentation for the Funds, the Master Fund will pay (A) certain Fund Operating Expenses (as defined in the PPM), which are subject to a further PPM-defined Expense Cap; and (B) the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the administration of the Funds, including (a) brokers’ commissions (if any), borrowing charges on securities sold short and any issue or transfer taxes chargeable in connection with any securities transactions, (b) all taxes and corporate fees payable to governments or agencies, (c) interest on borrowings, including borrowings from the Prime Brokers and/or Custodian, (d) fees and expenses of the Prime Brokers and other professionals, experts and consultants (not covered within the definition of “Fund Operating Expenses” contained in the PPM); (e) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, placement memoranda and similar documents, (f) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, and (h) all other organisational and operating expenses. The feeder fund will bear, either directly or via the Master Fund, Fund Operating Expenses (as defined in the PPM) subject to the PPM-defined Expense Cap. If the Fund Operating Expenses exceeds the Expense Cap, the excess will be borne by the Manager. To the extent the Manager incurs any of the costs and expenses

outlined above for and on behalf of the Master Fund and/or the Fund, the Master Fund and/or the Fund shall reimburse the Manager for such costs and expenses. The Manager may however, in its discretion, cover some of the costs and expenses outlined above to the extent permitted under applicable laws.

In accordance with the PPM, certain classes of shares or interests of the Funds are subject to their pro rata share of PPM-defined Pass-Through Expenses based on a ratio contained therein. Certain expenses are excluded from the definition of Pass Through Expenses, including, but not limited to: (i) expenses relating to legal, administrative, accounting, auditing, valuation, tax compliance and consulting expenses and fees and expenses relating to regulatory compliance matters, including costs of compliance programs, surveillance, regulatory examinations, regulatory or legal inquiries or actions and regulatory filings, whether provided by SRC or external service providers, only in so far as they do not relate directly to the Funds; (ii) expenses relating to the initial build-out and/or renovation of the offices of SRC, including any fixtures and fittings; (iii) expenses relating to the marketing of the Funds and their interests; (iv) principal, interest and financing costs in connection with borrowings made by SRC, in so far as such borrowings are not for the benefit of the Funds; (v) any taxes (save for income taxes) or other government filing fees that SRC is subject to, in so far as such taxes and fees are not related to the Funds; (vi) personal expenses unrelated to SRC's business, such as costs relating to the preparation of the tax filings of the shareholders of SRC; (vii) legal or other expenses as a result of SRC's wilful default, actual fraud, negligence, material breach of contract or duty or bad faith in the performance of any of the services or its duties in accordance with the terms of any investment management agreement to which SRC is party; (viii) costs of employee holiday parties and other purely personal, social, offsite events and entertainment; and (ix) any cost, loss or expense (including Fund losses due to trade errors) that result from wilful default, actual fraud, negligence, material breach of contract or duty or bad faith on the part of SRC.

Pass Through Expenses are expenses of the Manager and/or its affiliates excluding the Excluded Expenses, including without limitation: (a) bonuses to employees of the Manager and/or its affiliates, including but not limited to: (i) bonuses to any portfolio managers based on the gross investment performance of their respective portfolios net of any expenses allocated to such portfolio manager in the Manager's sole discretion and (ii) bonuses to non-portfolio manager personnel of the Manager; (b) expenses in connection with all employees of the Manager and/or its affiliates in connection with the management and operation of the Funds, including all base compensation and benefits; (c) expenses relating to business development, personnel recruiting, retention and severance arrangements of the Manager and/or its affiliates including the hiring, onboarding and termination of employees; (d) insurance expenses, whether for the benefit of the Funds, the Manager, their affiliates and employees, including but not limited to the Board of Directors, Directors and officers, errors and omissions or cyber-security policies and "key-person" life insurance which protects the key persons and certain employees and employment and professional liability insurance; (e) fees or expenses relating to consultants retained for investment purposes including public relations, information technology, software programming, management and other consultants retained to improve or further any particular business function related thereto; (f) communication systems expenses, including expenses relating to standard and advanced telecommunications equipment and data transmission lines, including mobile phones and other personal electronic devices and related data plans of the employees of the Manager and its affiliates; (g) information systems and technology expenses of the Manager and its affiliates, including trading systems, compliance and trade surveillance systems, order management systems, middle and back office expenses, risk management systems, data warehousing expenses, software development, business continuity and remote working expenses; (h) expenses relating to investment research, development of investment strategies, risk management services, quotation services, data processing costs and expenses, news services, data feed and data services employed by the

Manager and its affiliates, as well as any expenses in relation to obtaining other information utilised for portfolio management purposes that facilitate valuations and accounting, including the costs of statistics and pricing services, service contracts for quotation equipment and related hardware and software; (i) travel, business entertainment, meals, occupancy expenses of Manager, including private and commercial air travel expenses; (j) the rent and facilities of the Manager and its affiliates; (k) direct and indirect general operating and administrative expenses, including expenses relating to general operating assets, the initial and ongoing technological and operational buildout and other expenses borne prior to the launch of the Funds, to the extent that such expenses are related to the investments of the Funds; (l) any costs, fees and expenses approved for reimbursement by the Board of Directors and/or the Directors; (m) any expenses associated with the wind-down of the Manager and its affiliates; (n) any other costs, fees and expenses not falling within the above categories which the Manager determines may be treated as Pass Through Expenses; (o) such similar expenses as listed above of any of the Manager's affiliates, including the costs of organizing, establishing and registering any of the Manager's affiliates in their relevant jurisdictions, as well as expenses in connection with transfer pricing analyses and amounts received from the Funds in substantiating arm's-length affiliate arrangements, and amounts used to enable such affiliates to establish appropriate capital adequacy buffers, as determined by Manager, or as may be required by non-U.S. regulators from time to time.

In relation to Southern Ridges Summit Macro Fund: (p) preliminary expenses of, and incidental to, the initial offer of Shares during the Initial Offer Period, which include, among other things, expenses relating to the establishment of the Summit Fund and the Summit Master Fund in the Cayman Islands, the registration of the Fund and the Summit Master Fund, as necessary, as a mutual fund in the Cayman Islands, the negotiation and preparation of the contracts to which the Summit Fund or the Summit Master Fund, as the case may be, is a party, the costs of drafting, designing and printing this Private Placement Memorandum and the fees and expenses of its professional advisers; (q) total costs and expenses of establishing the Summit Fund and those costs and expenses of establishing the Summit Master Fund which are attributable to the Fund; (r) the Fund Operating Expenses; (s) the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the administration of the Fund and/or the Summit Master Fund; (t) with respect to Class B Shares only, fees, costs and expenses relating to the marketing of Class B Shares; (u) with respect to Class C Shares only, fees, costs and expenses.

Pass Through Expenses also include such similar expenses as listed above of current and future affiliates of the Manager established in any jurisdiction by the Manager, relating to the Master Fund that are passed through, without duplication, to the Manager pursuant to the terms of the applicable agreements, including expenses in connection with transfer pricing analyses relating to the engagement of such Manager affiliates established in any jurisdiction, as applicable. Such entities generally receive arm's length remuneration equal to their costs plus an additional 5% service fee on certain expenses, monthly in arrears. This remuneration may be subject to change based on review of transfer pricing guidelines in each local jurisdiction.

For more details and the definition of Pass-Through Expenses, please refer to the Funds' PPM.

If the Manager manages Other Funds in addition to the Funds, it is anticipated that the Pass-Through Expenses shall comprise a portion of the overall pass-through expenses which are to be shared between the Funds and such Other Funds. The Manager will allocate such Aggregate Pass-Through Expenses on a pro rata basis based on the aggregate Allocated Risk Capital of the Fund to the aggregate Allocated Risk Capital of the Other Funds and the Fund.

If, in the future, SRC manages multiple client accounts, a portion of the Funds' operating expenses may be shared with other investment entities or accounts managed by SRC on an equitable basis.



**Sales Compensation**

SRC and its supervised persons do not receive (directly or indirectly) any compensation from the purchase or sale of securities or investments for the Funds. SRC and its supervised persons do not receive (directly or indirectly) sales commissions in connection with sales of interests in the Funds.

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

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As discussed in **Item 5** above, SRC Singapore generally will be entitled to receive performance-based compensation (the Performance Fee) in connection with investment advisory services provided to the Funds.

SRC will manage the Funds and the Master Funds and currently manages other funds and/or accounts. More information about the certain other funds and/or accounts managed by SRC is available upon request. SRC will remain free to provide such services to additional funds and accounts, including for their own accounts, in the future. SRC may vary the investment strategies employed on behalf of the Master Funds from those used for itself and/or for other clients. No assurance is given that the results of the trading by the SRC on behalf of the Master Funds will be similar to that of other funds and/or accounts concurrently managed by SRC.

The Performance Fee, however, does create or potentially exacerbate a conflict of interest between SRC and the Funds in that it creates an incentive for SRC to trade and invest the Funds' capital in a manner that is intended to generate larger, short term profits, which could increase the risk present in the Funds' portfolio at any given time. Such potential conflict of interest is mitigated by the employment of a risk management framework by SRC, the details of which are set out in Item 8 as well as in the Funds' offering documents.

**Item 7: Types of Clients**

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SRC US currently provides investment advisory services for the ultimate benefit of the Funds through the Subadvisory Agreement. Investors in the Funds primarily include but are not limited to Institutional Investors.

The minimum initial investment amount for the Funds is generally US\$1,000,000 and the minimum subsequent investment amount is US\$100,000.00. In certain circumstances, minimum investment amounts may be amended by a Funds' directors in consultation with SRC.

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

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**Investment Strategy and Objective**

The Master Funds employ a global macro strategy. The Master Funds have the flexibility to invest in a wide range of instruments including, but not limited to, listed equities, preferred stocks, equity-related instruments, debt securities and obligations (which may be below investment grade), currencies, commodities, futures (including index futures), options, warrants, swaps, and other derivative instruments. Derivative instruments may be exchange-traded or over the counter. The Master Funds may engage in short sales, margin trading, hedging and other investment strategies. The Master Funds may retain amounts in cash or cash equivalents (including money market funds) pending reinvestment, for use as collateral or as otherwise considered appropriate to the investment objective.

SRC expects return generation to be a function of a well-managed investment process which should enable SRC to deliver strong absolute returns over the medium term. The investment process is focused on the identification of experienced portfolio managers, a strong emphasis on research, and the development and utilization of quantitative tools in areas including capital allocation and trading optimization. SRC aims to manage its market, credit, and liquidity risk proactively. Overall, SRC expects to be able to unwind adequately in normal market conditions to satisfy redemption requests received by the Funds.

**Risk Factors**

An investment in the Funds involves a high degree of risk. There is no guarantee that implementation of the investment objective or strategy with respect to the assets will not result in losses to holders of participating shares.

Listed below are some of the key risks associated with an investment in the Funds. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in the Funds' investment strategies. For a complete explanation of the Funds' investment strategies and their associated risks, Investors and prospective investors are encouraged to read the Funds' offering documents and consult their own advisers before deciding whether to invest in the Funds. Investments should only be made if the nature of investments and risks of investment are understood.

No assurance can be given that profits will be achieved or that substantial losses will not be incurred.

**Business Risk**

There can be no assurance that the Funds will achieve the investment objective. The investment results of the Funds are reliant upon the success of the Manager and no guarantee or representation is made in this regard.

**Operational risk**

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people, and systems, or from external events.

SRC believes that the entire framework of manuals, documented workflows and operating procedures form the basis of the internal control systems within the Group.

Prospective investors should be aware that since SRC has only a limited operating history, there may be significant exposure to any operational weakness of SRC's business systems.

Regulatory/Legal risk

The Master Funds may make investments based on, or enter into contracts described by, significant legal documents. Such documents may include (but are not limited to) prospectuses and other offering documents as well as over-the-counter derivative contracts. SRC will generally seek the advice of legal counsel, experts, professional and other consultants on material matters; notwithstanding, there can be no guarantee that any advice given will be accurate, that a contract will be validly executed by the relevant counterparty or that a contract will ultimately prove to be enforceable against the relevant counterparty.

Legal and regulatory changes in various jurisdictions could occur during the lifetime of the Master Funds which may adversely affect it. Should any of those laws change over the term of the Master Funds, the legal requirements to which the Master Funds may be subject could differ materially from the current requirements. The Master Funds may be subject to tax in jurisdictions outside of the Cayman Islands in respect of investment made in those jurisdictions.

Amortisation of Organisational Expenses

The Funds' and the Master Funds' financial statements will be prepared in accordance with IFRS. IFRS does not permit the amortisation of organisational costs. Notwithstanding this, the Funds and the Master Funds may, at the discretion of the Directors, amortise their organisational costs over a period of time and this may result in the Directors making adjustments in the annual financial statements in order for the financial statements to be in compliance with IFRS or a qualification in the auditor's report. If relevant, a reconciliation note may be included in the annual financial statements of the Funds and the Master Funds to reconcile values as shown in the annual financial statements prepared in accordance with IFRS to those derived by applying the valuation principles of the Funds and/or the Master Funds, as appropriate.

Availability of Investment Strategies

The success of the Master Funds' investment activities depends on the ability of SRC to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by the Master Funds involves a high degree of uncertainty. No assurance can be given that SRC will be able to locate suitable investment opportunities in which to deploy all of the Master Funds' assets or to exploit discrepancies in the securities and derivatives markets. Market factors including, but not limited to, a reduction in market liquidity or the pricing inefficiency of the markets in which the Master Funds seeks to invest, may reduce the scope for the Master Funds' investment strategies.

The Master Funds may be adversely affected by unforeseen events involving, without limitation, such matters as changes in interest rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

"Bad Actor" Disqualifications

In 2013, the SEC adopted amendments to the private placement exemption in Rule 506 under Regulation D of the 1933 Act ("Rule 506") that disqualify an issuer (such as the Fund) from relying on the Rule 506 exemption if any of its "Covered Persons" commits a "bad act"<sup>1</sup> (a

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<sup>1</sup> Examples of "bad acts" that would disqualify a Covered Person include: "(i) criminal convictions, court injunctions or restraining orders in connection with the purchase or sale of a security, or making of a false filing with the SEC; (ii) final orders from certain regulators (including the CFTC) that bar the issuer from associating with a regulated entity or engaging in the business of securities, or are based on fraudulent, manipulative, or deceptive conduct; (iii)

“Disqualified Person”). “Covered Persons” include the Fund; any affiliated fund (such as the Master Funds); any director, executive officer or other officer participating in the offering, any beneficial owner of 20% or more of the Fund’s outstanding voting equity securities (a “Covered Investor”); any investment manager of an issuer that is a pooled investment fund; any paid solicitor; the general partner or managing member, or a participating officer or director, of the Fund, an affiliated fund or an investment manager of any of them, or of a solicitor.

The bad acts that could result in the Rule 506 exemption being unavailable to an issuer are not limited to acts that the Fund, Manager or Sub-Manager can control or prevent. Covered Persons include issuers (for example, a Covered Investor), and persons affiliated with issuers, other than the Fund or funds managed by the Manager and/or Sub-Manager. Any bad acts committed by certain of those issuers and/or their Covered Persons could cause the Fund to be disqualified and lose its ability to rely on the Rule 506 exemption. Rule 506 creates a reasonable care exception that would apply if an issuer could establish that it did not know and, in the exercise of reasonable care, could not have known that a disqualification existed because of a bad act by a Covered Person. In order to rely on the reasonable care exception, a factual inquiry must be conducted based on various factors relevant to an issuer and any Covered Persons. To establish reasonable care, the Fund and/or the Manager intend to conduct due diligence on Covered Persons, and may, among other procedures, require Covered Persons (including Covered Investors) to provide information to the Manager concerning bad acts that occurred prior to September 23, 2013, and to notify the Manager of future bad acts and of becoming a Disqualified Person. There is no guarantee that these procedures will successfully detect bad actors or that they will be deemed to satisfy reasonable care standards.

#### Commodity Futures Trading

Commodity futures trading is speculative and commodity futures prices can be highly volatile. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, and national and international political and economic events. Changing prospects occasioned by unexpected events make it difficult to forecast supplies of commodities. Demand is also difficult to forecast due to such factors as variable world production patterns, unexpected purchases by non-US countries and continued changes in domestic needs. Financial instrument futures prices are influenced primarily by changes in interest rates. Non-US currency futures prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations.

**Volatility and Leverage:** Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

**Daily Price Fluctuation Limits:** Commodity exchanges limit daily price fluctuations in certain commodity futures contracts. For contracts that have a price limit, no trades may be executed at prices beyond the “daily limit” during the trading day. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit,

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certain SEC disciplinary orders relating to brokers, dealers, investment companies, and investment advisers and their associated persons; (iv) SEC cease-and-desist orders related to violations of certain anti-fraud provisions and registration requirements of the federal securities laws; and (v) suspension or expulsion from membership in a self-regulatory organization (SRO) or from association with an SRO member.”

positions in the commodity can be neither initiated nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavourable positions and subject the Master Funds to substantial losses.

**Trading on Non-US Exchanges:** The Master Funds trade on non-US exchanges and other markets located outside of the United States. Neither CFTC regulations nor regulations of any other US governmental agency apply to the actual execution of transactions on foreign markets. Some foreign markets, in contrast to US exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a commodity transaction and not of the exchange or clearing house. In such case, the Master Funds will be subject to the risk of bankruptcy or other inability of, or refusal by, such member or the counterparty to perform with respect to such transactions. In effect, therefore, due to the absence of a central clearing system on many foreign markets, such markets are significantly more susceptible to disruptions than on US exchanges. In addition, in the event that the Master Funds trade on non-US exchanges, unless the Master Funds hedge itself against fluctuations in the exchange rate between the US Dollar and the currencies in which trading is done on some non-US exchanges, any profits which it might realise in trading on such exchanges could be eliminated by adverse changes in the exchange rate or it could incur losses as a result of any such fluctuations.

Moreover, the CFTC has adopted regulations to regulate the sale of foreign futures contracts and foreign options within the United States. These regulations may restrict the Master Funds’ access to foreign markets by limiting the activities of certain participants in such markets with whom the Master Funds could otherwise have traded.

**Security Futures Contracts:** The Master Funds may engage in the trading of security futures contracts listed on US or non-US markets. In the US security futures contracts are defined as both a security and futures contract and the offer, sale and trading of security futures are subject to a complex regulatory structure under both the US securities and commodities laws. Non-US listed security futures are subject to the regulatory regime of the exchange on which the contract is traded and the foreign regulatory authority having jurisdiction over such exchange. Because security futures contracts are new in the US (indeed, trading did not begin until November 2002), there can be no assurance that the trading strategies used by the Manager will be applicable to any particular security futures contract which it chooses to trade. Moreover, to date the markets for security futures contracts in the US have been characterised by very limited trading volume when compared to US futures markets generally. As a result, the Manager may at times find it difficult to buy or sell a security futures contract at a favourable price, which could result in losses to the Master Funds.

Commodity prices generally relate to the overall level of economic activity and industrial production. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, and national and international political and economic events.

Historically, during periods of economic or financial instability, commodities and the securities of producers have been subject to extreme fluctuations in market price. The earnings and general financial conditions of producers are highly dependent on the market price of the underlying resources which, historically, have been extremely volatile. Natural disasters, such as earthquakes, droughts and floods, can lead to severe supply disruptions. These events may significantly influence prices of commodities and prices of natural resource equities. Similarly, supply interruptions as a result of social factors such as strikes and civil unrest can have a material impact on commodity prices. Changing prospects occasioned by unexpected events

make it difficult to forecast supplies of commodities. Similarly, demand is also difficult to forecast due to such factors as variable world production patterns, unexpected purchases by countries and continued changes in domestic needs.

The production of some commodities can be concentrated in geographic regions or specific countries, and as such the impact of natural, political or social factors can have a significant effect. Commodity prices can be influenced, often unpredictably, by co-operative or co-ordinated actions, by producers or sovereign nations (e.g., OPEC members). The discovery of a significant mineral deposit could have a major adverse impact on the price of the commodity due to the prospect of increased supply. New technology could lead to substitution of a commodity or commodities, thereby reducing demand. Similarly, new technology could lower production costs and increase supply of a commodity, influencing its price.

#### Concentration of Investments

The feeder funds will invest all or substantially all of its assets (to the extent not retained in cash) in the participating shares of the Master Funds and will accordingly not be diversified directly. The Master Funds may from time to time hold relatively few investments. The Master Funds 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 as a result of default by the issuer).

#### Contagious Diseases

An outbreak of the highly pathogenic avian influenza caused by the H5N1 virus (“**avian flu**”), the H1N1 virus (“**swine flu**”), the ASF virus (“**African swine fever**”), Severe Acute Respiratory Syndrome (“**SARS**”), Middle East Respiratory Syndrome (“**MERS**”), the Covid-19 disease caused by the SARS-CoV-2 virus (“**COVID-19**”) or other contagious disease may have an adverse effect on the economies of different regions in the world. In the past, large parts of Asia experienced outbreaks of avian flu and swine flu. An effective vaccine may not be discovered in time to protect against a potential avian flu or swine flu pandemic or to mitigate against COVID – 19. In 2003, Hong Kong experienced an outbreak of SARS, a highly contagious form of atypical pneumonia, which seriously interrupted economic activity and the demand for goods throughout Asia. In 2015, South Korea experienced an outbreak of MERS which is a viral respiratory infection with similar clinical features to SARS.

There is currently an outbreak of COVID-19 globally, which has seriously interrupted economic activity globally. While COVID-19 is still spreading and the final implications of the pandemic are difficult to estimate at this stage, it is clear that it will affect the lives of a large portion of the global population and cause significant effects. COVID – 19 has so far led to national holidays being extended and personnel being placed in quarantine and/or leave of absence, the closure of transport links for affected regions, and the implementation and enforcement of quarantine and lockdowns of affected regions.

The continued spread of COVID-19 or an outbreak of avian flu, swine flu, SARS, MERS, or other contagious diseases or the measures taken by the governments of affected countries against the spread of COVID-19 or such potential outbreaks or the perception that an outbreak of avian flu, swine flu, SARS, MERS, or some other contagious disease may occur again, and may have an adverse effect on economic conditions in different regions of the world.

#### Corporate Actions

The Master Funds may be entitled to take part in corporate actions such as shareholder votes in respect of certain of the Master Funds’ investments, though may be prevented from doing so in certain circumstances including, but not limited to, where the relevant security transaction has not settled and/or where the relevant security is subject to a repurchase transaction. In addition, where the Prime Brokers and/or Custodian would be required to take



such actions on behalf of the Master Funds, the Master Funds may not be able to require such Prime Brokers and/or Custodian to act upon its instructions at all or in a timely manner. The Master Funds are under no obligation to take part in such actions and may elect not to do so.

#### Counterparties Risk

The Master Funds are subject to the risk of the inability of any counterparty (including any prime broker or custodian) to perform with respect to transactions, whether due to insolvency, bankruptcy or other circumstances. The Master Funds are subject to the risk that counterparties may not have access to finance and/or assets at the relevant time and may fail to comply with their obligations under the relevant sale and repurchase agreements. Recent well-publicised weaknesses in certain financial institutions may be indicative of increased counterparty risk. In the event of any counterparty (including a prime broker or custodian) entering an insolvency procedure, the Master Funds could experience delays in liquidating its positions and incur significant losses, including the loss of that portion of the Master Funds' portfolio financed through such a transaction, a decline in value of its investment during the period in which the Master Funds seek to enforce its rights, an inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. During an insolvency procedure (which may last many years) the use by the Master Funds of assets held by or on behalf of the relevant prime broker, custodian or counterparty may be restricted and accordingly (a) the ability of the Manager to fulfil the investment objective may be severely constrained, (b) the Funds may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares, and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Master Funds are likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor) and accordingly the Master Funds may be unable to recover such assets from the insolvent estate of the relevant prime broker, custodian or counterparty in full, or at all.

#### Cross Series and Class Liabilities

The Funds have the power to issue shares in Classes or series. The Articles provide for the manner in which the liabilities are to be attributed across the various Classes or series (liabilities are to be attributed to the specific Class or series in respect of which the liability was incurred). However, the Funds are both single legal entities and there is no limited recourse protection for any Class or series. Accordingly, all of the assets of the Funds will be available to meet all of its liabilities regardless of the Class or series to which such assets or liabilities are attributable. If the liabilities of a Class or series of Shares in the Funds exceed its assets, creditors of the Funds, as the case may be, may have recourse to the assets attributable to the other Classes or series of Shares in the Funds, as the case may be. In practice, cross-Class or cross-series liability is only expected to arise where liabilities referable to one Class or series are in excess of the assets referable to such Class or series and it is unable to meet all liabilities attributed to it. In such a case, the assets of the Funds attributable to other Classes or series may be applied to cover such liability excess and the value of the contributing Classes or series will be reduced as a result.

#### Custody Risk

There are risks involved in dealing with custodians or prime brokers who hold assets of the Master Funds and who settle the Master Funds' trades. Securities and other assets deposited with custodians or prime brokers may not be clearly identified as being assets of the Master Funds, and hence the Master Funds may be exposed to a credit risk with regard to such parties. In some jurisdictions, the Master Funds may only be an unsecured creditor of its prime broker or custodian in the event of bankruptcy or administration of such broker. Further, there may be practical or time problems associated with enforcing the Master Funds' rights to its assets in the event of the insolvency of any such party (including sub-custodians or agents appointed by the custodian in jurisdictions where sub-custodians are not available). Recent apparently

significant losses incurred by many hedge funds in relation to the bankruptcy and/or administration of financial institutions illustrate the risks incurred in both derivatives trading and custody and prime brokerage arrangements. Assets deposited with prime brokers or custodians which are fully paid (being those not held by the prime broker as margin) may be held in segregated safe custody in accordance with the prime brokerage and custodian agreements. Assets held as collateral by the prime brokers or custodians in relation to facilities offered to the Master Funds and assets deposited as margin with the custodians and prime brokers may therefore be available to the creditors of such persons in the event of their insolvency.

The banking and other financial systems in some jurisdictions may not be well developed or well regulated. Delays in transfers by banks may result, as may liquidity crises and other problems arising as a result of the under-capitalisation of the banking sector as a whole.

#### Credit Default Swaps

The Master Funds may take long and short positions in credit default swaps. A credit default swap is a type of credit derivative which allows one party (the “protection buyer”) to transfer credit risk of a reference entity (the “reference entity”) to one or more other parties (the “protection seller”). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events (each, a “credit event”) experienced by the reference entity. Credit default swaps carry specific risks including high levels of gearing, the possibility that premiums are paid for credit default swaps which expire worthless, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to fulfil its obligations to the Master Funds if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative meaning of, language used in the contract, most notably the language specifying what would amount to a credit event.

#### Creditors’ Rights and Enforceability of Security

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

#### Currency Exposure

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

The Master Funds may utilise such instruments as the Manager deems appropriate including, but not limited to, stock market index futures and put options, currency forwards and

currency derivatives (listed and unlisted) when seeking to hedge against currency fluctuations. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Manager wishes to use them or will be able to be liquidated when the Master Funds wish to do so. In addition, the Manager may choose not to enter into hedging transactions with respect to some or all of its positions. Currency exchange costs will be incurred when the Master Funds change investments from one country to another.

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

#### Cybersecurity Risk

The Funds, the Master Funds, SRC and their service providers, including banks, broker dealers, custodians and their affiliates, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviours, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorised release of confidential information, unauthorised asset transfers and various other forms of cybersecurity breaches. Cyber-attacks affecting the Funds, the Master Funds, SRC or their service providers may adversely impact the Funds. For instance, cyber-attacks may interfere with the processing or execution of the Master Funds transactions, cause the release of confidential information, including private information about Shareholders, subject the Funds, the Master Funds, SRC or their affiliates to regulatory fines or financial losses, or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful withdrawal or transfer of funds) affecting any of the Funds' or the Master Funds' key service providers, such as SRC, banks, broker dealers, custodians or other counterparties holding assets of the Funds or the Master Funds, may cause significant harm to the Funds and the Master Funds, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which the Master Funds may invest. These risks could result in material adverse consequences for such issuers and may cause the Master Funds' investments in such issuers to lose value.

#### Debt Securities

The Master Funds may invest in fixed income securities which may be unrated by a recognised credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than rated or higher-rated debt securities. Because investors generally perceive that there are greater risks associated with unrated and below investment grade securities, the yields and prices of such securities may fluctuate more than those for higher-rated securities. The market for non-investment grade securities may be smaller and less active than that for higher rated securities, which may adversely affect the prices at which these securities can be sold and result in losses to the Master Funds. The Master Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Master Funds may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. The Master Funds may invest in distressed and other low quality debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes and their failure to make the scheduled payments could cause the Master Funds to suffer significant losses. The Master Funds will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison

across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

Securities issued by certain sovereign issuers may have a limited trading market, resulting in limited liquidity. As a result, the Master Funds may have difficulties in valuing or liquidating positions.

#### Derivatives

The Master Funds may utilise both exchange-traded and over the counter (“OTC”) derivatives, including, but not limited to, futures, forwards, swaps, options, and contracts for differences, as part of its investment approach. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as there is no exchange market on which to close out an open position. The derivatives markets are frequently characterised by limited liquidity, which may make it difficult, as well as costly, to close out an open position to realise gain or to limit loss. It may not be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. The price at which a derivative instrument may be liquidated or sold, should the Master Funds wish or be compelled to do so, may be materially different from the price at which it is valued. Contractual asymmetries and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in Net Asset Value, incorrect collateral calls or delays in collateral recovery.

The Master Funds may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, the Master Funds could incur an unlimited loss.

The Master Funds are also dependent on the willingness of counterparties to enter into off-exchange contracts with it. Failure to identify or delay in identifying such counterparties could limit the ability of the Master Funds to carry on its business.

With respect to certain derivative instruments, the Master Funds will have a contractual relationship only with the counterparty and not the issuer(s) of the reference obligation(s), unless certain defined events occur. Accordingly, the Master Funds will generally have no right directly to enforce compliance by such issuer(s) with the terms of any such reference obligation(s) and no right of set-off against such issuer(s). In addition, the Master Funds will generally have no voting or other consensual rights of ownership with respect to the relevant reference obligation(s). Furthermore, the Master Funds will not directly benefit from any collateral supporting the relevant reference obligation(s) and will not have the benefit of the remedies that would normally be available to the holder of such reference obligation(s).

Corporate activity on the part of the reference entity, including, but not limited to, merger and acquisition activity, corporate restructuring or the entity demerging subsidiaries, may have an effect on the security that is deliverable under the terms of a derivative contract in which

the Master Fund has invested or could result in the termination of such contracts. Accordingly, the value of such investments may be significantly affected and hence corporate events may have a significant effect on the value of such derivative contracts. In the case of exchange traded derivatives, the rules used to determine how a particular corporate activity will affect derivatives contracts relating to the reference security will be detailed in the corporate actions policy of the relevant exchange. However, in certain circumstances, these policies may not apply, and each derivatives exchange may retain the right to determine how contracts should be adjusted, if at all. OTC derivatives adjustments will be subject to adjustments by calculation agents, and hence will be subject to uncertainty over the methods of contract adjustment adopted by different counterparties. Contract adjustments subsequent to corporate activity may have unanticipated effects on contract prices and valuations.

There are a large number of risks inherent in trading of the nature contemplated by the Master Funds. Price movements may be volatile and are affected by a wide variety of factors, including changing supply and demand relationships, credit spread fluctuations, interest rate and exchange rate fluctuations, the accuracy of implied correlations and implied volatilities of investments, international events and government policies and actions with respect to economic, exchange control, trade, monetary, military and other issues. These price movements could result in significant losses to the Master Funds. The absence or a low degree of volatility may reduce the opportunities for potentially profitable transactions and adversely affect the performance of the Master Funds.

#### Electronic Delivery of Information

Information relating to a Shareholder's investment in the Funds and/or the Master Funds may be delivered electronically. There are risks associated with such electronic delivery including, but not limited to, that e-mail messages are not secure and may contain computer viruses or other defects, may not be accurately replicated on other systems, or may be intercepted, deleted or interfered with without the knowledge of the sender or the intended recipient.

#### Emerging Markets

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

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

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

In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighbouring exchange. Volume and liquidity levels in emerging markets may be lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices, and requirements comparable to those applicable to issuers based in more developed countries, thereby potentially increasing the risk of fraud or other deceptive practices.

Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

Some emerging markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in more developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries. Custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that the Master Funds will not be recognised as the owner of securities held on their behalf by a sub-custodian.

With respect to any emerging market country, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income (whether with prospective or retrospective effect), limitations on the removal of funds or other assets of the Master Funds, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of such countries or the value of the Master Funds' investments in those countries. The economies of individual emerging countries may differ favourably or unfavourably from the economy of a developed country in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. The economies of emerging countries are generally heavily dependent upon international trade and have therefore been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of certain of these countries may be based, predominantly, on only a few industries, may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.



Many emerging markets have underdeveloped capital market structures where the risks associated with holding currency are significantly greater than in other less inflationary markets. Currency exchange rates are highly volatile and subject to severe event risks as the political situation with regard to the relevant foreign government may itself be volatile. Moreover, if the cash flow of the assets is contingent, it may be difficult to quantify the attendant cross-currency risk, compounding the risk of changes in underlying currencies by the other risks in the portfolio. Correlations between these risks are difficult to quantify and, therefore, difficult to hedge. An inaccurate estimation of the correlation may lead to a faulty hedge and a consequent loss in the portfolio. In highly volatile markets, predictions of correlation based on historical data can diverge dramatically from observed market moves. The Master Funds may invest in unlisted emerging market securities and may be exposed to emerging market currencies, which may involve a high degree of business and financial risk that could result in substantial losses. Because of the relative absence of any trading market for these investments, it could take longer to liquidate these positions than would be the case for listed securities or it might not be possible to liquidate them at all.

Although these securities may be resold in privately negotiated transactions, the prices realised on such sales could be less than those originally paid by the Master Funds. Companies whose securities are not listed will not generally be subject to the public disclosure and other investor protection requirements applicable to listed securities.

#### Equity and Equity-Linked Securities

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

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

#### Eurozone Crisis

As a result of the crisis of confidence in the markets which has caused bond yield spreads (the cost of borrowing in the debt capital markets) and credit default spreads (the cost of purchasing credit protection) to increase, most notably in relation to certain Eurozone countries, certain countries in the European Union (the "EU") have had to accept "bailouts" from banks and lines of credit from supra-governmental agencies such as the International Monetary Fund and the recently created European Financial Service Facility (the "EFSF"). The European Central Bank has also been intervening to purchase Eurozone debt in an attempt to stabilise markets and reduce borrowing costs.

It is possible that a country may leave the Eurozone and return to a national currency, and as a result leave the EU and/or that the euro, the European single currency, will cease to exist in its current form and/or lose its legal status in one or more countries in which it currently has such status. The effect of such potential events on the Master Funds is impossible to predict.

#### Financing Arrangements; Availability of Credit

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

Where the Master Funds makes use of such borrowings to initiate long or short positions and the positions decline in value, it will usually be subject to a "margin call", pursuant to which it must either deposit additional funds with the lender or be subject to sanctions such as the mandatory liquidation of securities over which the lender has been granted security or a mandatory termination of all outstanding contracts with the lender and a claim for compensation for any losses incurred by the lender. In some cases, a margin call may be made even if the relevant positions have not declined in value. The Master Funds would normally satisfy such margin calls in cash or US Treasury bills and, to the extent that such assets were insufficient, would liquidate other assets to raise cash in order to satisfy the relevant margin call. In the event of a large margin call, SRC might not be able to liquidate assets quickly enough to pay off the margin liability. In such a case, the relevant lender may have the right, in its sole discretion, to liquidate certain assets of the Master Funds in order to enable the Master Funds to satisfy its obligations to that lender.

As a general matter, the banks and dealers that may provide financing to the Master Funds may vary their respective policies relating to margin, financing, security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the policy of the relevant bank. Changes by banks and dealers to one or more of these policies, or the imposition of other credit limitations or restrictions may be applied retrospectively to existing contracts as well as prospectively to contemplated future dealing. Whilst SRC will seek to limit the rights of lenders to apply such retrospective changes, any such limitation will be subject to the agreement of the relevant lender, which may not be forthcoming. Retrospective changes may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Prospective changes may result in the inability of SRC to fulfil the investment objective. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Master Funds to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the Master Funds' equity.

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

#### Force Majeure

The Funds, the Master Funds and SRC are each subject to the risks of the effects of events of force majeure outside of their reasonable control which may include, but shall not be limited to: any strike lockout or other industrial action or any shortage of or difficulty in obtaining labour, fuel, raw materials or components; any destruction, temporary or permanent breakdown, malfunction or damage of or to any premises, plant, equipment (including computer systems) or materials; any breach of contract, default or insolvency by or of any



third-party, other than a company in the same group as the party affected by the force majeure, or an employee or officer of that party or company; any action taken by a governmental or public authority of any kind, including imposing an embargo, export or import restriction, rationing, quota or other restriction or prohibition; any civil commotion or disorder, riot, invasion, war, threat of or preparation for war; or any accident, fire, or explosion, (other than in each case, one caused by a breach of contract by or assistance of the party concerned) storm, flood, earthquake, subsidence, epidemic, pandemic or other public health crisis, other natural physical disaster, or governmental policies, laws, regulations or other measures in response to any of the above events.

#### Forward Foreign Exchange Contracts

The Master Funds may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually widespread between the price at which the bank is prepared to buy and that at which it is prepared to sell.

Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they guaranteed by an exchange or clearing house. The Master Funds will be subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would eliminate any profit potential and compel the Master Funds to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

#### Handling of Mail

Mail addressed to the Funds and received at its registered office will be forwarded unopened to the forwarding address supplied by the Funds to be dealt with. None of the Funds, the Master Funds, the Manager and their respective directors, officers, advisers or service providers (including the organisation which provides registered office services in the Cayman Islands) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular, the Directors will only receive, open or deal directly with mail which is addressed to them personally (as opposed to mail which is addressed just to the Funds).

#### Hedging Transactions

Although the Master Funds may utilise a variety of financial instruments, such as derivatives, options, interest rate swaps, swaptions, caps and floors, futures and forward contracts generally for risk management purposes (the Master Funds may also utilise them for speculative purposes), there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Master Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance and increased (rather than reduced) risk for the Master Funds than if it did not engage in any such hedging transactions. Moreover, the Master Funds will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). In addition, the Master Funds may choose not to enter into hedging transactions with respect to some or all of its positions.

Highly Volatile Markets

The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts in which the Master Funds may invest are influenced by, among 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. Such intervention is often intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Master Funds will also be subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearing houses.

Illiquidity of Fund Interests

It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop.

Information, Reporting and Side Arrangements

The Directors may in their absolute discretion agree to provide certain anchor or strategic investors in the Funds or the Master Funds with information about the Funds or the Master Funds and its investments which is not available to investors generally.

Subject to applicable law and the Articles, the Funds, the Master Funds and/or the Manager may, in their sole discretion, enter into agreements ("Side Letters") with certain anchor or strategic investors in which such anchor or strategic investors will be provided with additional or different rights than such Shareholders have pursuant to the Private Placement Memorandum(-a). As a result of such Side Letters, new Classes of Shares in the Funds may be established by the Directors without the approval of the existing Shareholders and certain Shareholders may receive additional benefits which other Shareholders will not receive. For example, additional information and reporting rights may provide the recipient greater insights into the Funds' and the Master Funds' activities than is included in standard reports to Shareholders, thereby enhancing the recipient's ability to make investment decisions with respect to the Funds or the Master Funds and with respect to the investment of its own assets. Such additional or different rights will not include preferential management fee, performance fee, redemption fee, any other fee or liquidity terms.

Except as described in the Private Placement Memorandum(-a) or as required by law or regulation, in general, none of the Manager, the Funds or the Master Funds will be required to notify any or all of the other Shareholders of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Manager, the Funds or the Master Funds be required to offer such additional and/or different rights and/or terms to any or all of the other Shareholders. As a result, Shareholders which have entered into Side Letters may be able to act on additional information (for example, to request redemptions) that other Shareholders do not receive.

The Board of Directors and the Manager may enter into such Side Letters with any party as the Board of Directors may determine in its sole and absolute discretion at any time. The other Shareholders will have no recourse against the Funds, the Manager and/or any of their affiliates in the event that certain Shareholders receive additional and/or different rights and/or terms as a result of such Side Letters.

A summary of the terms of any Side Letter agreed with any Shareholder will be disclosed to other Shareholders in accordance with the AIFM Directive.

As of the date of the Private Placement Memorandum(-a), there are Side Letter arrangements in respect of the Funds and/or the Master Funds.

#### Leverage and Borrowing

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

SRC will consider any inherent leverage in such investments in assessing the leverage to be applied in respect of the Master Funds' overall portfolio. The use of leverage may significantly increase the Master Funds' investment risk; whilst leverage creates an opportunity for greater yield and total return, at the same time, it will increase the Master Funds' exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the costs associated therewith may cause the Net Asset Value of the Shares to increase more rapidly than would otherwise be the case. Conversely, where the associated costs are greater than such income and gains, the Net Asset Value of the Shares may decrease more rapidly than would otherwise be the case. Any limitation on the availability of borrowing facilities may have a detrimental effect on the Master Funds' ability to maintain its intended level of leverage. On a winding up, as Shareholders rank for repayment after all other creditors, they may not get back their full investment if there are insufficient funds to discharge creditors (including such Shareholders who have redeemed their Shares but have not been paid their redemption proceeds in full).

In an unsettled credit environment, the Master Funds may find it difficult or impossible to obtain leverage. In such event, the Master Funds could find it difficult to implement its strategy. In addition, in an unsettled credit environment it may be more likely that any leverage obtained may be terminated (or the collateral requirements changed) on short notice by the lender, which could result in the Master Funds being forced to unwind positions quickly and at prices below what SRC deems to be fair value for the positions.

#### Limited US Regulation

The offering of Shares has not been and will not be registered under the 1933 Act or with any state within the United States in reliance on an exemption from registration pursuant to the 1933 Act and applicable state securities law exemptions. Neither the Funds nor the Master Funds are, or currently intend to be, registered as an investment company under the 1940 Act. It is anticipated that each of the Funds and the Master Funds will be exempt from registering as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") by relying on the exemption contained in Section 3(c)(7) of the Investment Company Act.

#### Liquidity and Market Characteristics

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

In some circumstances, certain of the Master Funds' investments may be relatively illiquid making it difficult or impossible to acquire or dispose of them at the prices quoted on the

various exchanges or at the prices which SRC considers to reflect their then value. Accordingly, the Master Funds' ability to respond to market movements may be impaired and the Master Funds may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Master Funds may not be able to sell them when it desires to do so or to realise what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Master Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

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

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

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

#### Manager

The investment performance of the Funds and the Master Funds are substantially dependent on the services of key individuals who are primarily responsible for managing the investment of the assets of the Funds and the Master Funds. In the event of the death, incapacity, departure, insolvency or withdrawal of any such individual, the performance of the Funds and the Master Funds may be adversely affected.

#### Market Crisis and Governmental Interventions

The global financial markets have recently undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis without much or any notice with the consequence that some market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions was suddenly and/or substantially eliminated. In addition, as one would expect given the complexities of the global financial markets and the limited timeframe within which governments were able to take action, these interventions were sometimes unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

The United States Federal Reserve and certain non-US governments and supra-governmental agencies and organisations have previously taken, and in certain cases continue to take significant steps to intervene in the financial markets. Current and future government and/or

supra-governmental interventions may lead to a change in valuations of securities that is detrimental to the Master Funds' investments. Such intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

The Manager believes that it is possible that emergency intervention may take place again in the future. The Manager also believes that the regulation of financial markets is likely to be increased in the future. It is impossible to predict the impact of any such intervention and/or increased regulation on the performance of the Master Funds or the fulfilment of its investment objective.

#### Market Disruptions

The Master Funds may incur major losses in the event that disrupted markets and/or other extraordinary events affect markets in a way that is not consistent with historical pricing relationships. The risk of loss from the disconnection from historical prices during periods of market disruption is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Master Funds from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Funds. In 1994, in 1998 and again in the "financial crisis" of 2007 to 2009, a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of investment vehicles focused on credit-related investments. However, because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment vehicles suffered heavy losses even though they were not heavily invested in credit-related investments.

In addition, the global financial markets may undergo further fundamental disruptions in the future, which could result in renewed governmental and/or supra-governmental interventions which may be materially detrimental to the performance of the Master Funds, and hence the Funds. Furthermore, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Master Funds, and such events may result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Master Funds to liquidate affected positions and thereby expose it to losses. There is also no assurance that off-exchange markets will remain liquid enough for the Master Funds to close out positions.

#### Master-Feeder Structure

The use of a master-feeder structure may create a conflict of interest for the Manager because tax considerations for investors in one feeder fund may conflict with or differ from tax considerations for investors in the other feeder fund; accordingly, the structure or disposal of an investment may be more advantageous to one feeder fund into the Master Fund than to another.

The Manager may take tax considerations into account when making investment decisions, including, without limitation, determining whether the Master Fund's securities positions should be held through swaps or other derivative instruments or when securities should be sold or otherwise disposed of. The Manager may assume certain market risk and incur certain expenses in this regard in order to achieve favourable tax treatment of a particular investment.

In addition, the master-feeder fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Smaller investment vehicles investing in a Master Fund may be materially affected by the actions of larger investment vehicles investing in the Master Fund. For example, if a larger investment vehicle withdraws from a Master Fund, the remaining funds may experience higher pro rata

operating expenses, thereby producing lower returns. Similarly, a Master Fund may become less diverse due to a redemption by a larger investment vehicle, resulting in increased portfolio risk.

#### Nature of Investments

The Manager will have broad discretion in making investments for the Master Funds. Investments will generally consist of various instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Master Funds' activities and the value of its investments. Among other things, performance will depend upon the Manager's ability to assess the importance of news and events, forecast macro trends, make accurate forecasts about economic and fundamental factors and their potential impact on financial markets. Unexpected movements in interest rates, foreign exchange, credit defaults and spreads, commodity prices, equity values etc. can adversely affect the performance. No guarantee or representation is made that the Master Funds' investment objective will be achieved.

#### Net Asset Value Considerations

The Net Asset Value per Share is expected to fluctuate over time with the performance of the Master Funds' investments. A Shareholder may not fully recover his initial investment when he chooses to redeem his Shares or upon compulsory redemption if the Net Asset Value per Share at the time of such redemption is less than the Subscription Price paid by such Shareholder or if there remain any unamortised costs and expenses of establishing the Funds and the Master Funds.

In addition, where there is any conflict between IFRS and the valuation principles set out in the Articles and the Private Placement Memorandum(-a) in relation to the calculation of Net Asset Value, the latter principles shall take precedence. If relevant, a reconciliation note may be included in the annual financial statements of the Funds and the Master Funds to reconcile values as shown in the annual financial statements prepared in accordance with IFRS to those derived by applying the valuation principles of the Funds and/or the Master Funds, as appropriate.

#### No Separate Counsel; No Responsibility or Independent Verification

Linklaters Singapore Pte. Ltd. ("Linklaters") represents the Manager, the Funds and the Master Funds (collectively, the "Parties") as Singapore counsel. Linklaters does not represent investors in the Fund and no independent counsel has been retained to act on behalf of Shareholders. Linklaters is not responsible for any acts or omissions of the Parties (including their compliance with any guidelines, policies, restrictions or applicable laws, or the selection, suitability or advisability of their investment activities) or any administrator, accountant, custodian/prime broker or other service providers to the Parties. This Private Placement Memorandum was prepared based on information furnished by the Manager and Linklaters has not independently verified such information.

Maples and Calder (Singapore) LLP ("Maples and Calder"), acts as Cayman Islands legal counsel and Morgan, Lewis & Bockius LLP ("Morgan Lewis") acts as United States legal counsel to the Funds and the Master Funds. In connection with the Funds' offering of Shares and subsequent advice to the Funds and the Master Funds, neither Maples and Calder nor Morgan Lewis will be representing Shareholders. No independent legal counsel has been retained to represent the Shareholders. Maples and Calder's and Morgan Lewis' representation of the Funds and the Master Funds is limited to specific matters as to which it has been consulted by the Funds or



the Master Funds. There may exist other matters that could have a bearing on the Funds and/or the Master Funds as to which Maples and Calder and Morgan Lewis have not been consulted. In addition, neither Maples and Calder nor Morgan Lewis undertakes to monitor compliance by the Manager and its affiliates with the investment programme, valuation procedures and other guidelines set forth herein, nor does Maples and Calder or Morgan Lewis monitor ongoing compliance with applicable laws. In connection with the preparation of this Private Placement Memorandum, Maples and Calder's responsibility is limited to matters of Cayman Islands law and Morgan Lewis' responsibility is limited to United States law and they do not accept responsibility in relation to any other matters referred to or disclosed in the Private Placement Memorandum. In the course of advising the Funds and the Master Funds, there are times when the interests of Shareholders may differ from those of the Funds and/or the Master Funds. Neither Maples and Calder nor Morgan Lewis represents the Shareholders' interests in resolving these issues.

#### OTC Transactions – Regulation

There has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular, in response to the recent financial crisis. The leaders of the G20 have agreed that all standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties, that OTC derivative contracts should be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements.

In the United States, the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which became law in July 2010, includes provisions that comprehensively regulate the OTC derivatives markets for the first time. Key provisions of the Dodd-Frank Act require rulemaking by the SEC and the CFTC, not all of which has been proposed or finalised as at the date of the Private Placement Memorandum(-a). As a result, investors should expect future changes in the regulatory environment.

The Dodd-Frank Act will require that a substantial portion of OTC derivatives must be executed on regulated markets and submitted for clearing to regulated clearing houses. Certain types of interest rate swaps and credit default index swaps are already subject to mandatory clearing. When OTC trades are submitted for clearing, they become subject to minimum initial and variation margin requirements set by the relevant clearing house, as well as possible SEC- or CFTC-mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", the Master Funds do not expect to be able to rely on such exemptions. In addition, the OTC derivative dealers with which the Master Funds may execute the majority of its OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore such dealers will be subject to clearing and margin requirements notwithstanding whether the Master Funds are subject to such requirements. Where OTC derivative dealers are required to post margin to the clearing houses through which they clear their customers' trades instead of using such margin in their operations, as they currently are allowed to do, the dealers' costs are further increased, which costs are expected to be passed through to other market participants in the form of higher fees and less favourable dealer marks. Although central clearing is expected to decrease the credit risk involved in bi-laterally negotiated OTC derivatives transactions, central clearing would not make the contracts risk-free.

The SEC and the CFTC may also require a substantial portion of derivative transactions that are currently executed on a bilateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Such requirements may

make it more difficult and costly for investment funds, including the Master Funds, to enter into highly tailored or customised transactions. They may also render certain strategies in which the Master Funds might otherwise engage impossible or so costly that they will no longer be economical to implement.

OTC derivative dealers and major OTC derivatives market participants will be required to register with the SEC and/or the CFTC. Dealers and major swap participants will be subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are exchange-traded or cleared. OTC derivatives dealers either currently are or soon will also be subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements may increase the overall costs for OTC derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. The overall impact of the Dodd-Frank Act on the Master Funds is highly uncertain, and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime.

Although the Dodd-Frank Act will require many OTC derivative transactions previously entered into on a principal-to-principal basis to be submitted for clearing by a regulated clearing house, certain of the derivatives that may be traded by the Master Funds may remain principal-to-principal or OTC contracts between the Master Funds and third parties entered into privately. The risk of counterparty non-performance can be significant in the case of these OTC instruments, and “bid-ask” spreads may be unusually wide in these heretofore substantially unregulated markets. While the Dodd-Frank Act is intended in part to reduce these risks, its success in this respect may not be evident for some time after the Dodd-Frank Act is fully implemented, a process that may take several years.

European Union Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation, or “EMIR”), which came into force on 16 August 2012, introduces uniform requirements in respect of OTC derivative contracts by requiring certain “eligible” OTC derivatives contracts to be submitted for clearing to regulated central clearing counterparties and by mandating the reporting of certain details of OTC derivatives contracts to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty credit risk in respect of OTC derivatives contracts which are not subject to mandatory clearing. These requirements include the exchange of collateral by the parties, including by the Master Funds.

While many of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of the Private Placement Memorandum(-a). It is as yet unclear how the OTC derivatives market will adapt to the new regulatory regime. Accordingly, it is difficult to predict the full impact of EMIR on the Master Funds, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. The Directors and SRC will continue to monitor the position. However, prospective investors and Shareholders should be aware that the regulatory changes arising from EMIR may in due course adversely affect the Master Funds’ ability to adhere to its investment approach and achieve its investment objective.

#### OTC Transactions and Securities Financing Transactions

To the extent not mitigated by implementation of the Dodd-Frank Act and/or EMIR or collateral arrangements, if at all, the risks posed by OTC derivatives contracts, which can be extremely complex and may involve leveraging of the Master Funds’ assets, include: (1) credit



risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risks (the characterisation of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (7) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty). Similar risks are posed by securities financing transactions.

For OTC derivatives that are cleared through a clearing house, there is the additional risk that the clearing house may become insolvent or lack the financial resources to assure performance in the event of a clearing house member's default.

The Master Funds may receive collateral from and may deliver collateral to a counterparty or broker (a "Counterparty") by way of title transfer or by way of security interest and, in certain circumstances, where the Master Funds delivers collateral to a Counterparty, may grant a right of reuse of such collateral to such Counterparty. The treatment of such collateral will vary according to the type of transaction and its contractual terms, the jurisdiction in which the Counterparty is located, and the assets are traded, the legal status of the collateral and applicable law.

Where collateral is delivered by way of title transfer, the Master Funds will be exposed to the creditworthiness of the Counterparty and, in the event of insolvency, the Master Funds will rank as an unsecured creditor in relation to any amounts transferred as collateral in excess of the Master Funds' exposure to the Counterparty.

Where assets are delivered pursuant to a security interest or cash is protected pursuant to the FCA's Client Money Rules, such assets and cash should be protected from the insolvency of the Counterparty but subject to the Counterparty complying with its obligations pursuant to the terms of the agreement with the Master Funds and applicable law.

Where the Counterparty exercises a right of use in respect of financial instruments provided to it by the Master Funds as collateral, the Master Funds' rights in respect of such financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant arrangement. The relevant financial instruments will not be held by the Counterparty in accordance with client asset rules or similar rights and so will not be segregated from the Counterparty's own assets or held on trust for the Master Funds. In the event of the Counterparty's insolvency or default, the Master Funds' claim for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant arrangement and applicable law and, accordingly, the Master Funds may not receive such equivalent financial instruments or recover the full value of the financial instruments. Further, in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to the Counterparty any rights the Master Funds may have to take any action against the Counterparty, such as to terminate the relevant agreement, may be subject to a stay by the relevant resolution authority and/or the Master Funds' claim for delivery of equivalent financial instruments may be reduced (in part or

in full) or converted into equity and/or a transfer of assets or liabilities may result in the Master Funds' claim being transferred to different entities.

Where collateral is held by a custodian, on the insolvency or default of the custodian, the relevant financial instruments should, subject to the terms of the relevant agreement and applicable law, be unavailable to its general creditors. However, in the event of an irreconcilable shortfall following the default of a custodian, the Master Funds may share in that shortfall proportionately with the custodian's other customers.

Collateral arrangements may be subject to a number of operational risks, including the failure of the Master Funds to call for collateral where it is entitled to do so, the failure of the Counterparty to call for the correct amount of collateral or failure to redeliver any excess collateral and settlement failures.

In the event that the Master Funds attempt to realise collateral following the default by a Counterparty, there may be no or limited liquidity or other restrictions in respect of the relevant collateral and any realisation proceeds may not be sufficient to off-set the Master Funds' exposure to the Counterparty and the Master Funds may not recover any shortfall.

#### Price Fluctuations

The value of Shares and the income (if any) derived from them can go down as well as up.

#### Prime Broker and Custodian to the Master Funds

Legal and beneficial title to assets of the Master Funds may be transferred to the Prime Broker and Custodian. In relation to the Master Funds' right to the return of assets equivalent to those of the Master Funds' investments which any Prime Broker borrows, lends, charges, takes legal and beneficial ownership of or otherwise uses for its own purposes, the Master Funds will rank as one of the Prime Broker's unsecured creditors. In the event of the insolvency of such Prime Broker the Master Funds might not be able to recover such equivalent assets in full.

An insolvency of a Prime Broker or Custodian might also make it difficult for the Master Funds to transfer and utilise assets held with the relevant Prime Broker or Custodian and thus cause severe disruption to the trading of the Master Funds. This may be the case even when assets are clearly identified as belonging to the Master Funds.

In addition, the Master Funds' cash held with a Prime Broker or Custodian may not be treated as client money subject to the protections conferred by the rules of the Financial Services Authority of the United Kingdom and accordingly will not be segregated from the relevant Prime Broker or Custodian's own cash and will be used by it in the course of its investment business. The Master Funds will rank as an unsecured creditor in relation to such cash.

The Master Funds' assets may be held in one or more accounts maintained for the Master Funds by its Prime Broker(s), Custodian(s) or at other brokers, which may be located in various jurisdictions. Such local brokers and the Prime Broker(s) and Custodian(s), as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a Prime Broker, a Custodian or any of its sub-custodians, agents or affiliates, or a local broker, it is impossible to generalise about the effect of their insolvency on the Master Funds and its assets. Investors should assume that the insolvency of any of the Prime Broker(s) or

Custodian(s) or such other service providers would result in a loss to the Master Funds, which could be material.

Any securities of the Master Funds held by a prime broker or custodian may be held in a general client or “omnibus” account together with the securities of other clients. The use of an omnibus account could result in the Master Funds bearing losses as a result of a shortfall in the omnibus account that would not have ensued had its securities been held in a designated client account. Moreover, under contractual arrangements relating to the operation of the omnibus account, the Master Funds may be restricted from voting its securities as it wishes under arrangements relating to the operation of the omnibus account.

Moreover, the Master Funds will be subject to the risk that a prime broker and custodian may be unable to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. In addition, the nature of commercial arrangements made in the normal course of business between many prime brokers and custodians means that in the case of any one prime broker and custodian defaulting on its obligations to the Master Funds, the effects of such a default may have consequential negative effects on other prime brokers and custodians with whom the Master Funds deals. The Master Funds and, by extension, the Funds may, therefore, be exposed to systemic risk when the Master Funds deal with prime broker and custodian whose creditworthiness may be interlinked.

#### Prime Brokers and Custodian Insolvency

The Master Funds are at risk of the Prime Brokers and/or Custodian entering into an insolvency procedure. During such a procedure (which may last many years) the use by the Master Funds of assets held by or on behalf of the Prime Brokers and/or Custodian may be restricted and accordingly: (a) the ability of SRC to fulfil the investment objective may be severely constrained; (b) the Funds and/or the Master Funds may be required to suspend the calculation of the Net Asset Value and as a result subscriptions for and redemptions of Shares; and/or (c) the Net Asset Value may be otherwise affected. During such a procedure, the Master Funds are likely to be an unsecured creditor in relation to certain assets and accordingly the Master Funds may be unable to recover such assets from the insolvent estate of the Prime Brokers and/or Custodian in full, or at all.

#### Profit Sharing

In addition to receiving a Management Fee, the Manager may also receive a Performance Fee based on the appreciation in the Net Asset Value per Share and accordingly the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. Accordingly, a Performance Fee may be paid on unrealised gains which may subsequently never be realised. The Performance Fee may create an incentive for the Manager to make investments for the Master Funds which are riskier than would be the case in the absence of a fee based on the performance of the Master Funds.

#### Regulatory Risks of Hedge Funds

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

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during the past decade have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” and financial services industry in general. Certain legislation proposing greater regulation of the industry, such as the Dodd-Frank Act, is considered periodically by the US Congress, as well as by the governments of non-US jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to the Funds, the Master Funds, SRC, the markets in which the Master Funds will trade and invest or the counterparties with which it does business may be instituted in the future. Any such laws or regulations may materially adversely affect the Master Funds’ ability to implement its investment approach and achieve its investment objective, as well as require increased transparency as to the identity of the Shareholders.

The Dodd-Frank Act seeks to regulate markets, market participants and financial instruments that previously have been unregulated and substantially alters the regulation of many other markets, market participants and financial instruments. The Dodd-Frank Act could result in certain investment strategies in which the Master Funds proposes to engage or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the Dodd-Frank Act may materially adversely affect the Master Funds’ ability to implement its investment approach and achieve its investment objective.

In addition, securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. Regulators and self-regulatory organisations, including but not limited to the CFTC, and exchanges are authorised to take extraordinary actions in the event of market emergencies including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of swaps, futures and/or other derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by governmental, regulatory, and judicial actions. The effect of any future regulatory change on the Funds and/or the Master Funds could be substantial and adverse including, for example, increased compliance costs, terms relating to margin, increased disclosure requirements, the prohibition of certain types of trading and/or the inhibition of the Master Funds’ ability to implement its investment approach and achieve its investment objective.

#### Risks of Arbitrage and Speculative Securities Transactions

The Master Funds may make investments in securities of companies that the Manager believes may be the subject of an acquisition. Because of the inherently speculative nature of this activity, the results of the Master Funds’ operations may fluctuate significantly.

In risk arbitrage, when the Manager determines that it is probable that a transaction will be consummated, the Master Funds may purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for such securities in the merger, exchange offer or cash tender offer (and substantially above the price at which such securities traded immediately prior to the announcement of the merger, exchange offer or cash tender offer). If the proposed merger, exchange offer or cash tender offer appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged will usually decline sharply, resulting in a loss to the Master Funds. In addition, where a security to be issued in a merger or exchange offer has been sold short in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Master Funds to cover its short position in the market at higher price than its short sale, with a resulting loss.

In addition, the Master Funds may determine that the offer price for a security which is the subject of a tender offer is likely to be increased, either by the original bidder or by another party. In those circumstances, the Master Funds may purchase securities above the offer price, thereby exposing the Master Funds to an even greater degree of risk and loss to the Master Fund.

When the Master Funds determine that it is probable that a transaction will not be consummated, the Master Funds may sell the securities of the target company short, at times significantly below the announced price for the securities in the transaction. If the transaction (or other transaction, such as a defensive merger or a friendly tender offer) is consummated at the announced price or a higher price, the Master Funds may be forced to cover the short position in the market at a higher price than the short sale price, with a resulting loss.

The consummation of mergers, exchange offers and cash tender offers can be prevented or delayed by a variety of factors. Offerors in tender or exchange offers customarily reserve the right to cancel such offers in a variety of circumstances, including, but not limited to, an insufficient response from shareholders of the target company. Even if the defensive activities of a target company or the actions of regulatory authorities fail to defeat an acquisition, they may result in significant delays, during which the Master Funds' capital will be committed to the transaction and interest charges may be incurred on funds borrowed to finance its arbitrage activities in connection with the transaction.

Exchange offers or cash tender offers are often made for less than all of the outstanding securities of an issuer, with the provision that, if a greater number is tendered, securities will be accepted on a pro rata basis. Thus, after the completion of a tender offer, and at a time when the market price of the securities has declined below its cost, the Master Funds may have returned to it, and be forced to sell at a loss, a portion of the securities it had previously tendered.

The Master Funds may make certain speculative purchases of securities. Such purchases may include securities of companies that are involved in, or which the Manager believes will be involved in, corporate restructurings, that the Manager believes are misvalued because of an extraordinary event, or that are expected to undergo a change in value because of an expected occurrence. The Master Funds may also, together with the affiliates of the Manager, make concentrated investments in securities of companies that may be or may become targets for takeovers. If the Master Funds purchase securities in anticipation of an acquisition attempt or reorganisation or with the intention to influence the management and policies of the issuer of the securities, and an acquisition attempt or reorganisation does not in fact occur or the Master Funds are not able to so influence the issuer of the securities, the Master Funds may sell the securities at a material loss.

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

In certain transactions, the Master Funds may not be hedged against market fluctuations or, in liquidation situations, may not accurately value the assets of the company being liquidated. This may result in losses, even if the proposed transaction is consummated.

The Master Funds may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, confronting significant legal or regulatory problems, or that are involved in bankruptcy or reorganisation

proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the courts' power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value. In addition, because fewer bidders for securities of financially troubled companies exist, such securities may become illiquid.

#### Risks Associated with Options Trading

The Master Funds may sell and purchase call or put options.

There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of an unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (paid to establish the short position) of the underlying security plus the premium received and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

#### Risks Associated with Investing in PRC

In addition to the usual investment risk, investing in the People's Republic of China ("PRC") is subject to certain other inherent risks and uncertainties.

Accounting and reporting standards: PRC companies are required to follow PRC accounting standards and practice which follow international accounting standards to a certain extent. However, the accounting, auditing and financial reporting standards and practices applicable to PRC companies may be less rigorous, and there may be significant differences between financial statements prepared in accordance with the PRC accounting standards and practice and those prepared in accordance with international accounting standards. As the financial reporting and regulatory standards in the PRC are less stringent than in more developed markets, there may be substantially less publicly available information about issuers in the PRC on which the Manager can base investment decisions.

Developing legal and regulatory system: The PRC legal system is a codified legal system comprising written statutes, regulations, circulars, administrative directives, internal guidelines and their interpretation by the Supreme People's Court. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign



investment, corporate organisation and governance, commerce taxation and trade. However, experience in the implementation, interpretation and enforcement of the laws and regulations and of commercial contracts, undertakings and commitments entered into is also limited.

**Foreign Exchange Controls:** The PRC government still imposes exchange controls making it impossible to freely convert local currency into other currencies. The imposition of currency controls by the PRC government may negatively impact performance and liquidity in the Master Funds as capital may become trapped in the PRC.

**Government control of currency conversion and future movements in exchange rates:** Since 1994, the conversion of RMB into US Dollar has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate. In 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate, within a regulated band, based on market supply and demand and by reference to a basket of currencies. There can be no assurance that the RMB exchange rate will not fluctuate widely against the US Dollar or any other foreign currency in the future. As the base currency of the Master Funds is the US Dollar, any appreciation of RMB will increase the value of any dividends that the Master Funds may receive from its PRC investments and the Net Asset Value, and vice versa.

**Nationalisation and expropriation:** After the formation of the Chinese socialist state in 1949, the Chinese government renounced various debt obligations and nationalised private assets without providing any form of compensation. In recent years, PRC government has adopted a more friendly attitude towards foreign investment in the PRC. However, there can be no assurance that the PRC government will not take similar actions in the future.

**Political and economic considerations:** Since 1978, the PRC has implemented a series of economic reform programmes emphasising the utilisation of market forces in the development of the PRC's economy and a high level of management autonomy. The economy of the PRC has experienced significant growth in the past twenty years, but there can be no assurance that the PRC government will continue to pursue the same economic policies or, if it does, that those policies will continue to be successful. Economic growth has been uneven both geographically and among various sectors of the economy. Economic growth has also been accompanied by periods of high inflation. The PRC government may from time to time adopt corrective measures to restrain the rate of economic growth and/or control inflation, which may have an adverse impact on the performance of the Master Funds. The PRC economy is heavily dependent upon international trade and, accordingly, has been and may continue to be adversely affected by trade barriers, exchange controls, and other protectionist measures imposed or negotiated by the countries with which they trade. Political changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including the expropriation of assets, confiscatory taxes or nationalisation or other measures which could adversely affect the assets of the Master Funds.

**PRC's accession to the World Trade Organisation:** With PRC's accession to the World Trade Organisation on 11 December 2001 and the gradual opening of the PRC market, companies in which the Master Funds invest in the PRC may face increased competition as the PRC is required to significantly reduce the trade barriers for imports that have historically existed and that currently exist in the PRC, such as reducing restrictions on trading for certain kinds of products of foreign companies, lifting prohibitions, quantitative restrictions or other measures maintained against imports and significantly reducing tariffs. Any present or future increase in foreign competition may have an adverse effect on the Master Funds' investments in the PRC.

QFII System: Under the prevailing regulations in the PRC, foreign investors can invest in the A Share market only through institutions that have obtained QFII status in the PRC. The Master Fund itself is not a QFII, but may invest in A Shares via the QFII investment quota obtained by one or more third-party QFIIs. To the extent that the Master Funds use the investment quota of a QFII for investments in the PRC, the following additional risks may apply:

- (A) Developing system: The regulations which govern investments by QFIIs in the PRC and the repatriation and currency conversion are relatively new. The application and interpretation of the regulations is therefore relatively untested and there is no certainty as to how they will be applied. The China Securities Regulatory Commission ("CSRC") and the State Administration of Foreign Exchange ("SAFE") have been given wide discretions in the regulations and there is no precedent or certainty as to how these discretions might be exercised. It is not possible to predict the future development of the QFII system and there can be no assurance that changes to the regulations will not prejudice QFIIs, or that the QFII investment quotas, which are subject to review from time to time by CSRC and SAFE, will not be removed substantially or entirely. Any such changes may adversely affect the Master Funds and consequently the Funds.
- (B) QFII tax risk: There is a risk that the PRC State Administration of Taxation may seek to impose PRC Business Tax (presently chargeable at a rate of 5 per cent) on all of a QFII's profits arising from dealings in A Shares. Although there is as yet no guidance on how such tax may be applied, it is possible that gains generated by sales of A Shares will be subject to this tax and the amount of tax in respect of each transaction may be withheld by the relevant PRC custodian of the QFII. Because only the QFII's interests in A Shares are recognised under PRC law, this tax liability would, if it arises, be payable by the QFII. However, in such event any tax levied on and payable by the QFII in the PRC may be passed on to and borne by the Master Funds.
- (C) QFII investment restrictions: Although the Manager does not anticipate that QFII investment restrictions will impact the ability of the Master Funds to achieve its investment objective, investors should note that the relevant PRC laws and regulations may limit the ability of a QFII to acquire A Shares in certain PRC issuers from time to time. This may occur in a number of circumstances, such as: (i) where the QFII holds in aggregate 10 per cent of the total share capital of a listed PRC issuer (regardless of the fact that the QFII may hold its interest on behalf of a number of different ultimate clients); and (ii) where the aggregated holdings of all QFIIs (whether or not connected in any way to the Master Funds) already equal 20 per cent of the total share capital of a listed PRC issuer. In the event that these limits are exceeded the relevant QFIIs will be required to dispose of the A Shares in order to comply with the relevant requirements and, in respect of (ii), each QFII will dispose of the relevant A Shares on a "last in first out" basis.
- (D) Repatriation: Repatriation of capital is subject to the approval of SAFE and there are restrictions imposed on the repatriation amount and interval. The regulations on repatriation of capital and profits are applied to each QFII investment quota as a whole. In this regard, the capacity of the Funds to make investments in A Shares and the ability to repatriate monies from the QFII investment quota granted to the QFII may be adversely affected by the investments, performance and/or repatriation of monies invested by other clients of the QFII utilising its QFII investment quota.
- (E) QFII Custodian: Any A Shares or other permissible securities acquired for the Funds through the QFII investment quota of a QFII will be maintained by the QFII's custodian,



in electronic form via a securities account in such name as may be permitted or required in accordance with PRC law with China Securities Depository and Clearing Corporation Limited. The Funds may incur losses due to the acts or omissions of the QFII's custodian and will be exposed to the risk involved in the execution or settlement of any transaction or in the transfer of any funds or securities in the PRC settlement system.

- (F) Ownership of A Shares: Although a QFII will maintain records of the assets attributable to the Funds, it is possible that in the event of any insolvency proceedings being brought against the QFII in the PRC, the courts in the PRC would not recognise the right of the Funds to the assets held by the QFII in respect of the Funds. In such circumstances, the Funds would be treated as an unsecured creditor of the QFII and accordingly may be unable to recover such assets in full.
- (G) Securities Markets: The stock exchanges and markets in the PRC have experienced significant fluctuations in the prices of securities, and no assurance can be given that such volatility will not continue in the future. The PRC's securities markets are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. The PRC's regulatory authorities have only recently been given the power and duty to prohibit fraudulent and unfair trade practices relating to securities markets, including insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies.

Risks associated with PRC Inter-bank Bond Market – Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the PRC inter-bank bond market may result in prices of certain debt securities traded on such market fluctuating significantly. The Master Funds are therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Master Funds may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

The Master Funds are also exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered into a transaction with the Master Funds may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

For investments via the Foreign Access Regime (introduced pursuant to the “Announcement (2016) No 3” issued by the People's Bank of China (“PBOC”) on 24 February 2016) and/or Bond Connect (i.e. the initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit), the relevant filings, registration with the PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the Master Funds are subject to the risks of default or errors on the part of such third parties.

Investing in the PRC inter-bank bond market via Foreign Access Regime and/or Bond Connect is also subject to regulatory risks. The relevant rules and regulations on these regimes are subject to change which may have potential retrospective effect. In the event that the relevant Mainland Chinese authorities suspend account opening or trading on the PRC inter-bank bond market, the Master Funds' ability to invest in the PRC inter-bank bond market will be adversely

affected. In such event, the Master Funds' ability to achieve its investment objective will be negatively affected.

Risks associated with Bond Connect – The relevant rules and regulations on Bond Connect are subject to change which may have potential retrospective effect. Where a suspension in the trading through Bond Connect is effected, the Master Funds' ability to invest in bonds or access the PRC market through the programme will be adversely affected. In such event, the Master Funds will have to increase its reliance on the Foreign Access Regime, and its ability to achieve its investment objective could be negatively affected.

#### Risks Associated with Investing in Thailand

**Military Government:** In September 2006, the elected government of Thaksin Shinawatra, then prime minister of Thailand, was deposed by a military coup lead by the Thai army's chief of staff, General Sonthi Boonyaratglin. Whilst this event was bloodless and reported to be supported by many in Thailand as well as King Bhumibol, the policies of the military government now running Thailand are unclear. The economic consequences of the coup d'état remain uncertain but since the coup consumer and investor confidence has fallen and the outlook for growth has remained dim. Thailand's state planning agency, the National Economic and Social Development Board, has recently predicted a slow-down in economic growth to as little as 4 per cent for the year 2007. Whilst the Thai Government has repeatedly stated that Thailand continues to welcome foreign investment, many commentators are concerned that the Thai military government is resorting to economic nationalism which is hostile to foreign investment in Thai business. Currency controls and changes to laws in respect of foreign ownership have helped to create this impression. In addition, as with most military regimes, lack of accountability and opaque leadership of military government often results in weak administration which can have an adverse effect on the national economy and economic confidence. There are reported disputes between the various protagonists of the coup, as well as between them and supporters of the deposed ex-leader Thaksin Shinawatra. There remains uncertainty as to the timing and possibly even the will to bring about a return to democratic government in Thailand in the near future which may cause Thailand's markets to be volatile or underperform in the near term.

**Regulatory Risks:** Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect them. The regulatory environment for hedge funds is evolving, and changes in the regulation of alternative investment funds may adversely affect the value of investments held by the Funds and the ability of the Funds to obtain the leverage it might otherwise obtain or to pursue its trading strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The Thai SEC, other 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 funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds could be substantial and adverse.

**Terrorism:** In 2001 terrorist attacks on the United States caused significant loss of life and property damage and disruptions in United States markets and in global markets. Since that time, the United States and the United Kingdom have commenced military action and imposed economic and diplomatic sanctions on certain states. The relationship between the United States and Syria and Iran remains tense. In addition, Thailand has experienced domestic terrorism by Muslim extremists in relation to minorities in Southern Thailand. The short-term

and long-term impact of these events, and of further possible terrorist attacks, is unclear, but could have a material effect on general economic conditions and market liquidity.

**Disclosure and Accounting Standards:** Disclosure and regulatory standards in Thailand (and elsewhere in Asia) are in many respects less stringent than standards in certain countries with more developed securities markets, and there may be less publicly available information about companies than is regularly published by or about companies in many other countries. Companies in Thailand are subject to accounting standards and disclosure requirements that differ in significant respects from those applicable to companies in many countries with more developed securities markets.

**Foreign Exchange Controls:** The Thai Government may impose foreign exchange controls in respect of the Baht at will, making it impossible to convert local currency into other currencies such as the US Dollar. These controls may effectively prevent capital from being removed from a country. Whilst foreign exchange controls have been relaxed in recent years in Thailand, certain payments abroad still require approval by the Bank of Thailand. The imposition of currency controls by a government may negatively impact performance and liquidity in the Funds as capital becomes trapped in that country. Foreign exchange markets in Thailand also lacks liquidity and transparency. This may impair the Funds' ability to protect its positions and the discovery of accurate or timely information.

**Political and Economic Considerations:** The Funds may be affected by political and economic developments in or affecting Thailand, including changes in Thai Government policy, taxation and social, ethnic and religious instability. The economy of Thailand may differ favourably or unfavourably from the economies in a more industrialised country in such respects as gross domestic product, rates of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. The Thai economy is heavily dependent upon international trade and, accordingly, may be adversely affected by trade barriers, exchange controls, and other protectionist measures imposed or negotiated by the countries with which Thailand trades. Expropriation, confiscatory taxation, nationalisation or other developments could also adversely affect the assets of the Funds.

**Regulation:** Regulations in Thailand under which non-resident investors, such as the Funds, can invest directly in equity and debt securities of domestic companies, are evolving. The Alien Business Law (the Foreign Business Act B.E. 1999) of Thailand restricts foreigners, including a Thai company a majority of whose shareholders are not Thais, from performing certain businesses. In addition, the supporting regulatory framework, such as applicable tax codes and foreign exchange regulations, are often unclear with regard to their application to foreign investors and investments held by foreign investors. Therefore, these regulations and the underlying legislation may be amended, clarified, interpreted by judicial or administrative ruling or superseded in the future and such alterations could impact adversely on the Funds' operation and performance.

**Thai and Asian Securities Markets:** The stock exchanges and markets in Asia, including Thailand, have experienced significant fluctuations (such as during the "Asian crisis" of 1997-1998) in the prices of securities, and no assurance can be given that such volatility will not continue in the future. Certain governing bodies of stock exchanges can impose restrictions on trading in certain securities, limitations on price movements and margin requirements. Asia's and Thailand's securities markets are undergoing a period of growth and change which may lead to difficulties in the settlement and recording of transactions and in interpreting and applying the relevant regulations. Certain regulatory authorities have only recently been given the power and duty to prohibit fraudulent and unfair trade practices relating to securities markets, including insider trading and market abuse, and to regulate substantial acquisitions of shares and takeovers of companies. Accordingly, the regulation of unfair trade practices in

Thailand and other Asian securities markets may not be as efficient as in more developed countries as these practices are less well understood or not regulated as effectively. Certain securities markets in Asia are not subject to such restrictions. A disproportionately large percentage of market capitalisation and trade volume in the stock exchanges and markets in Asia, including Thailand, is represented by a relatively small number of issuers. Significant delays have been common in settling trades on certain stock exchanges and registering transfers of securities.

#### Service Providers

Neither the Funds nor the Master Funds have any employees, and each is therefore reliant upon the performance of third-party service providers for its executive function. SRC and the Administrator and their respective delegates, if any, perform services that are integral to the operations of the Funds and the Master Funds. Failure by any service provider to carry out its obligations in accordance with the terms of its appointment or without exercising due care and skill could have a materially detrimental impact on their operations. The termination of their relationship with any third-party service provider, and any delay in appointing a replacement for such service provider, may have a material adverse effect on the performance of the Master Funds.

The Master Funds may also rely on models provided by third parties for the assessment of risks assumed in portfolios or instruments, including risk modelling firms. The impacts predicted by such models may prove inaccurate or inadequate in certain unexpected or new situations and, if relied on by SRC may result in substantial losses for the Master Funds.

Absent a direct contractual relationship between the relevant Shareholder and the relevant Service Provider, a Shareholder generally has no direct rights against a Service Provider and there are very limited circumstances in which a Shareholder could bring a claim against a Service Provider. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Funds or the Master Funds by a Service Provider is, prima facie, the Funds, or the Master Funds, respectively.

#### Short Selling

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

There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short with purchases on the open market at a disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

There is also a risk that securities borrowed in connection with a short sale will, following any corporate activity on the part of the relevant issuer, including, but not limited to, merger and acquisition activity, corporate restructuring, or the entity demerging subsidiaries, become the securities of a different issuer and that the Master Funds will be required to deliver securities of a different issuer or additional securities. In such event the relevant short position may therefore not provide the investment return that SRC expected.

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

#### Speculative Position Limits

In the United States, the CFTC and certain exchanges have established speculative position limits on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures or options contracts. The CFTC has adopted a rule generally requiring each domestic US exchange to set speculative position limits or accountability levels, subject to CFTC approval, for all futures contracts and options traded on such exchanges which are not already subject to speculative position limits established by the CFTC or such exchange. The CFTC has jurisdiction to establish speculative position limits with respect to all futures contracts and options traded on exchanges located in the United States, and any such exchange may impose additional limits on positions on that exchange. Generally, no speculative position limits are in effect with respect to the trading of forward contracts or trading on non-US exchanges (though Shareholders should note that forward contracts are subject to the Dodd-Frank Act). The Dodd-Frank Act significantly expands the CFTC's authority to impose position limits with respect to futures contracts, options on futures contracts, swaps that are economically equivalent to futures or options on futures, swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function.

In November 2011, the CFTC adopted final regulations on position limits (the "Position Limits Rule"). On 28 September 2012, the Position Limits Rule was vacated by the United States District Court for the District of Columbia and remanded to the CFTC for further consideration. On 15 October 2020, the CFTC adopted a new Position Limits Rule, which increases the number of futures contracts subject to federal position limits from nine to twenty-five and expands the federal position limits to economically equivalent swaps and "linked contracts" (a futures or option on futures contract that is directly or indirectly linked—including being partially or fully settled on, or priced at a fixed differential to—the price of the particular core referenced futures contract or the same commodity underlying the particular core referenced futures contract for deliver to the same location as specified in the particular core referenced futures contract). The Position Limits Rule broadens and modernizes the bona fide hedge definition, adding new enumerated exemptions, removing the five-day and twelve-month restrictions for nearly all bona fide hedges and allocating greater

responsibility to exchanges who are now responsible for granting non-enumerated bona fide hedge applications.

In addition, the Dodd-Frank Act requires the SEC to set position limits on security-based swaps. All trading accounts owned or managed by the Manager acting on behalf of the Master Funds, its principals and affiliates may be combined for speculative position limit purposes. Because futures position limits allow a commodity trading advisor and its principals to control only a limited number of contracts in any one commodity, the Manager and its principals are potentially subject to a conflict among the interests of all accounts the Master Funds and its principals control which are competing for shares of that limited number of contracts. Although the Manager may be able to achieve the same performance results with OTC substitutes for futures contracts, the OTC market may be subject to differing prices, lesser liquidity and greater counterparty credit risks than the regulated US commodities exchanges. The Manager may in the future reduce the size of the positions which would otherwise be taken or not trade in certain markets on behalf of the Master Funds in order to avoid exceeding such limits. Modification of such trades that would otherwise be made by the Manager, if required, could adversely affect the Master Funds' operations and profitability. Such modification, if required, could require the Master Funds to liquidate certain positions more rapidly than might otherwise be desirable, and could adversely affect the performance of the Master Funds. A violation of speculative position limits by the Master Funds could lead to regulatory action materially adverse to the Master Funds' prospects for profitability. Additionally, the CFTC could lower any applicable position limits, apply such position limits to additional futures or commodity index contracts, or restrict potentially relevant position limits exemptions.

It is possible that in the future the rules concerning speculative position limits may be amended and/or supplemented in a manner that may be detrimental to the Master Funds, and hence the Funds. Any such change may alter to a material extent the nature of an investment in the Funds or the ability of the Master Funds to implement its investment approach.

#### Substantial Redemptions

Substantial redemptions by one or more investors could require the Master Funds to liquidate securities or derivative positions more rapidly than might otherwise be desirable, possibly reducing the value of the Master Funds' assets and/or disrupting the Manager's investment approach. A reduction in the size of the Master Funds could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the Master Funds' ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. Such a substantial redemption and the potential disruptions caused by such redemptions, may impair the ability of the Master Funds to carry on its business.

#### Tax Exemption Scheme Availability in Singapore

The income and gains derived by the Funds and the Master Funds may be considered income accruing in or derived from Singapore and be subject to Singapore income tax, unless exempted from tax pursuant to the Tax Exemption Scheme (as defined in the section headed "Taxation – Singapore"). The Tax Exemption Scheme is subject to prescribed conditions as set out in the section headed "Taxation – Singapore". The Manager intends to conduct the affairs of the Funds and the Master Funds such that both the Funds and the Master Funds will satisfy the prescribed conditions under the Tax Exemption Scheme. There is, however, no assurance that the Manager will be able, on an ongoing basis, to ensure that the Funds and the Master Funds will always meet those prescribed conditions. Upon any such disqualification, the Funds and/or the Master Funds may be exposed to Singapore tax on its income and gains,



wholly or partially as the case may be, at the prevailing corporate tax rate, which would reduce net proceeds.

#### Trading in Futures Contracts, Options, Foreign Exchange, and Leveraged Foreign Exchange Transactions

The risk of loss in trading futures contracts, options, foreign exchange and leveraged foreign exchange transactions can be substantial. In particular: (i) if the Master Funds purchases or sells a futures contract or leveraged foreign exchange transaction, the Master Funds may sustain a total loss of the Master Funds' position. If the market moves against the Master Funds' position, the Master Funds may be called upon to deposit a substantial amount of additional margin funds on short notice in order to maintain its position. If the Master Funds does not provide the required funds within the specified time, its position may be liquidated at a loss, and the Master Funds will be liable for any resulting deficit in its account; (ii) under certain market conditions, the Master Funds may find it difficult or impossible to liquidate a position; (iii) the placement of contingent orders by the Master Funds or SRC authorised by the Master Funds, such as a 'stop-loss' or 'stop limit' order, will not necessarily limit the Master Funds' losses to the intended amounts, since market conditions may make it difficult or impossible to execute such orders; (iv) a 'spread' position may not be less risky than a simple 'long' or 'short' position; (v) the high degree of leverage that is often obtainable in futures and leveraged foreign exchange trading can work against the Master Funds as well as for the Master Funds. The use of leverage can lead to large losses as well as gains; (vi) the Master Funds is subject to substantial charges for management and advisory fees. It may be necessary for the Master Funds to make substantial trading profits to avoid depletion or exhaustion of its assets.

#### Trading strategies

There can be no assurance that the specific trading strategies utilised for the Master Funds will produce profitable results. Profitable trading is often dependent on anticipating trends or trading patterns. Markets subject to random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor which may lessen major price trends (such as governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, could also be detrimental to profits. The best trading strategy, whether based on fundamental or technical analysis, will not be profitable if there are no trends of the kind it seeks to follow. No assurance can be given that the techniques and strategies of SRC, or any other portfolio manager engaged by SRC, will be profitable in the future.

#### Transaction Costs

The Master Funds' investment approach may involve a high level of trading and turnover of the Master Funds' investments which may generate substantial transaction costs which will be borne by the Master Funds.

#### Withholding Tax Considerations

Where the Master Funds invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Master Funds may not be able to recover such withheld tax and so any such change could have an adverse effect on the Net Asset Value of the Shares. Where the Master Funds sell securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Master Funds.



Undervalued Securities

One of the objectives of the Master Funds is to identify and invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While investment in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Funds' investments may not adequately compensate for the business and financial risks assumed.

The Master Funds may make certain speculative investments in securities which the Manager believes to be undervalued; however, there can be no assurance that the securities purchased will in fact be undervalued. In addition, the Master Funds may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Master Funds' capital may be committed to the securities, thus possibly preventing the Master Funds from investing in other opportunities. In addition, the Master Funds may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

US Tax-Exempt Investors

Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in the Funds or the Master Funds, as applicable, or their engaging indirectly through the Funds or the Master Funds, as applicable, in investment strategies of the types which the Master Funds may utilise from time to time. Each type of such investor may be subject to different laws, rules and regulations and should consult with their own advisors as to the advisability and tax consequences of an investment in the Funds and/or the Master Funds. Investment in the Funds by tax-exempt investors requires special consideration. Fiduciaries, trustees, administrators or other advisers of such investors are urged to carefully review the matters discussed in the Funds' Private Placement Memorandum(-a) and the relevant Subscription Application.

Cayman Islands Automatic Exchange of Financial Account Information

The Cayman Islands has signed an inter-governmental agreement to improve international tax compliance and the exchange of information with the United States (the "US IGA"). The Cayman Islands has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard ("CRS" and together with the US IGA, "AEOI").

Cayman Islands regulations have been issued to give effect to the US IGA and CRS (collectively, the "AEOI Regulations"). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the "TIA") has published guidance notes on the application of the US IGA and CRS.

All Cayman Islands "Financial Institutions" are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless they are able to rely on an exemption that allows them to become a "Non-Reporting Financial Institution" (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under CRS. The Funds do not propose to rely on any Non-Reporting Financial Institution exemption and therefore intends to comply with all of the requirements of the AEOI Regulations.

The AEOI Regulations require the Funds to, amongst other things (i) register with the Internal Revenue Service ("IRS") to obtain a Global Intermediary Identification Number (in the context

of the US IGA only), (ii) register with the TIA, and thereby notify the TIA of its status as a "Reporting Financial Institution", (iii) adopt and implement written policies and procedures setting out how it will address its obligations under CRS, (iv) conduct due diligence on its accounts to identify whether any such accounts are considered "Reportable Accounts", (v) report information on such Reportable Accounts to the TIA, and (vi) file a CRS Compliance Form with the TIA. The TIA will transmit the information reported to it to the overseas fiscal authority relevant to a reportable account (e.g., the IRS in the case of a US Reportable Account) annually on an automatic basis.

By investing in the Funds and/or continuing to invest in the Funds, investors shall be deemed to acknowledge that further information may need to be provided to the Funds, the Funds' compliance with the AEOI Regulations may result in the disclosure of investor information, and investor information may be exchanged with overseas fiscal authorities. Where an investor fails to provide any requested information (regardless of the consequences), the Funds may be obliged, and/or reserves the right, to take any action and/or pursue all remedies at its disposal including, without limitation, compulsory redemption of the investor concerned and/or closure of the investor's account. In accordance with TIA issued guidance, the Funds are required to close an investor's account if a self-certification is not obtained within 90 days of account opening.

All prospective investors should consult with their own tax advisors regarding the possible implications of AEOI on their investment in the Funds.

#### Certain Consequences for Investors of Not Complying with FATCA Requests

The Funds may take such action as it considers necessary in relation to an investor's holding or redemption proceeds, as a result of relevant legislation and regulations, including but not limited to, FATCA (see also discussions in the section of this Private Placement Memorandum headed "Taxation"). Such actions may include, but are not limited to, the following:

- (A) the disclosure by the Funds, the Administrator or such other service provider or delegate of the Funds, of certain information relating to an investor to the Cayman Islands Tax Information Authority or its delegate ("TIA") or equivalent authority and any other foreign government body as required by FATCA. Such information may include, without limitation, confidential information such as financial information concerning an investor's investment in the Funds, and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such investor; and
- (B) the Funds may compulsorily redeem any Shares held by an investor in accordance with the terms of this Private Placement Memorandum and may deduct relevant amounts from a non-compliant investor so that any withholding tax payable or borne by the Funds and/or the Master Funds or any related costs, debts, expenses, obligations or liabilities (whether internal or external to the Funds) are recovered from such investor(s) whose action or inaction (directly or indirectly) gave rise or contributed to such taxes, costs or liabilities. Failure by an investor to assist the Funds and/or the Master Funds in meeting their obligations pursuant to FATCA may therefore result in pecuniary loss to such investor.

#### Russia-Ukraine Conflict

Russia's invasion of Ukraine in February 2022 and the resulting conflict has caused significant instability in global financial markets and has increased the threat of cyberattacks, nuclear incidents, environmental damage and further escalation of geopolitical tensions. The invasion has also led to multiple countries imposing economic sanctions and enhanced export controls on the activities of certain individuals and Russian entities, and to numerous market

participants voluntarily ceasing, suspending or reducing business with counterparties connected to Russia. Global and local macroeconomic impacts including increased inflationary pressures, volatility in the price and supply of energy and other commodities, disruption to supply chains, economic pressure caused by movement of displaced persons and significant uncertainty in the commercial, legal and political environment are likely to further adversely impact individuals and businesses.

The nature and duration of impacts on the business of the Funds and their investments are difficult to predict, but could be both severe and long-lasting. Adverse impacts could include increased operating costs (as a result of increased energy and commodity prices, among other things) and foreign exchange risk, increased funding costs or reduced access to credit, reductions in revenue and valuations of investments, and adverse impacts on operating margins. These factors could severely impact the Fund's investments and overall performance, and ultimately the ability of the Funds to achieve their investment objectives.

### **Item 9: Disciplinary Information**

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

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

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**Broker Dealer Registration Status**

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

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

SRC US is registered as a commodity pool operator (a “CPO”) with the United States Commodity Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”).

SRC Singapore is registered as a CPO with the CFTC and NFA. Certain personnel who may be deemed management persons of SRC Singapore, including the Principal, are registered with the NFA as associated persons of SRC Singapore.

**Material Relationships or Arrangements with Industry Participants**

As discussed above, SRC Singapore is registered as a CPO with the CFTC and the NFA (NFA ID 0517081). SRC Singapore is also filing as an Exempt Reporting Adviser (CRD No. 299146) with the SEC since 2018. SRC Singapore is also registered with the Monetary Authority of Singapore (“MAS”) and holds the Capital Markets Services (CMS) licence.

SRC US and SRC Singapore may use shared personnel for certain services. Such shared personnel may have conflicts of interest in allocating their time and resources among the various SRC affiliates; however, such conflict is mitigated by the fact that SRC US currently provides advisory services solely to the Funds. Different compensation structures or incentives also may apply to shared personnel, which may also create a conflict of interest. SRC US has adopted a unified compliance program, including a Code of Ethics, to address potential conflicts of interest. Please see **Item 11**, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below for additional information regarding SRC US’s Code of Ethics.

All qualifying SRC personnel are treated as “access persons” by SRC US within the meaning of Rule 204A-1 under the Investment Advisers Act of 1940 and are subjected to SRC US’s global Code of Ethics. Please see **Item 11**, “Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading” below for additional information about SRC’s Code of Ethics.

**Other Material Relationships**

SRC US does not recommend or select other investment advisers for its clients in return for compensation directly or indirectly from those advisers.

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

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**Code of Ethics**

In order to address conflicts of interest, SRC has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “**Advisers Act**”) which is applicable to all SRC affiliates, subadvisors, managers, members, and employees (collectively, “**Employees**”), irrespective of their geographic location or the regulatory status of their specific employer.

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

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

**Participation or Interest in Client Transactions**

SRC US serves as sub-adviser to the Funds. Employees, affiliates of the Employees, and relatives of the Employees may make investments in the Funds and are charged a management fee by SRC SG as investors thereto. As such, the sub-advisory fee earned by SRC US for the sub-advisory services furnished to the Funds may be deemed indirect compensation whose source can be traced, partly, to the invested Employees, invested affiliates of the Employees, and/or invested relatives of the Employees. While the Firm believes that in substantially all situations these relationships are useful in aligning the interests of management and Employees with those of investors in a Fund, the Firm acknowledges conflicts of interests may arise when it or its Employees (or their affiliates/relatives) participate alongside Client transactions (in this case via direct investment in the Funds), and confirms such conflicts are limited in effect by adequate disclosure in the Funds’ governing documents and investment management agreement(s) as well as by suitably-designed internal governance controls.

**Principal Transactions / Cross Trades**

In a “principal transaction,” an investment adviser, acting for its own account, buys a security from, or sells a security to, a client’s account. SRC US does not intend to engage in principal transactions. If, in the future, SRC US manages multiple client accounts, SRC US may engage in cross trades only if the transaction acts in the best interests of the clients involved, and when the transaction is expressly permitted by the clients. To the extent that cross trades may be viewed as principal transactions due to the ownership interest in the Funds or other client by SRC US and/or its Employees, SRC will comply with the requirements of Section 206(3) of the Advisers Act.

**Personal Account Dealing**

All Employees of the Firm and its affiliates must provide copies of annual holdings reports to SRC's compliance team on an annual basis ("**Compliance**") and provide personal securities transactions reports on a quarterly basis. These records are used to monitor compliance with the Firm's Compliance Manual and Code of Ethics.

The personal account dealing policy requires that:

- trades are subject to a general 30-day minimum holding period;
- securities cannot be traded if they are on the Firm's restricted list;
- a Covered Person (defined below) may not purchase a security in an initial public offering available to the Fund without preclearance from Compliance;
- Compliance will consider the volume of both personal and the Firm's trading when reviewing trade preclearance requests to determine whether trading may affect market prices.

The policy extends to the trading of Employees and certain other persons who have a relationship with the Firm or its personnel ("**Covered Persons**"). Covered Persons must obtain written authorization from Compliance prior to purchasing, selling, or transferring certain types of securities, or exercising any option which is traded on exchanges in certain markets. Employees may not participate in any initial public offerings or limited offerings of investments in private companies before obtaining authorisation from Compliance.

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

**Item 12: Brokerage Practices**

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**Best Execution**

SRC US has responsibility for selecting brokers to execute trades and negotiating commissions paid with respect to the Funds' transactions.

SRC US's primary consideration in placing transactions with particular brokers is to obtain execution in accordance with best execution standards. SRC US will also evaluate a variety of criteria and use good faith judgment in seeking to obtain execution of portfolio transactions at commissions that are reasonable in relation to the brokerage and research services provided.

Criteria deemed relevant include: price, the size and type of the transaction; the reasonableness of compensation to be paid, including spreads and commission rates, which shall not be in excess of customary full service brokerage rates; the speed and certainty of trade executions, including broker willingness to commit capital; the nature and character of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such market or securities; the availability of liquidity in the security, including the liquidity and depth afforded by a market center or market-maker; the reliability of a market center or broker; the trader's assessment of whether and how closely the broker will follow the trader's instructions to the broker; the degree of anonymity which a particular market or broker can provide; the potential for avoiding market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability and financial condition of the firm; arrangements for payment of Master Fund expenses; and the provision of additional brokerage and research goods and services.

**SOFT COMMISSION ARRANGEMENTS**

The Manager, the Funds and the Master Funds does not currently have and will not enter into any soft dollar or soft commission fee arrangements.

**Item 13: Review of Accounts**

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**Review of Accounts**

The Funds are reviewed by Compliance to ensure that the structure and individual securities held are suitable and consistent with the objectives and strategies. In addition, Compliance also monitors the Funds to help ensure conformity with investment objectives and guidelines. SRC engages in active management and frequent transactions and, accordingly, performs daily trade and cash reconciliation.

SRC has also engaged the administrator to prepare monthly unaudited investor statements of the Funds' performance for the month.

**Reporting to Clients**

The Funds will prepare the annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). Copies of the audited financial statements will be issued to all Investors within 120 days of the Funds' fiscal year-end, ending on December 31.

The Firm will prepare and issue an investor newsletter on a monthly basis. The administrator will issue monthly account statements to Investors.



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

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Currently, neither SRC US nor its affiliates receive any economic benefit from anyone, other than the Funds, for providing investment advice and other advisory services to clients.

In the event SRC US or its affiliates engage third party marketers in the future, due diligence and background checks will be carried out prior to engagement to ensure that applicable regulatory registrations are in place and that they have adequate controls and procedures to monitor compliance with selling procedures and suitability requirements.

**Item 15: Custody**

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SRC US is subject to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called “Pooled Vehicle Annual Audit Exception”, which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all Investors within 120 days of the end of its fiscal year, as discussed above.

**Item 16: Investment Discretion**

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SRC US possesses discretionary portfolio management authority over the Master Funds with respect to managing the investments as per the advisory agreements and offering documents in place between each Fund and SRC Singapore and the Subadvisory Agreement.

**Item 17: Voting Client Securities**

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Where SRC US and its affiliates have responsibility for voting proxies, SRC will take measures reasonably designed to ensure that they are voted in the best interest of Investors in the Funds, which generally means voting with a view to enhancing the value of Master Fund securities. The financial interest of Investors in the Fund is the primary consideration in determining how their proxies will be voted. SRC US and its affiliates may also refrain from voting in certain circumstances.

**Item 18: Financial Information**

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There is no financial condition that is reasonably likely to impair SRC US's ability to meet its contractual and fiduciary commitments to clients.

SRC US has not been the subject of a bankruptcy proceeding.

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

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Not applicable.