



## **CONVERIUM CAPITAL INC.**

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This brochure provides information about the qualifications and business practices of Converium Capital Inc. ("**Converium**"). If you have any questions about the contents of this brochure, please contact us at (514) 418-0201. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "**SEC**") or by any state securities authority.

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT CONVERIUM OR ANY PRINCIPALS OR EMPLOYEES OF CONVERIUM POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

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

## **Item 2 – Material Changes**

This brochure is Converium's annual update of the initial brochure dated March 31, 2022. The following material changes have been made to this brochure:

***Item 4 – Advisory Business:*** The amount of client assets managed on a discretionary basis has been updated.

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#### Item 4 – Advisory Business

Converium Capital Inc. (“**Converium**”) is a Canadian corporation incorporated in 2020 and based in Montreal, Canada. Converium was co-founded by Aaron Stern, Michael Rapps and Elliot Ruda, and the principal owner of Converium is ThirtySeven Holdings Inc.

Converium provides discretionary investment management services to its clients, which include certain private funds or other pooled investment vehicles (the “**Funds**”) and may also include separate accounts for institutional investors.

Converium focuses on distressed and event-driven investment opportunities globally and across the capital structure, researching potentially attractive situations on a thematic and company-specific basis using a combination of quantitative and qualitative methods. As part of its investment strategy, Converium is generally granted broad investment authority with respect to the management of the accounts of its clients and invests across a broad range of financial instruments and geographies, subject to any investment guidelines or restrictions that may be agreed upon with each client.

Investors and prospective investors in each Fund should refer to the confidential private placement memorandum, limited partnership agreement and other governing documents for each Fund (the “**Governing Documents**”) for more complete information on the investment objectives and investment restrictions with respect to a particular Fund. There is no assurance that any of the Funds’ investment objectives will be achieved.

Converium is registered in the Province of Quebec with *L’Autorité des marchés financiers* as an investment fund manager, portfolio manager, derivatives portfolio manager and exempt market dealer, and in other Canadian provinces as an investment fund manager and exempt market dealer to the extent required by provincial law. As of February 28, 2023, Converium provides discretionary investment advisory services to the Funds, with regulatory assets under management of approximately \$345,506,550.

#### Item 5 – Fees and Compensation

The fees generally applicable to each Fund are set forth in detail in each Fund’s Governing Documents. Converium charges a management fee equal to an annual percentage of the net assets of each Fund, which is paid monthly in advance (the “**Management Fee**”), and is entitled to receive a performance allocation equal to a percentage of the amount by which (i) the net asset value of each investor’s holding in a Fund as of the end of each performance period, exceeds (ii) the net asset value of such investor’s holding as of the beginning of such performance period, subject to a “high-water mark” (the “**Performance Allocation**”). The Performance Allocation is usually paid annually and may be allocated to one or more affiliates

of Converium.

Converium may, in its discretion, reduce, waive or calculate differently the Management Fee or the Performance Allocation with respect to certain clients or investors in Funds, including members, officers, affiliates or employees of Converium or its affiliates, or such person's family members and trusts or other entities established for the benefit of any such person or his or her family.

Converium may also enter into side letters or similar agreements with certain investors in the Funds, granting such investors specific rights, benefits, or privileges that are not made available to investors generally.

The fees applicable to clients other than the Funds will be negotiated directly with such clients and will be reflected in the investment advisory agreement between each client and Converium.

The specific manner in which fees are charged and deducted is set forth in each client's written agreement with Converium, which may include payment of fees in advance. Converium generally accrues fees monthly and the account administrator deducts them directly from each client account when they become payable. Certain clients may elect to be billed separately. Upon termination of any client account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Refunds of fees paid in advance are generally calculated on a *pro rata* basis, based on the remaining portion of the relevant period to which the applicable fee relates.

Clients of Converium also generally pay all costs and expenses incurred in connection with the investments in their accounts, including but not limited to brokerage expenses, commissions, dealing and spread costs (which vary depending on a number of factors, including, without limitation, the bank, broker or dealing counterparty utilized for the transaction, the particular instrument traded, and the volume and size of the transaction), execution, give-up, exchange, clearing and settlement charges, initial and variation margin, regulatory commissions and fees, delivery fees, custodial fees, escrow expenses, insurance costs, third-party research, interest and borrowing charges on margin accounts and other indebtedness, expenses related to short sales, option premiums, bank, broker and dealer service fees, interest expenses, risk reporting and valuation quotation services, trade management systems (including, without limitation, order management systems, portfolio management systems, risk management systems, execution management systems, reconciliation tools and related technology, data management and data aggregation technology, as well as third party service providers used for implementation, custom reporting, updates, consultations, support, maintenance, monitoring and data extracts), research-related expenses (including, without limitation, research-related data feeds and research-related travel expenses), software and databases, advisory, investment banking and other professional fees (including, without limitation, expenses relating to

consultants, attorneys and other professionals or advisors who provide research, advice or due diligence services with regard to investments), all costs and expenses incurred in attempting to protect and enhance the value of investments (including, without limitation, any fees and expenses associated with any pending or threatened litigation, audit, investigation, administrative or other proceeding, as well as any settlement costs), fees and expenses related to any activist-related activities, fees paid to proxy and securities class action advisory firms, all investment-related travel expenses, broken deal expenses, as described in greater detail in the Governing Documents for each Fund or in the investment management agreement between Converium and the client, as applicable.

Item 12 below further describes the factors that Converium considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Converium, or one or more of its affiliates, is eligible to receive a Performance Allocation in respect of each Fund. Please refer to the Governing Documents of each Fund for more complete information on the performance-based compensation arrangements of each of the Funds. Different client accounts may be subject to different performance-based compensation arrangements.

Performance-based fee arrangements may create an incentive for Converium to recommend investments that may be riskier or more speculative than those that it would recommend under a different fee arrangement.

Converium does not currently provide advisory services to clients that are charged different levels of performance-based fees or incentive allocations, but may do so in the future. Converium may also provide advisory services to clients that are not charged such a fee. The potential for Converium to receive greater fees or allocations from performance-based accounts or accounts paying higher fees creates a potential conflict of interest with respect to the allocation of investment opportunities, as Converium may be motivated to allocate investments in favor of an account that pays a higher performance-based fee or allocation. To alleviate potential conflicts of interest, the allocation of investment opportunities with respect to each client of Converium is made by Converium in accordance with its investment allocation policy, so that such allocations are fair and equitable to each account over time, taking into account all relevant facts and circumstances potentially applicable to each client. The factors that are considered by Converium in allocating trades among client accounts include: investment objectives, strategies, guidelines and restrictions applicable to each client; each client's risk profile or tax status; restrictions under ERISA or other applicable laws or regulations; cash availability; portfolio diversification; account size; and geographical, industry and security weightings. Converium's allocation policy is reviewed periodically and is subject to

change.

## **Item 7 – Types of Clients**

Converium provides advice to the Funds. The limited partners and shareholders of the Funds may include public or private benefit plans, endowments, foundations, sovereign wealth funds or quasi-governmental organizations, insurance companies, banks or broker dealers, funds of funds, trusts, estates, family offices and high net worth individuals. Converium may also manage separately managed accounts on behalf of institutional clients that are similarly varied (though Converium does not currently anticipate managing accounts of natural persons). The Funds are offered in the United States to “accredited investors” as defined under Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”) and as defined under Regulation 45-106 in the Province of Quebec, and to “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemption under Section 3(c)(7) of the Investment Company Act for funds whose securities are not publicly offered.

In addition to the eligibility requirements described above, investors in the Funds are generally required to make a minimum initial investment, although a Fund may accept lower amounts in its discretion (subject to any minimum investment imposed by law or regulation). The minimum investment for a separately managed account may vary depending on the particulars of the investment mandate, but would only be considered for a significant minimum amount.

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

Converium pursues an all-weather, opportunistic multi-strategy investment approach. The strategy aims to deliver positive and uncorrelated returns regardless of macroeconomic conditions by focusing on distressed, event-driven and overlooked special situations across asset classes globally. Converium also employs engagement and activist strategies proactively to act as catalysts to realize value, and manages volatility with idiosyncratic and thematic shorts, hedges to individual positions and tail hedges. Generally, Converium will emphasize a few strategies over others at any given time, depending on the investment landscape and economic cycle.

Converium’s investment approach focuses on bottom-up, fundamental analysis of individual securities, which is then coupled with position-specific or portfolio-wide hedges in an attempt to isolate the variables that Converium believes will contribute to the security’s outperformance. Converium’s investment approach pivots comfortably between distressed and event-driven strategies, asset classes and geographies depending on the opportunity set. Converium pairs this flexibility with low to moderate net exposure, through the use of position-level and portfolio-level hedging as appropriate.

Under the Governing Documents of each Fund and the investment management agreements with respect to other clients, Converium has broad discretion to employ investment strategies not described above and to invest in a wide range of financial instruments. The investment programs of clients of Converium, including the Funds, are speculative and entail substantial risks. There can be no assurance that Converium's investment objectives will be achieved. Accordingly, Converium's investment strategies could result in substantial losses to its clients under certain circumstances.

Converium generally accepts only clients that are able to bear the financial risk of the investment strategy for an indefinite period of time and are able to sustain the loss of all or a significant part of their investment. Prospective investors in the Funds should carefully review the risks described in the Governing Documents for the relevant Fund, and should evaluate the merits and risks of an investment in the context of their overall financial circumstances. The risk factors below are not intended to be exhaustive and should be considered carefully by prospective investors together with the full text of the applicable Governing Document or client agreement, which may contain additional explanations of strategies, risks and other related details not discussed below. Prospective investors should consult their own independent advisors with respect to any additional risk factors applicable to an investment in a Fund that are specific to their situation (including with respect to taxation).

***Event-Driven Investments.*** Converium invests in companies involved in (or the target of) acquisition attempts or tender offers or involved in or undergoing work-outs, liquidations, spin-offs or other catalytic changes or similar transactions. Investing in the securities of such companies, as well as certain distressed securities, will be subject to so-called "event risk," the risk that the transaction in question will simply fail to conclude as contemplated, or will be delayed or modified in a manner detrimental to the clients of Converium. Numerous factors, including market or industry developments, economic factors, regulatory clearance requirements, and management or workforce issues, can cause an announced transaction to be abandoned, delayed or modified.

***Special Situation Investments.*** Converium invests and trades in situations that it believes offer a unique opportunity due to some identifiable dislocation, such as lack of market transparency or liquidity. Risks to the clients of Converium in this type of investing and trading include misjudging the nature or magnitude of the factors that have caused the dislocation, the quality of the position's fundamental assets, the scope of the position's liabilities, and Converium's ability to exit the position on behalf of its clients in a timely and profitable fashion.

***Equity Securities.*** Converium invests in equities and may invest in equity derivatives. The value of equity securities generally will vary with the performance of the issuer and movements in the equity markets. As a result, client portfolios may suffer losses if they invest in equity



instruments of issuers whose performance diverges from Converium's expectations, or if equity markets generally move in a single direction and the portfolio has not hedged against such a general move.

**Short Sales.** Converium will engage in "short sale" transactions on behalf of its clients. A short sale involves the sale of a security that the client does not own in the hope of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the client must borrow the security, and the client is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the client. Short selling can result in profits when the prices of the securities sold short decline. In a generally rising market, the client's short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short. A client may have short exposure to shares of companies that can experience a rapid and dramatic increase in share price due to the bullish sentiments of investors spreading across social media. There can be no assurance that securities necessary to cover a short position will be available for purchase.

**Options.** Converium may use options in furtherance of its investment strategies. Option positions may include both long positions, where a client portfolio is the holder of put or call options, as well as short positions, where a client portfolio is the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a higher level of risk compared with their underlying securities. For example, the expiration of unexercised long options effectively results in loss of the entire cost, or premium, paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the client's cost of selling or purchasing the underlying securities, commodities or other financial instruments in the event of exercise of the option.

**Leverage.** Converium expects to use leverage, or borrowing, in order to enhance its investment performance. Loans generally may be obtained from securities brokers and dealers or from other financial institutions and will be secured by securities or other assets of a client portfolio pledged to such institutions. Brokers and dealers generally may vary the margin requirements, or amount of leverage, that they are willing to make available to Converium's clients at any time. Borrowing will tend to magnify the profits or losses of client portfolios. The level of interest rates at which a client portfolio can borrow will affect the operating results of the client portfolio. If securities pledged to brokers to secure a client's margin accounts decline in value, the client could be subject to a "margin call," pursuant to which the client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the client's assets, the client might not be able to liquidate assets quickly enough to pay off its

margin debt.

**Fixed Income Investments.** Converium invests in bonds and other fixed income securities, including commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Debt securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Debt securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to the risk of price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness or financial condition of the issuer, and general market liquidity (*i.e.*, market risk). Such securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

**Distressed Securities.** Converium invests in investments that are rated below investment grade, including debt of companies in bankruptcy or receivership proceedings. Such investments typically involve greater credit and liquidity risk than debt with an investment grade rating. The risks of debt instruments include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the relevant obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for (or actual) insolvency of the relevant obligor of such debt during periods of economic downturn, (iv) the relevant obligor is often a small or mid-size company serving only local or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received, and (vi) if subordinated, subordination to the prior claims of other debt or senior lenders. Debt instruments are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for debt instruments and adversely affect the value of outstanding debt and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for debt instruments is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

In certain circumstances, the collateral securing a debt instrument, if any, might not be sufficient to satisfy the relevant obligor’s obligations in the event of nonpayment of scheduled

interest or principal, and may be difficult to liquidate on a timely basis. Additionally, a decline in the value of the collateral could cause the debt to become substantially unsecured, and circumstances could arise (such as in the bankruptcy of a borrower) which could cause the security interest in the debt instrument's collateral to be invalidated.

A client's portfolio may also include unsecured debt instruments. Unsecured debt instruments are subject to the same investment risks generally applicable to debt instruments described above but are subject to additional risk that the assets and cash flow of the relevant obligor may be insufficient to repay the scheduled payments to the lender after giving effect to any secured obligations of the relevant obligor. Unsecured debt instruments will be subject to certain additional risks to the extent that such debt may not be protected and such debt is not secured by collateral, financial covenants or limitations upon additional indebtedness.

**Loans.** Converium may invest in loans. Loans include fixed and floating rate loans arranged through private negotiations between one or more financial institutions and an obligor in an emerging country. Although loans are traded among certain financial institutions, some of the loans in which Converium may invest will be considered illiquid.

**Loan Participations.** Converium may invest in loan participations. Investment in loan participations involves certain risks in addition to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default, and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan. Converium will acquire participations only if the seller of the participation is determined by Converium to be creditworthy.

**Swaps and Derivatives.** Converium invests and trades in swaps, "synthetic" or derivative instruments, over-the-counter options and other customized financial instruments issued by banks, brokerage firms or other financial institutions. A swap is an agreement between a Converium client and a financial intermediary whereby cash payments periodically are exchanged between the parties based upon changes in the price of an underlying asset (such as an equity security, an index of securities, or another asset or group of assets with a readily determinable value). For example, an interest rate swap involves one party agreeing to make periodic fixed payments to the other party in return for the other party agreeing to make periodic payments to the first party that vary with the prime rate or another variable interest rate indicator. Swaps and other derivatives are subject to the risk of non-performance by the swap counterparty, including risks relating to the financial soundness and credit worthiness of

the swap counterparty. Swaps and other forms of derivative instruments may not be guaranteed by an exchange or clearing house or regulated by any U.S. domestic or non-U.S. governmental authority. It may not be possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and Converium may not be able to enter into an offsetting contract in order to be able to cover its risk. Regulatory changes in the United States and other countries may significantly impact the trading of swaps and other derivatives in the future.

**Hedging Transactions.** Converium utilizes a range of financial instruments such as forward contracts, options and swaps for hedging purposes or as part of its trading strategies. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Hedging transactions may also limit the opportunity for gain if the value of the portfolio position should increase. The success of Converium's hedging transactions is subject to the movements in the direction of securities prices and currency and interest rates. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Converium may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent Converium from achieving the intended hedge or expose Converium's clients to risk of loss.

**Credit Risk.** Converium may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of the lien are each of great importance (although Converium may invest in subordinate or second priority liens). There is no assurance that Converium will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Converium has an investment, Converium's clients may lose all or part of the amounts advanced to the borrower. Converium cannot guarantee the adequacy of the protection of its clients' interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, Converium cannot assure that claims may not be asserted that might interfere with enforcement of Converium's rights. In the event of a foreclosure, a Converium client may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

**Convertible Instruments.** Converium may invest in convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock, or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible debt instruments have characteristics of both fixed income and equity investments. Converium may invest in convertible instruments that have varying conversion values. If a convertible instrument held by a client of Converium is called for redemption, the client will be required to permit the issuer to redeem the instrument, or convert it into the underlying stock, and will hold the stock to the extent Converium determines that such equity investment is consistent with the investment objective of the client.

**Debt Instruments.** Debt instruments and interests in debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets but are traded by certain banks and other institutional investors. In such cases, the primary resale opportunities for such debt instruments are privately negotiated transactions with a limited number of purchasers. This may restrict the ability of Converium to dispose of investments in a timely fashion and/or at a favorable price. The inability to dispose of a debt instrument position could result in losses, including the loss of its entire investment. The debt of highly-leveraged companies or companies in default also may be less liquid than other debt. If Converium voluntarily or involuntarily sold its interest in those types of debt securities, it may not receive the full value that it expected.

**Futures.** Futures prices are highly volatile. Such volatility may lead to substantial risks and returns, generally much larger than in the case of equity or fixed-income investments. Converium trades futures on a leveraged basis due to the low margin deposits normally required for trading. As a result, a relatively small price movement in a futures contract may result in immediate and substantial gains or losses.

Futures trading at times may be illiquid. Certain exchanges do not permit trading particular futures at prices that represent a fluctuation in price during a single day's trading beyond certain set limits, which could prevent Converium from promptly liquidating unfavorable positions, subjecting Converium's clients to substantial losses. In addition, the CFTC and various exchanges impose speculative position limits on the number of futures positions a person or group may hold or control in particular futures. For purposes of complying with speculative position limits, certain futures positions owned or controlled by Converium and its affiliates will be required to be aggregated. As a result, certain clients may be unable to take futures positions in particular futures or may be forced to liquidate positions in particular futures.

Trading on non-U.S. commodity exchanges may be less regulated and subject to greater risks than trading on U.S. exchanges. For example, some non-U.S. exchanges are "principals' markets" in which no common clearing facility exists and a trader may look only to the broker

for performance of the contract. In addition, unless Converium hedges against fluctuations in the exchange rate between the U.S. dollar (in which the Interests are denominated) and other currencies in which trading is done on non-U.S. exchanges, any profits that Converium might realize in trading could be reduced or eliminated by adverse changes in the exchange rate, or clients could incur losses as a result of those changes.

***Non-U.S. Investments.*** Converium expects to invest in securities of U.S. and non-U.S. issuers, which may be denominated in U.S. or other currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or non-U.S. governments, U.S. and non-U.S. withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in other nations.

There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the United States, while growing in volume, generally have substantially less trading volume than U.S. markets, and many securities traded on such markets are less liquid and their prices more volatile than securities of comparable U.S. companies. Settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in other countries than in the United States. Additional costs could be incurred in connection with international investment activities. Brokerage commissions in non-U.S. markets generally are higher than in the United States. Expenses also may be incurred on currency exchanges when Converium changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in other jurisdictions.

***Potential Involvement in Litigation.*** As a result of Converium's investments in distressed investments and the expectation that Converium may participate in restructuring and other active management activities, it is possible that Converium may become involved in litigation. Litigation entails expense and the possibility of counterclaims against Converium and/or its clients, and ultimately judgments may be rendered against clients of Converium or against Converium for which such clients may be responsible to indemnify Converium and for which such clients do not carry insurance.

***Investment in Reorganizations.*** Converium expects to make investments in companies that are experiencing or are expected to experience severe financial difficulties, including companies undergoing reorganization. These severe financial difficulties may never be overcome, and may cause such companies to become subject to bankruptcy proceedings. In such situations, Converium's investment may be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company, and that high administrative costs may impair the value of the company. Such investments could subject Converium's clients to certain additional potential liabilities that may exceed the value of the original investment. Investments in distressed companies may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

***Currencies.*** Converium expects to invest in debt and equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. To the extent unhedged, the value of a client's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a client makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of these securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the client's non-U.S. dollar securities.

***Forward Currency Contracts.*** Converium may invest in forward currency contracts with banks, financial institutions or dealers acting as principal. Forward currency contracts may not be liquid in all circumstances, so that in volatile markets, to the extent Converium wishes to do so, it may not be able to close out a position by taking another position equal and opposite to such position on a timely basis or without incurring a sizeable loss. Closing transactions with respect to forward currency contracts usually are effected with the currency trader who is a party to the original forward contract and generally require the consent of such trader. There can be no assurance that Converium will be able to close out its obligations.

There are no limitations on daily price moves in forward contracts. Banks and other financial institutions with which Converium's clients may maintain accounts may require such clients to deposit margin with respect to such trading. Banks are not required to continue to make markets in forward contracts. There have been periods during which certain banks have refused to quote prices for such forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Trading of forward contracts through banks is not regulated by any U.S. governmental agency. Converium's clients will be subject to the risk of bank failure and the

inability of, or refusal by, a bank to perform with respect to such contracts.

***Temporary Investments in Liquid Assets.*** Converium may at times keep a portion of its clients' assets in cash, cash equivalents or other liquid assets, including, without limitation, currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including, without limitation, money market instruments or investments in shares or units of money market funds) and/or government securities (both short-term and long-term). Such investments may be financed by entering into repurchase agreements and/or reverse repurchase agreements with the client's brokers or by other means. Such investments may produce a lower return than other investments contemplated by Converium and, therefore, may impact the overall performance of a client's portfolio.

## **Item 9 – Disciplinary Information**

Converium and its principals have not been the subject of any legal proceeding required to be disclosed in response to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

***Registered Broker-Dealers.*** None of Converium or any of its management persons are registered with, or have an application pending to register with, the SEC as a broker-dealer or a registered representative of a broker-dealer. Converium is registered as an exempt market dealer in certain Canadian provinces solely in connection with Converium's role in the placement of the Funds' securities to their investors.

***Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors.*** None of Converium or any of its principals or employees are registered as or affiliated with a registered futures commission merchant, commodity pool operator or commodity trading advisor.

***Other Relationships.*** Converium is affiliated with Converium Capital GP Ltd., a Cayman Islands exempted company that serves as the general partner of certain Funds and is controlled by Converium.

Converium has established Converium Capital (USA) Inc. ("**Converium USA**"), a Delaware corporation that is a wholly-owned subsidiary of Converium, to serve as sub-adviser to Converium in respect of its clients, and to conduct certain activities in connection with Converium's operations in the United States of America.

***Selection or Recommendation of Other Advisers.*** Converium does not recommend or select other investment advisers for its clients or receive compensation from such advisers in a manner that would create a material conflict of interest. Converium does not have other business relationships with other advisers that create a material conflict of interest.



## Item 11 – Code of Ethics

*Code of Ethics.* Converium has adopted a Code of Ethics (the “**Code**”), which is reviewed and updated (if necessary) at least annually, in an effort to address possible conflicts of interest, the inappropriate use of material non-public information and to ensure the propriety of its clients’ and employees’ trading activities. The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; and information concerning the identity of, securities held by, and financial circumstances of, clients and the Funds, including investors in the Funds, must be kept confidential. The Code also places restrictions on personal trades by employees, including requiring that they disclose their personal securities holdings and transactions to Converium on a periodic basis, and requires that employees preclear certain types of personal securities transactions.

As part of the Code, Converium maintains insider trading policies and procedures (the “**Insider Trading Policies**”) that are designed to prevent the misuse of material non-public information. Converium’s personnel are required to certify their compliance with the Code, including the Insider Trading Policies, on a regular basis. The Insider Trading Policies prohibit Converium and its personnel from trading for the Funds or themselves, or recommending trading, in public securities of a company while in possession of material non-public information about the company, and from disclosing such information to any person not entitled to receive it. By reason of its various activities, Converium may have access to such information or be restricted from effecting transactions in certain investments that might otherwise have been initiated. Converium has designed and implemented policies and procedures to control and monitor the flow of potential inside information to and within Converium, as well as to prevent trading in public securities based on such information.

Clients or prospective clients may request a copy of the Code by contacting Converium at the address or telephone number listed on the first page of this document.

*Participation or Interest in Client Transactions; Personal Trading.* Converium may cause one or more of its clients to buy securities from, or sell securities to, other clients in which Converium, its principals or employees are investors or in which such persons may have a financial interest, either directly or indirectly, due to either a direct investment in such account, or to the payment of the Performance Allocation (or some other performance-based compensation) by such client. Converium has a potential conflict of loyalties and responsibilities regarding both parties to any such transaction, however such transactions are only executed in a manner consistent with Converium’s fiduciary obligations to each client. A client may purchase

securities from or sell securities to another client only where consistent with the best interests of those clients, applicable law, and the Governing Documents related to the participating clients.

On occasion, Converium and its principals and employees may buy and sell securities for themselves that they also recommend to clients. For example, Converium and its principals and employees are investors in some of the investment funds managed by Converium. The Code contains policies and procedures designed to prevent improper practices with respect to such transactions, and compliance with the Code by Converium, its principals and employees is the primary method employed by Converium to address the conflicts of interest that arise with respect to these transactions. For example, the principals and employees of Converium are generally not permitted to execute a personal securities transaction if any account managed by Converium has a position in the same security.

## **Item 12 – Brokerage Practices**

Converium has broad discretionary authority to select the broker-dealers used to execute client transactions as well as the commissions paid to such broker-dealers. In determining the broker-dealer through which a client transaction is to be effected, it is Converium's policy to seek best execution by considering various relevant factors including, but not limited to: (i) the financial stability of the broker-dealer; (ii) the actual executable price of the security and the commission rates; (iii) the size and type of the transaction; (iv) research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such broker-dealers that are expected to enhance Converium's general portfolio management capabilities; (v) the difficulty of execution and the ability to handle difficult trades; (vi) the operational facilities of the broker-dealers involved (including the location of such broker-dealers and their back office efficiency); (vii) whether the broker-dealer makes a market in, or otherwise regularly deals in, a particular security; and (viii) the ability to handle a block order for securities and distribution capabilities.

Section 28(e) of the Securities Exchange Act of 1934 (the "**Exchange Act**") provides a safe harbor that permits advisers, when selecting broker-dealers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by the broker-dealers, and National Instrument 23-102 addresses the same concepts in Canada. Clients may pay higher commissions than are obtainable from other broker-dealers as a result of the consideration of research services as a factor in the selection process, provided that Converium determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research services provided by such broker-dealer. Research services provided to Converium by broker-dealers may include research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance

at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Converium does not currently engage in any soft dollar arrangements in which Converium receives third-party services. However, Converium reserves the right to engage in soft dollar arrangements of the type described in Section 28(e) of the Exchange Act (that are also compliant with National Instrument 23-102 in Canada) that are intended to augment Converium's own internal research and investment strategy capabilities, provided that such arrangements are consistent with seeking best execution for clients.

Receipt of research services from broker-dealers may provide Converium with a benefit because it will not have to produce or pay for the research, products or services. Converium may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services, rather than on a client's interest in receiving most favorable execution. Research services obtained with the use of commissions arising from portfolio transactions may be used by Converium in its investment activities for all of its clients, and, therefore, any particular client may or may not, in any particular instance, be the direct or indirect beneficiary of the research or services provided. Generally, neither Converium nor any client of Converium (including the Funds) separately compensates any broker-dealer for any of these other services.

*Directed Brokerage.* Converium does not have any arrangements with any clients that require Converium to execute transactions through a specified broker-dealer.

*Trade Aggregation.* Converium presently transacts in financial instruments only on behalf of one client. However, Converium may acquire additional client relationships at any time. When more than one of Converium's client accounts, including the Funds, trades in the same security at the same time, it is the policy of Converium to allocate such purchases or sales among these accounts in a manner that it deems equitable depending on a range of factors. As a general matter, Converium will allocate these transactions on the basis of *pro rata* allocation per client account in proportion to target weighting as determined by Converium at the time of order entry. However, in certain circumstances, Converium may diverge from this method of allocation if it concludes that a different approach is advisable to seek fairness among clients' allocations. Some of the factors that Converium may consider in such circumstances are (1) the relative sizes of the accounts in terms of assets, (2) the relative investment objectives of the accounts, (3) the relative size of the portfolio holdings or targeted holdings of the same or comparable securities, and (4) the availability of cash in the particular account. However, Converium has no obligation to obtain any particular investment opportunity for any particular client, and Converium may be precluded from offering particular securities to certain clients in certain situations, including where Converium or its affiliates have a prior contractual

commitment with other accounts or clients. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which Converium considers equitable. There is no assurance that all clients of Converium will hold the same investments or perform in a substantially similar manner as other clients of Converium with similar strategies.

### **Item 13 – Review of Accounts**

Converium reviews the portfolios of its clients on a daily, weekly, and monthly basis for various purposes. Such reviews are conducted from an investment selection and portfolio management perspective by Converium’s investment professionals, including the Chief Investment Officer and the Head of Trading, but are also conducted by other Converium professionals for purposes including risk management, valuation, settlement, and reconciliation. Among other criteria, the portfolios are reviewed in the context of each client’s investment objectives and guidelines as set forth in the Governing Documents of each Fund and the investment advisory agreement for each separate account.

Converium ordinarily provides its clients (and investors in the Funds) with, at minimum, an unaudited monthly statement of their investment showing performance. Certain investors in the Funds or clients may request (and may receive) oral and written reviews on a regular basis. Clients that are separately managed accounts will receive regular and occasionally real-time reports on their account. Investors in each Fund also receive such Fund’s audited financial statements and the information necessary for the investor to complete an annual U.S. federal income tax return, if applicable.

### **Item 14 – Client Referrals and Other Compensation**

#### *Economic Benefits Received from Third Parties*

Converium is compensated exclusively by its clients for providing investment advice.

#### *Third Party Compensation for Client Referrals*

Converium has entered into, and may in the future enter into, arrangements with unaffiliated third parties whereby Converium or its affiliates compensate such third parties for referrals of clients or of investors in the Funds. In general, such compensation is paid by Converium (or its affiliates) and comprises a portion of the Management Fee and Performance Allocation received by Converium or its affiliate from such clients or with respect to such investors’ investment in a Fund. Broker-dealers (including prime brokers) may provide capital introduction services as part of their relationship to Converium and its clients. Converium is not obligated to compensate such third parties for these services, but Converium has an incentive

to maintain strong relationships with such counterparties based on the full range of services that they provide to Converium and the Funds, which includes services for which they are compensated through payments such as commissions and fees.

#### **Item 15 – Custody**

Converium does not maintain physical custody of cash or securities for its clients. However, Converium may be deemed to have custody of the assets of certain Funds as a result of an affiliate of Converium serving as general partner of such Funds.

Converium causes each Fund to be audited annually and to distribute audited financial statements, prepared in accordance with United States generally accepted accounting principles (or if necessary, reconciled from International Financial Reporting Standards to United States generally accepted accounting principles), to its investors no later than 120 days after the end of each fiscal year.

All securities in the accounts of Converium clients, including the Funds, will be held by a qualified custodian to the extent required under applicable rules.

#### **Item 16 – Investment Discretion**

Subject to the investment objectives, policies and restrictions of each client of Converium as set forth in the Governing Documents of such client or the investment advisory agreement between Converium and such client, Converium generally has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each client for which it serves as discretionary investment manager, including the selection of, and commissions paid to, broker-dealers. Converium enters into a written investment advisory agreement or other agreement with each client appointing Converium as investment adviser and granting such discretionary authority, which agreement may include a power of attorney in certain circumstances.

#### **Item 17 – Voting Client Securities**

Converium has, or will accept, authority to vote securities held by its clients, and it has adopted policies and procedures (the “**Proxy Voting Policies and Procedures**”) that reflect Converium’s commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the client.

The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, “**proxies**”), in a manner that serves the economic best interests of the client, as determined by Converium in its discretion. Converium considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant contractual obligations as well as

other relevant facts and circumstances at the time of the vote.

Prior to exercising its voting authority, Converium shall determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Converium's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

If a material conflict of interest arises due to business, personal or family relationships of Converium, its owners, employees or related persons, with persons having an interest in the outcome of the vote, Converium will take steps to ensure that its voting decision is based on the best interests of the client and is not a product of such conflict, including whether voting in accordance with the voting guidelines is in the best interests of the client. Converium may, at its discretion, disclose the conflict of interest to the client and defer to the client's voting recommendation, defer to the voting recommendation of an independent third party provider of proxy voting services, or take any other action (or occasionally, no action, if appropriate) that serves the best interest of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar or identical.

Clients may contact Converium at the e-mail address or telephone number on the cover page of this Form ADV Part 2A in order to obtain information on how Converium voted such client's proxies, and to request a copy of the Proxy Voting Policies and Procedures.

#### **Item 18 – Financial Information**

Not applicable.