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## Verde Serviços Internacionais S.A.

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This Brochure provides information about the qualifications and business practices of Verde Serviços Internacionais S.A. (“Verde” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at 55-11-4935-8500. 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.

Verde is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information that will enable you to determine whether to hire or retain an adviser.

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

March 21st, 2023

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## ITEM 2 – MATERIAL CHANGES

No material changes have been made to this Brochure dated March 21<sup>st</sup>, 2023 since the last update of the Brochure dated March 30<sup>th</sup>, 2022.

Minor changes, including updates regarding assets under management and enhancements and clarifications throughout have also been made. Clients and prospective clients are encouraged to read the Brochure in detail and contact us with any questions.

Currently, our Brochure may be requested by contacting the Adviser at 55 11 4935.8500 or [institucional@verdeasset.com.br](mailto:institucional@verdeasset.com.br).

Additional information about Verde is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Verde who are registered, or are required to be registered, as investment adviser representatives of Verde.



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## ITEM 4 – ADVISORY BUSINESS

### Adviser's Advisory Business

Verde Serviços Internacionais S.A. (“Verde” or “Adviser”), a corporation organized under the laws of Brazil, is an investment manager that provides direct investment management services for private investment companies as well as for accredited investors and qualified clients on a discretionary basis. Verde was established in 2014, and is wholly owned by Holding Verde Empreendimentos e Participações S.A.

### Types of Advisory Services Adviser Offers

As of January 1, 2015, Verde started to serve as investment manager to a series of private investment companies organized as Delaware limited liability companies and Cayman exempted limited companies, many of which are organized as part of master-feeder structures (the “Funds”). Currently, Verde manages and provides investment advisory services to the following Funds:

- ▶ Verde Alpha Fund, Ltd.;
- ▶ Verde Global Equities Fund, Ltd.;
- ▶ Verde Graal Fund, LLC;
- ▶ Verde Directive Fund, Ltd.;
- ▶ VP Fund, Ltd.
- ▶ VA Fund Ltd.

In addition, Verde provides investment management services to managed accounts.

Interests in the Funds are not registered securities under the U.S. Securities and Exchange Commission’s Securities Act of 1933, as amended. In addition, the Funds are not registered as an investment companies under the SEC’s Investment Company Act of 1940. Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions within the United States.

Verde provides investment management services to its clients through the management of investment portfolios in accordance with the objectives and guidelines of the private investment companies as stated in each Private Placement Memorandum or in accordance with the risk profiles of other clients. Verde’s investment activities focus on investments in various kinds of assets and securities in G7 markets, the Brazilian market, the U.S. market and any other market that may fit



within the Funds' objectives and strategies described in their Private Placement Memoranda or other clients' objectives and risk profile.

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

### **Assets Under Management**

As of December 31, 2022, Verde had assets under management of approximately US\$ 1,5 billion, all of which was managed on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

### **Verde's Basic Management Fees**

The specific manner in which fees are charged by Verde is established in a client's written agreement with Verde and, with respect to the private investment companies it manages, are disclosed in their Private Placement Memoranda. Generally, and pursuant to contract, fees for the management of private investment companies, such as the Funds, will be based upon a percentage of the total assets in the account (including margined assets). Currently, Verde generally receives a management fee between 0.50% and 2.50% per annum of the net asset value of the Funds, deducted on a monthly basis in arrears.

Verde's actual fees, minimum fees, and minimum account sizes may also be negotiated and may vary from the fees described above. A client may pay more or less fees than similar clients depending on the particular circumstances of the client, size of investment, additional or differing levels of servicing or as otherwise agreed with specific clients. Clients that negotiate fees, including a flat fee, may end up paying a higher fee than that set forth in Verde's fee schedules as a result of fluctuations in the client's assets under management and account performance.

### **Calculation and Deduction of Advisory Fees**

Advisory fees are generally calculated and deducted on a monthly basis in arrears. When Verde provides direct investment advisory services for accredited investors and qualified clients on a discretionary basis, clients authorize Verde to directly debit management fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable month (with the exception of *de minimis* contributions and withdrawals). Accounts initiated or terminated during a month will be charged a prorated fee.



Advisory contracts may generally be terminated by either party upon 30–60 days’ written notice for private investment companies and 30–90 days’ written notice for other clients. As fees are generally charged in arrears, no refund of advisory fees should be necessary. Verde may have negotiated advisory contracts which differ from Verde’s termination fees.

### **Other Fees and Expenses**

In addition to investment management fees and performance-based fees described in Item 6 below, investors in the Funds will indirectly bear any other costs charged to the Funds. Such costs will vary and typically include, though are not limited to, accounting, legal, fund administration fees and other related costs. Furthermore, Verde’s fees will be exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. The impact of mark-ups and mark-downs shall also be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by sub-managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Verde’s fee, and Verde shall not receive any portion of these commissions, fees, and costs.

Furthermore, Verde will engage institutions to act as custodians, broker-dealers and prime brokers on behalf of its clients. Under these arrangements, clients are advised that they will be charged securities brokerage fees, account maintenance fees and custodial fees by these institutions. Item 12 further describes the factors that Verde considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Prepaid Fees**

Verde will not charge clients fees in advance.

### **Compensation for the Sale of Securities**

Neither Verde nor Verde’s supervised persons will accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of investment funds.



## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

In addition to management fees, Verde will also charge clients performances fees or allocations based upon a percentage of the net capital appreciation in clients' investments for the year. With respect to the management of the Funds, Verde generally receives a performance fee or allocation. Such performance fee or allocation varies among the Funds but is generally calculated on either an annual or semi-annual basis and is equal to an amount between 10% and 20% of the appreciation in the net asset value per series of shares over a threshold return. The performance fee or allocation relevant to each Fund is described in detail in each Fund's Private Placement Memorandum, including details regarding timing and method of calculation. Verde receives the same economic benefit regardless of whether it receives a "performance fee" or a "performance allocation."

Certain of the Funds and other client accounts, that Verde manages are not charged a performance-based fee. They are only charged a management fee. Performance based fee arrangements may create an incentive for Verde to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Performance fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Verde has procedures to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## ITEM 7 – TYPES OF CLIENTS

Verde primarily provides portfolio management services to private investment companies, as well as accredited investors and qualified clients on a discretionary basis. In addition, Verde provides investment management services to managed accounts.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### **General Investment Strategies and Methods of Analysis**

Verde manages a wide array of Funds, consisting primarily of hedge funds and other private pooled investment vehicles, which invest in positions capitalizing on macroeconomic and other trends



primarily in emerging market and G7 market countries. Verde provides investment advisory and management services to its clients in accordance with the objectives and guidelines as stated in each Private Placement Memorandum.

For U.S. domiciled and offshore clients, Verde offers both a fixed income and equity management strategy designed to provide sophisticated investors with the opportunity to seek long-term positive absolute returns with low volatility. Verde aims to achieve capital appreciation by allocating a majority of its clients' portfolios to long and short investments related to equities, equities indexes, currencies, interest rates, sovereign and corporate bonds, commodities, distressed securities, options and shares of investment funds under professional management.

Verde may rely on selected portfolio management officers to make investment selections and asset allocation decisions for the private investment companies and/or other clients they manage. Verde and its selected portfolio management officers will utilize various financial publications and third-party research to make initial asset allocation decisions and subsequent tactical decisions. Asset allocation programs focus on the private investment companies' specific investment objectives and risk tolerances to develop an appropriate mix of investment alternatives. Additionally, Verde will utilize fundamental and technical methods of analyzing investment opportunities. Verde may also follow a number of other strategies with respect to private investment companies, including long and short-term purchases, margin transactions and options. Other clients' accounts are similarly managed. However, as discussed below, investing in securities and other investment products involves risk of loss that clients should be prepared to bear.

### **Material Risks for Significant Investment Strategies**

While it is the intention of Verde to implement strategies which are designed to minimize potential losses suffered by its clients, there can be no assurance that such strategies will be successful. The following is a discussion of certain material risks for Verde's significant investment strategies, but it does not purport to be a complete explanation of the risks involved in Verde's investment strategies. The particular risks associated with an investment in any of the Funds are discussed in their offering documents, such as the Funds' private placement memoranda.

It is possible that a client may lose a substantial proportion or all of its assets in connection with investment decisions made by Verde, and there is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of capital growth or that a client's investment objective will be met by Verde. The risks of investing in emerging markets, such as Brazil and other Latin American countries, as well as investing in non-U.S. securities are significant. In addition, Verde may invest, on behalf of its clients, in lower-rated securities,





distressed securities, derivatives and convertible securities, or engage in short-selling, which have inherent risks. A client's portfolio may also be subject to interest rate risks, sovereign debt risks and currency risks, which may adversely affect the value of a client's portfolio. Clients, as well as investors in the Funds, must also pay attention to the risks discussed in each Fund's Private Placing Memoranda.

### **Material Risks for Particular Types of Securities**

Verde does not recommend primarily a particular type of security. Certain material risks involved in Verde's general investment strategies are described above. In addition, clients and investors in the Funds are urged to consult the relevant Fund's Private Placing Memorandum for a more detailed description of the risks involved in an investment in the particular Fund.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Neither Verde nor its supervised persons have been the subject of a disciplinary event or action that is material to a client's or a prospective client's evaluation of Verde's advisory activities or the integrity of Verde's management and services.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Broker-Dealer Registration**

Neither Verde nor Verde's management persons are registered with the Securities and Exchange Commission ("SEC") as a broker-dealer or registered representatives, respectively.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

Verde has registered as a "commodity pool operator" ("CPO") and "commodity trading advisor" ("CTA") with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). As a registered CPO, Verde made exemption filings with the CFTC pursuant to CFTC Rule 4.7.



## **Other Material Relationships**

Verde is affiliated with a non-U.S. investment adviser, Verde Asset Management S.A. (“VAM”). VAM does not maintain a place of business in the U.S. or offer services in the U.S. or to U.S. Persons. Other than its relationship with VAM, Verde does not have any relationships or arrangements that are material to Verde’s advisory business or to its clients that Verde or any of its management persons have with any of the following related persons: (i) a broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund); (iii) any other investment adviser or financial planner; (iv) a futures commission merchant, commodity pool operator, or commodity trading advisor; (v) a banking or thrift institution; (vi) an accountant or accounting firm; (vii) a lawyer or law firm; (viii) an insurance company or agency; (ix) a pension consultant; and (x) a real estate broker or dealer sponsor or syndicator of limited partnerships.

## **Other Financial Industry Activities or Affiliations**

Verde does not have any relationships or arrangements that are material to Verde’s advisory business or to its clients.

## **Financial Interest in Transactions**

Verde may recommend to clients the purchase or sale of securities in which one or more of its related persons has a financial interest or position. For example, employees of Verde and its affiliates may serve as directors of various companies that Verde may purchase or sell on behalf of its clients. Any such outside activities, however, are subject to Verde's policies and procedures on the matter.

## **Proprietary Trading**

Verde generally does not engage in any proprietary trading for its own account, but certain affiliates may do so, in compliance with applicable law. Verde and its affiliates may provide seed capital to collective investment vehicles or separate accounts (collectively “Vehicles”) sponsored by Verde and/or its affiliates to fund new investment strategies in order to establish performance track records or for hedging purposes. As a result of these seed capital contributions, the interest of Verde and/or its affiliates in such Vehicles may vary from 0% to 100% of the total contributed capital and such vehicles could be considered proprietary accounts in certain circumstances.



If Verde provides seed capital to Vehicles, generally, Verde will be subject to the same withdrawal terms applicable to the other investors unless regulatory requirements dictate otherwise. Certain of these investments made by Verde may not be subject to the management fee or incentive allocation. In addition, Verde may have access to information regarding the investments and performance of the Vehicle's portfolios that might not generally be available to other investors and may take action adverse to Verde's clients based on such information.

Employees of Verde may engage in transactions in securities for their personal accounts that they also recommend to Verde's clients. Transactions in securities to be made for the personal interest of an employee of Verde are subject to Verde's internal policies. Accordingly, employee trades are subject to pre-clearance requirements, as well as trading prohibitions designated to avoid conflicts of interest with clients.

### **Receipt of Compensation from Investment Advisers**

Verde generally does not recommend or select other investment advisers for its clients. In addition, Verde does not receive compensation directly or indirectly from investment advisers and does not have other business relationships with other investment advisers (with the exception of certain distribution and/or referral agreements described in Item 14 below).

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics and Personal Trading Policies**

Verde has adopted a Code of Ethics (the "Code") that permits, under certain circumstances, personnel covered by the Code ("Covered Persons") to invest in certain securities, including securities that may be purchased or held by Verde's clients, for their own accounts. The Code governs the investment in securities by Covered Persons. The purpose of the Code is to ensure that personal transactions do not conflict with client transactions and that in any situation where the potential for conflict exists, client interests take precedence.

Covered Persons may not purchase or sell any covered security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which to his or her actual knowledge at the time of such purchase or sale: (i) is being considered for purchase or sale by a client; or (ii) is being purchased or sold by a client.



Covered Persons may not reveal to any other person (except in the normal course of his or her duties on behalf of clients) any information regarding securities transactions by clients or consideration by Verde of any such securities transaction.

Covered Persons may not recommend any securities transaction for clients without having disclosed his or her interest, if any, in such securities or the issuer thereof, including without limitation (i) his or her direct or indirect beneficial ownership of any securities of such issuer; (ii) any contemplated transaction by such person in such securities; (iii) any position with such issuer or its affiliates; and (iv) any present or proposed business relationship between such issuer or its affiliates, on the one hand, and such person or any party in which such person has a significant interest, on the other.

All Covered Persons shall obtain approval before directly or indirectly acquiring beneficial ownership in any securities in an initial public offering or a limited offering.

Verde will provide a copy of the Code to any client or prospective client upon request.

## **Privacy Policy**

Verde or a related party may from time to time perform a variety of services for, or solicit business from, a variety of companies, including issuers of securities that are purchased and sold by the private investment companies or managed accounts of Verde's clients. In connection with providing these services, Verde and its respective affiliates may come into possession from time to time of material nonpublic and other confidential information which if disclosed might affect an investor's decision to buy, sell or hold a security. Under applicable law, Verde is prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether such other person is a client of Verde. Accordingly, should Verde come into possession of material nonpublic or other confidential information with respect to any issuer, it will be prohibited from communicating such information to its clients, and Verde will have no responsibility or liability for failing to disclose such information to its clients as a result of following its policies and procedures designed to comply with applicable law.

Verde recognizes and respects the privacy concerns of its clients and investors. Verde does not disclose any nonpublic personal information about clients or investors or former clients or investors to anyone, except as permitted by law, or as described below.

Verde may collect nonpublic personal information about clients and investors (such as their name, address, social security number, account balance, redemption or withdrawal history, assets, income and occupation) from the following sources:



- ▶ Information received from clients on account applications, agreements, questionnaires or other forms;
- ▶ Information about transactions with Verde, their affiliates or others; and
- ▶ Information received from clients or investors in written, telephonic or electronic communications with Verde, their affiliates or others.

In order to service clients and investors and effect certain transactions, Verde may provide clients' or investors' personal information to its affiliates and other financial service providers that assist Verde in servicing clients and investors and have a need for such information, such as a broker or fund administrator. Verde may also provide these financial service providers and other funds in which it invests with clients' or investors' personal information for purposes of complying with any regulatory or legal requirement, including without limitation the free-riding and withholding rules of FINRA. Verde does not otherwise provide information about clients to outside firms, organizations or individuals except to Verde's attorneys, accountants and auditors and as permitted by law.

Verde restricts access to nonpublic personal information about clients and investors to its members and employees who need to know that information to provide investment products or services to clients and investors. Verde maintains physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.

In the event that a client or investor invests through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of the financial intermediary will govern how non-public personal information will be shared with non-affiliated third parties by that entity.

### **Participation or Interest in Client Transactions**

Neither Verde nor any person related to Verde recommends to clients, or buys or sells for client accounts, securities in which Verde or a related person has a material financial interest.

### **Investments in Securities by Adviser and its Personnel**

It is possible that Verde and its officers, directors or employees ("affiliates") may buy or sell the same securities bought or sold for the investment companies or separately managed accounts managed by Verde. The results of the investment activities of Verde's account may differ from the results achieved by or for client accounts managed by Verde. The conflicts raised by these circumstances are discussed below.



Personal transactions in securities by Verde or its affiliated persons are subject to Verde's policies and procedures in order to avoid conflicts of interest and misuse of non-public information. In addition, Verde has additional policies and procedures relating to certain personal securities transactions by Verde's personnel which Verde deems to involve potential conflicts including conflicts involving Verde's personnel and client accounts managed by Verde.

Client accounts managed by Verde may trade in the same or similar securities as Verde's own accounts at or about the same time. Investments by Verde's own accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies. This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for Verde's own accounts. If a portfolio decision or strategy for Verde's own accounts is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for a client's account, market impact, liquidity constraints, or other factors could result in the client's account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased.

### **Conflicts Associated with Investment Activities**

Verde has potential conflicts in connection with the allocation of investments or transaction decisions for its own accounts, including in situations in which Verde and its personnel have interests. For example, a client's account may be competing for investment opportunities with Verde's own accounts. Verde will manage its clients' accounts in accordance with their respective investment objectives and guidelines. However, the advice to Verde's own accounts may compete or conflict with the advice Verde may give to a client's account, including with respect to the return of the investment, the timing or nature of action relating to the investment or the method of exiting the investment.

Verde's own accounts may buy or sell positions while a client's account is undertaking the same or a differing, including potentially opposite strategy, which could disadvantage the client's account. For example, a client's account may buy a security and Verde's own account may establish a short position in that same security. That subsequent short sale may result in impairment of the price of the security which the client's account holds. Conversely, a client's account may establish a short position in a security and Verde or Verde's own account may buy that same security. The subsequent purchase may result in an increase of the price of the underlying position in the short sale exposure of the client's account and such increase in price would be to the client's account's detriment. Conflicts may also arise because portfolio decisions regarding a client's account may benefit Verde.



For example, the sale of a long position or establishment of a short position by a client's account may impair the price of the same security sold short by (and therefore benefit) Verde and Verde's own accounts, and the purchase of a security or covering of a short position in a security by a client's account may increase the price of the same security held by (and therefore benefit) the Verde and Verde's own accounts.

Transactions in investments by one or more Verde's accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly, but not limited to, in small capitalization, emerging market or less liquid strategies. For example, this may occur when portfolio decisions regarding a client's accounts are based on research or other information that is also used to support portfolio decisions for Verde's accounts or other client accounts. When Verde, on behalf of one or more client accounts implements a portfolio decision or strategy ahead of, or contemporaneously with, similar portfolio decisions or strategies for a client's account (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints, or other factors could result in the client account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased or the client account could otherwise be disadvantaged. Verde may, in certain cases, elect to implement internal policies and procedures designed to limit such consequences, which may cause a client's account to be unable to engage in certain activities, including purchasing or disposing of securities, when it might otherwise be desirable for it to do so.

Verde may, but is not required to, aggregate purchase or sale orders for client accounts with trades for other accounts managed by Verde, including accounts of other clients. When orders are aggregated for execution, it is possible that Verde and its personnel's interests will receive benefits from such transactions, even in limited capacity situations. While Verde maintains policies and procedures that it believes are reasonably designed to deal with conflicts of interest that may arise in certain situations when purchase or sale orders for a client's account are aggregated for execution with orders for accounts of other clients, in some cases Verde will make allocations to accounts in which the Verde and its personnel have an interest.

Verde's own accounts and one or more client accounts may also invest in different classes of securities of the same issuer. As a result, Verde and Verde's own accounts may pursue or enforce rights with respect to a particular issuer in which a client's account has invested, and those activities may have an adverse effect on the client's account. For example, if an Verde's own account holds debt securities of an issuer and another client's account holds equity securities of the same issuer, then if the issuer experiences financial or operational challenges, the Verde's own account which holds the debt securities may seek a liquidation of the issuer, whereas the client's account which



holds the equity securities may prefer a reorganization of the issuer. In addition, Verde may also, in certain circumstances, pursue or enforce rights with respect to a particular issuer jointly on behalf of one or more Verde's own accounts or client's accounts, or may work together to pursue or enforce such rights.

Certain clients' accounts may be negatively impacted by Verde's activities, including those on behalf of Verde's own accounts and activities and transactions for such clients' accounts may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had Verde's own accounts not pursued a particular course of action with respect to the issuer of the securities. In addition, in certain instances Verde's personnel may obtain information about the issuer that would be material to the management of Verde's own accounts that could limit the ability of such personnel to buy or sell securities of the issuer on behalf of clients' accounts.

Transactions undertaken by Verde's clients may also adversely impact one or more client accounts. Other clients of the Verde may have, as a result of receiving client reports or otherwise, access to information regarding Verde's transactions or views that may affect their transactions outside of accounts controlled by Verde, and such transactions may negatively impact other clients' accounts. A client's account may also be adversely affected by cash flows and market movements arising from purchase and sale transactions by, as well as increases of capital in and withdrawals of capital from, other clients' accounts. These effects can be more pronounced in less liquid markets.

The results of the investment activities of a client's account may differ significantly from the results achieved by Verde for its proprietary accounts and from the results achieved by Verde for other client accounts.

## ITEM 12 – BROKERAGE PRACTICES

### **Broker-Dealer Selection**

Verde has full discretion to select brokers or dealers as well as the commission rates at which the transactions for clients are effected. Verde expects to use third party broker-dealers for its trades. All trades are subject to best execution, as described below.

Verde will, in arranging for the purchase and sale of portfolio securities, take numerous factors into consideration. These include any legal restrictions, such as those imposed under the securities laws, and any client imposed restrictions. Within these constraints, Verde will employ or deal with members of the securities exchanges and other brokers and dealers as may in its judgment





implement the policy of obtaining best execution (*i.e.*, prompt and reliable execution at the most favorable prices obtainable under the prevailing market conditions) of portfolio transactions.

In determining the abilities of a broker or dealer to obtain best execution for portfolio transactions, Verde will consider all relevant factors, including the execution capabilities required by the transactions; the ability and willingness of the broker or dealer to facilitate the portfolio transactions by participating therein for its own account; the importance to the account of speed, efficiency and confidentiality; the broker or dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker or dealer; as well as other matters relevant to the selection of a broker or dealer for portfolio transactions for any account. Verde will not adhere to any rigid formula in making the selection of the applicable broker or dealer for portfolio transactions, but will weigh a combination of the preceding factors.

Where it has discretion to select brokers or dealers, Verde will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the investment companies. Although Verde will generally seek competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

### **Research and Other Soft Dollar Benefits**

Verde currently has no written soft dollar agreements and did not, in its last fiscal year, direct client transactions to any particular broker-dealer in return for any soft dollar benefits.

However, when Verde uses a third party broker and consistent with obtaining best execution, brokerage commissions on client portfolio transactions may be directed to brokers in recognition of research services furnished by them, as well as for services rendered in the execution of orders by such brokers. As a general matter, such research services are used to service all of Verde's clients. However, each and every research service may not be used to service each and every client managed by Verde, and brokerage commissions paid by one account may apply towards payment for research services that may not be used in the service of that account. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or



services, general office equipment or premises, membership fees, employee salaries or direct money payments.

There is no agreement or formula for the allocation of brokerage business on the basis of research services, except that certain brokers that provide specified statistical and performance measurement services state in advance the amount of brokerage commissions they require for such services. Verde may, in its discretion, cause the client to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where Verde has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, Verde would not be required to place or attempt to place a specific dollar value on the brokerage or research services provided by such broker.

When Verde uses its client's brokerage commissions (or markups or markdowns) to obtain research or other products or services, Verde receives a benefit because it does not have to produce or pay for such research, products or services. Verde may have an incentive to select or recommend a broker-dealer based in its interest in receiving the research or other products or services, rather than on its clients' interest in receiving the most favorable execution. In addition, Verde may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact here.

When allocating trades to clients, Verde must ensure that over time each client is treated fairly and equitably in the execution of transactions. Therefore, trading personnel must ensure that, over time:

- ▶ Clients are treated fairly as to the securities purchased or sold for their accounts;
- ▶ Clients are treated fairly with respect to the priority of execution of orders;
- ▶ Clients are treated fairly in the allocation of trades;
- ▶ Allocation of trades is done on a timely basis; and
- ▶ All accounts participating in an aggregated order receive average price and share transaction costs pro-rata.

With respect to securities purchased in an initial public offering or secondary public offering, it is recognized that, due to the limited availability of new issues, often it is not possible to achieve a complete allocation for all new issue-eligible accounts on every trade. Portfolio management personnel must ensure that no trade allocation unfairly advantages or disadvantages one or more clients or investment strategies over another, and that over time such client accounts are all treated fairly.



## **Brokerage for Client Referrals**

Verde generally does not consider, in selecting or recommending broker-dealers, whether Verde or a related person receives client referrals from a broker-dealer or third party.

## **Aggregation of Trades**

Verde has the fiduciary duty to execute orders for its clients fairly and equitably. Verde follows procedures pursuant to which it may, for clients who permit it, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients (sometimes called “bunching”) so that they can be executed at the same time. The participating accounts that may be bunched in an order may include both client accounts as well as Verde’s own accounts. The procedures followed by Verde may differ depending on the particular strategy or type of investment. Verde may not bunch or aggregate orders if: (1) portfolio management decisions for different accounts are made separately; or (2) Verde determines that bunching or aggregating is not practicable.

Verde may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for accounts that are not aggregated.

## **Directed Brokerage**

Verde generally has the discretionary authority to determine and direct execution of portfolio transactions within the client’s specified investment objectives without prior consultation with the client on a transaction-by-transaction basis.

Some clients, however, may limit Verde’s discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements and may direct Verde to place transactions for their accounts with a particular broker-dealer, to, among other things, defray consulting fees or other fees. Where a client directs the use of a particular broker-dealer, Verde may be unable to achieve most favorable execution of client transactions and the client may pay more in execution fees than if Verde was permitted to choose the executing broker. In such cases, Verde may not be able to freely negotiate commission rates. In addition, Verde may not be able to aggregate the client’s orders with other client orders to reduce transaction costs.

Lastly, in an effort to achieve orderly execution of transactions, execution of orders for clients that have designated particular brokers may, in certain circumstances, be delayed until after Verde completes the execution of non-designated orders.



## ITEM 13 – REVIEW OF ACCOUNTS

Verde has procedures in place for reviewing portfolio transactions for consistency with investment objectives, and that over time investment opportunities are fairly allocated among eligible accounts. Verde's investment professionals review the relevant portfolios periodically and on an on-going basis and provide reports in a manner, and at a frequency, as may have been negotiated with the client(s) or as set forth in the relevant applicable documentation. Such reports generally include information about the performance of a client's portfolio(s). In addition, clients generally are provided with periodic reports and other relevant reporting information as applicable. Special reports may be developed to meet specific client requirements or respond to client inquiries.

The investments made by Verde's clients are generally long-term in nature. Accordingly, the review process is not directed towards a short-term decision to purchase or sell securities.

However, Verde monitors companies in which its clients invest and generally maintains an ongoing evaluation of such companies.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### **Other Compensation**

No person who is not a client of Verde provides an economic benefit to Verde for providing investment adviser or other advisory services to Verde's clients.

### **Compensation for Client Referrals**

Neither Verde nor any related person directly or indirectly compensates any person who is not a supervised person of Verde for client referrals. Note that certain private investment companies managed by Verde and Verde itself have entered into distribution and/or referral agreements in which third-parties (*e.g.*, other financial institutions) are hired as intermediaries to distribute interests of the private investment companies and assist their clients with investments in the private investment companies managed by Verde. As remuneration for their services, intermediaries are entitled to receive remuneration represented by a percentage of the management fee paid to Verde, based on the net asset value of the particular private investment company managed by Verde.



## ITEM 15 – CUSTODY

Investors in the Funds receive audited annual financial statements of the particular Fund, and they typically receive additional performance information as specified in their agreements with the particular Fund.

U.S. clients with separately managed accounts should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the clients' investment assets. Verde urges such clients to carefully review such statements and compare such official custodial records to the account statements that Verde may provide to U.S. clients with separately managed accounts. Verde's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Verde notes that, under the "regulation lite" regime, a non-U.S. adviser (a "foreign adviser") is permitted to treat the non-U.S. funds that it manages as its clients for all purposes of the Investment Advisers Act of 1940, as amended (the "Advisers Act") other than for certain registration and reporting sections. The investors in the non-U.S. funds are not treated as the foreign adviser's clients for these purposes. Thus, U.S. investors in non-U.S. funds that are managed by a foreign adviser are not considered U.S. clients of the foreign adviser. Accordingly, most of the substantive provisions of the Advisers Act, including the rules relating to custody, would not apply to Verde with respect to the non-U.S. Funds managed by Verde. Verde and the custodians will, however, be subject to the laws and regulations in their countries of residence.

## ITEM 16 – INVESTMENT DISCRETION

Verde typically receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Verde observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Verde in writing and, with respect to the Funds, are disclosed in the Private Placement Memorandum of each Fund.



## ITEM 17 – VOTING CLIENT SECURITIES

### Proxy Voting Policy

Verde will be subject to the laws and regulations regarding proxy voting in its country of residence.

In relation to certain investments made by Verde on behalf of its clients, Verde has the authority to vote proxies. Verde has adopted and implemented a written policy and procedures reasonably designed to ensure that it votes proxies for client securities in the best interest of clients and addresses material conflicts that may arise between its interests and those of its clients relating to proxy voting.

The Portfolio Management Department administers the voting of all client proxies in accordance with Verde's proxy voting policies. In situations where Verde or the Portfolio Management Department identifies potential conflicts of interest, Verde may, among others, (i) delegate the voting decision to an independent third party or an independent committee of partners, members, directors or other representatives of the clients, (ii) inform clients of the conflict and obtain their consent, (iii) obtain approval from Verde's Compliance Officer or (iv) abstain from voting on that particular matter.

Verde's proxy voting policy and procedures and information on how specific proxies were voted are available to clients and investors upon request.

## ITEM 18 – FINANCIAL INFORMATION

Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about Verde's financial condition. Verde does not require prepayment of any fees, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Accordingly, no financial statements are required to be provided by Verde to its clients and prospective clients.